



**HAP SENG
CONSOLIDATED BERHAD**

**ANNUAL
REPORT
2022**



ABOUT US

Hap Seng Consolidated Berhad (“HSCB”) is a public company listed on the Main Market of Bursa Malaysia Securities Berhad. HSCB is a diversified group with six core businesses namely plantation, property, credit financing, automotive, trading and building materials.

Progressive and forward-looking, the Group’s emphasis on value creation, operational excellence and sustainability has enabled the Group to consistently deliver value to our shareholders.

MISSION STATEMENTS

To provide quality products and excellent services that differentiates us from others.

To be the preferred partner and promote win-win business relationships.

To achieve sustainable growth and returns for our shareholders over the long term.

To be the employer of choice.

To be a good corporate citizen in harmony with the environment and the communities we serve.

OUR SIX BUSINESS DIVISIONS

PLANTATION



PROPERTY



CREDIT FINANCING



AUTOMOTIVE



TRADING



BUILDING MATERIALS



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Proxy Form

CORPORATE INFORMATION

BOARD OF DIRECTORS

Thomas Karl Rapp

Independent Non-Executive Chairman

Datuk Edward Lee Ming Foo, JP

Managing Director

Lee Wee Yong

Executive Director

Cheah Yee Leng

Executive Director

Datuk Simon Shim Kong Yip, JP

Non-Independent
Non-Executive Director

Leow Ming Fong @ Leow Min Fong

Independent Non-Executive Director

Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah

Independent Non-Executive Director

Tan Boon Peng

Independent Non-Executive Director

Wong Yoke Nyen

Independent Non-Executive Director

COMPANY SECRETARY

Lim Guan Nee
(MAICSA 7009321)
SSM Practising Certificate No.
202008003410

REGISTERED OFFICE

21st Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Tel : 603-2172 5228
Fax : 603-2172 5286
E-mail: inquiry@hapseng.com
Website: www.hapseng.com

PLACE OF INCORPORATION

Malaysia

SHARE REGISTRAR

Boardroom Share Registrars
Sdn Bhd
Registration No. 199601006647
(378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7890 4700
Fax : 603-7890 4670

AUDITORS

Ernst & Young PLT
202006000003 (LLP0022760-LCA)
& AF 0039
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

PRINCIPAL BANKERS

Malayan Banking Berhad
RHB Bank Berhad
Public Bank Berhad
United Overseas Bank (Malaysia)
Berhad
HSBC Bank Malaysia Berhad
AmBank (M) Berhad
OCBC Bank (Malaysia) Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
DBS Bank Ltd

GROUP

Hap Seng Consolidated Berhad
together with its subsidiaries

GROUP FINANCIAL HIGHLIGHTS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2022	2021	2020	2019	2018
INCOME (RM'000)					
Revenue	7,110,496	6,012,754	5,850,326	7,096,067	6,246,519
Profit before interest and tax	1,455,367	1,610,004	1,310,656	1,710,592	1,558,123
Profit before tax	1,330,460	1,449,898	1,106,935	1,476,813	1,394,178
Profit attributable to owners of the Company	950,655	900,433	750,179	1,162,871	1,145,608
FINANCIAL POSITION (RM'000)					
Assets					
Total assets	18,654,245	17,481,224	17,269,962	17,372,884	15,575,804
Net assets	7,673,661	7,507,391	7,484,328	7,340,166	7,025,388
Current assets	6,895,636	7,524,553	8,324,346	7,878,204	7,092,661
Liabilities					
Current liabilities	4,250,747	3,943,221	4,542,273	5,022,768	3,832,530
Borrowings	7,069,000	6,316,317	6,490,655	6,381,186	5,428,983
Net borrowings *	4,213,074	3,222,631	3,505,735	4,073,624	3,788,635
Equity					
Paid-up share capital	3,519,554	3,519,554	3,519,554	3,519,554	3,519,554
Shareholders' equity	7,673,661	7,507,391	7,484,328	7,340,166	7,025,388
Total equity	8,994,223	8,704,759	8,657,593	8,618,856	8,296,743
Total equity (excluding intangible assets)	8,956,389	8,666,823	8,619,555	8,575,053	8,243,896
Number of shares					
- Weighted average shares in issue net of treasury shares ('000)	2,489,670	2,489,670	2,489,670	2,489,670	2,489,674
- Shares in issue net of treasury shares ('000)	2,489,670	2,489,670	2,489,670	2,489,670	2,489,672
SHARE INFORMATION					
Per share					
Basic earnings (sen) #	38.18	36.17	30.13	46.71	46.01
Net assets (RM) @	3.08	3.02	3.01	2.95	2.82
Dividend (sen)	30.00	35.00	25.00	35.00	35.00
Share price					
- Year High (RM)	8.30	8.85	10.08	10.26	10.20
- Year Low (RM)	5.75	7.30	6.70	9.45	8.70
- As at 31 December (RM)	6.40	7.70	8.60	9.98	9.85
Market capitalisation (RM'000)	15,933,885	19,170,459	21,411,162	24,846,907	24,523,269
Trading volume ('000)	119,715	93,248	119,031	102,267	120,484
FINANCIAL RATIOS					
Return on total assets (%)	5.10	5.15	4.34	6.69	7.36
Return on shareholders' equity (%)	12.39	11.99	10.02	15.84	16.31
Current ratio (times)	1.62	1.91	1.83	1.57	1.85
Net Debt-to-Equity ratio (times) ^	0.47	0.37	0.41	0.48	0.46

* Net borrowings comprised borrowings net of money market deposits and cash and bank balances

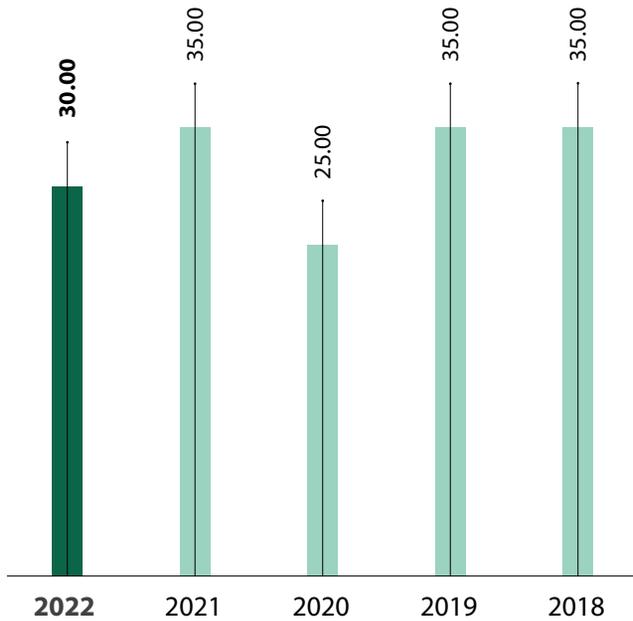
Based on weighted average number of shares in issue net of treasury shares

@ Based on number of shares in issue net of treasury shares

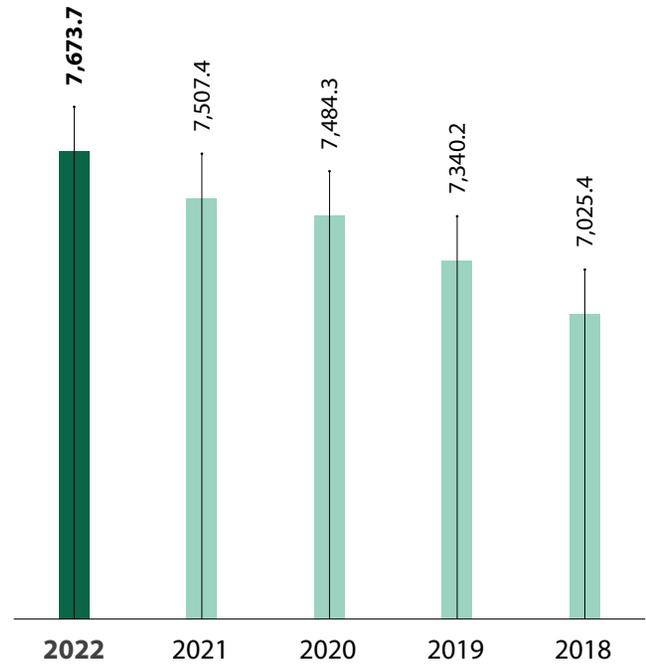
^ Net Debt-to-Equity ratio is computed based on net borrowings and total equity (excluding intangible assets)

GROUP FINANCIAL HIGHLIGHTS

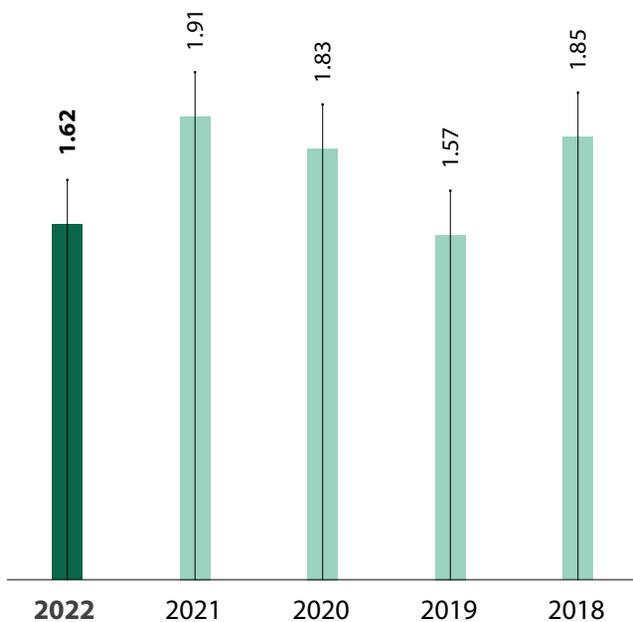
DIVIDEND PER SHARE (sen)



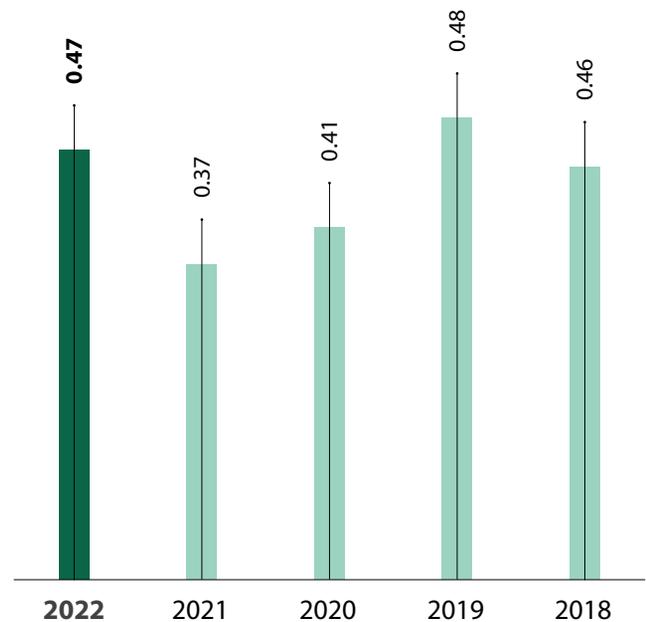
SHAREHOLDERS' EQUITY (RM'million)



CURRENT RATIO (times)

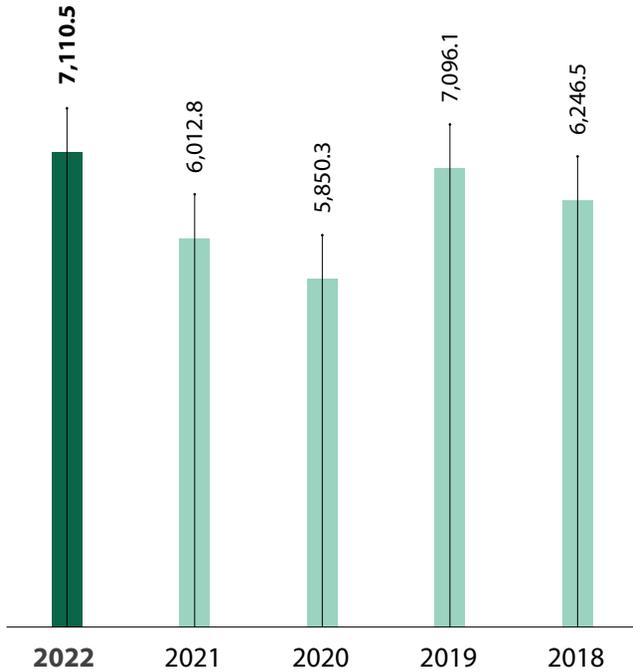


NET DEBT-TO-EQUITY RATIO (times)

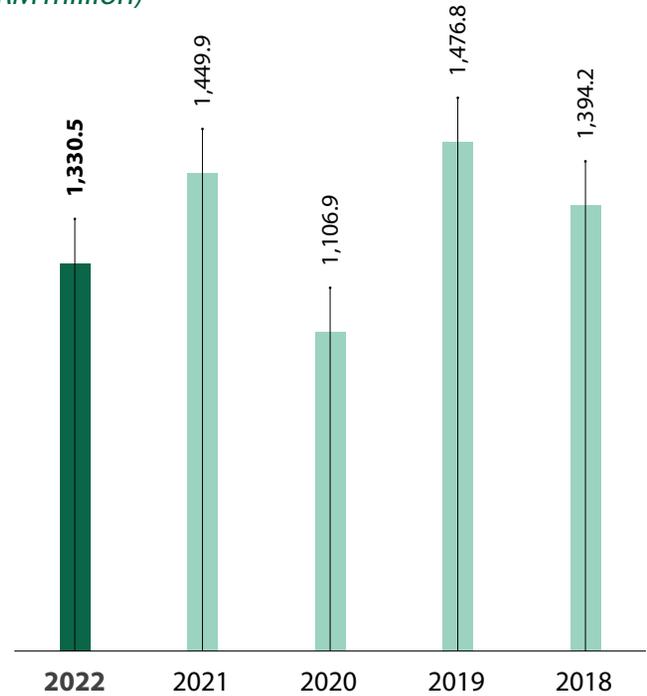


GROUP FINANCIAL HIGHLIGHTS

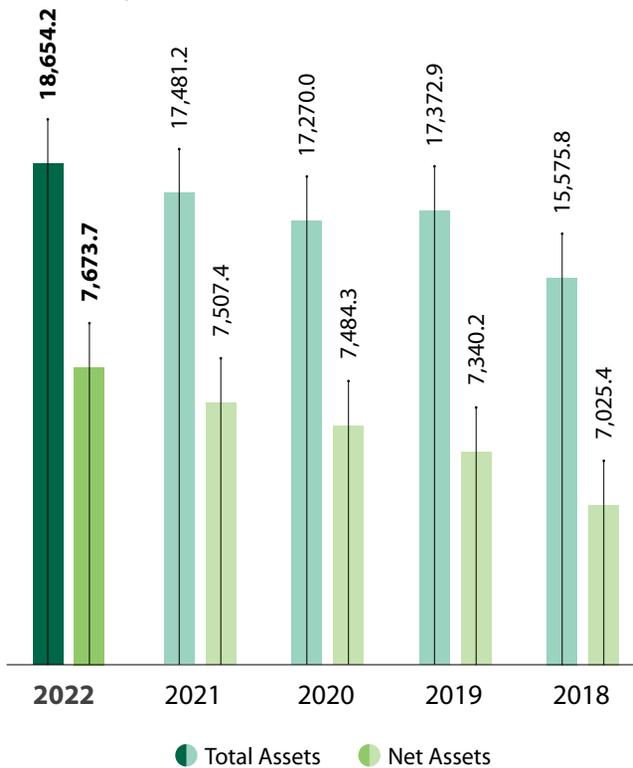
REVENUE (RM'million)



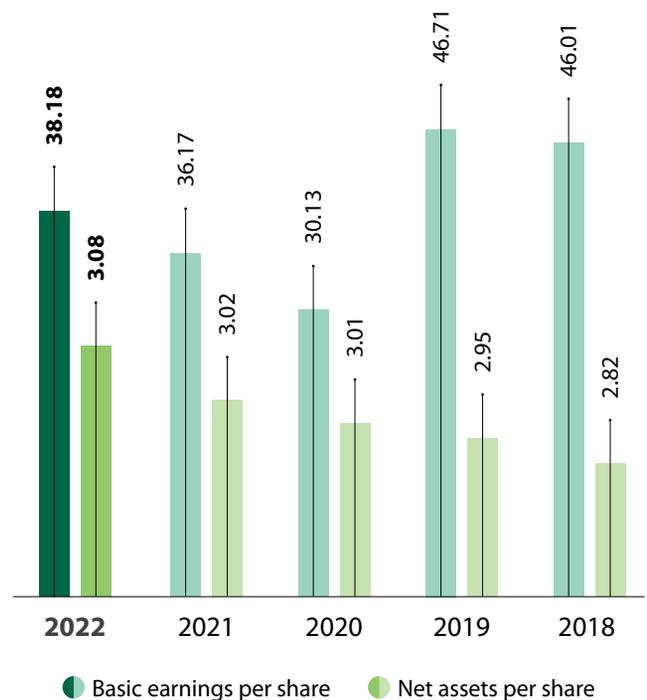
PROFIT BEFORE TAX (RM'million)



TOTAL ASSETS/NET ASSETS (RM'million)



BASIC EARNINGS PER SHARE/ NET ASSETS PER SHARE (sen)/(RM)



● Total Assets ● Net Assets

● Basic earnings per share ● Net assets per share

MANAGEMENT DISCUSSION AND ANALYSIS

THE GROUP

Hap Seng Consolidated Berhad is a diversified group with six core businesses – plantation, property, credit financing, automotive, trading and building materials.

The Group's operations are predominantly in Malaysia, with market presence in Singapore, Indonesia, China and the United Kingdom.

VISION

Creating Value Together

The Group strives to create value together with all its stakeholders, including its shareholders, customers, business partners and employees, by fostering partnerships built on trust and confidence.

In the course of undertaking its business operations, the Group endeavours to be in harmony with the environment and communities for a better future.

STRATEGIES IN CREATING VALUE

The Group will continue to build on its six core businesses by leveraging on its competencies and strong market presence. The Group

believes in adhering to industry best practices in its operations and will continue to optimise operational efficiency and effectiveness in order to derive maximum value from its products and services.

A key strength of the Group is the synergistic value of its core businesses. The Group shall continue to leverage on these synergies by capitalising on the extensive business networks and customer base of each core business.

MARKET LANDSCAPE

The global gross domestic product (GDP) growth in 2022 declined significantly to about 2.9%, from 5.9% in 2021. This growth deceleration was primarily caused by successive interest rate hikes by the various central banks around the world to rein in inflationary pressures.

Malaysia's GDP grew by 8.7% in 2022 (2021: 3.1%) due to continued easing of containment measures, recovery in labour market and continued policy support that drove higher private consumption. The service sector recorded a 10.9% growth (2021: 1.9%) mainly driven by support in wholesale and retail trade, transportation and storage, and real estate and business services. The mining sector grew by



MANAGEMENT DISCUSSION AND ANALYSIS

3.4% (2021: 0.3%) driven by strong growth in the natural gas subsector. The construction sector rebounded from the contraction last year with growth of 5.0% (2021: decrease of 5.2%) due to strong performance of non-residential buildings and specialised construction activities. In addition, the acceleration of huge infrastructure projects such as the East Coast Rail Link and Rapid Transit System has also supported the construction sector's performance.

Private consumption grew significantly by 11.3% in 2022 (2021: 1.9%) mainly driven by the recovery in the tourism industry, easing of labour shortages, targeted cash assistance from the government, and government subsidies on certain goods and services. Public consumption also grew, albeit at a slower rate, by 3.9% (2021: 6.6%) mainly due to supplies and services for the health-related sector. Private investment recorded strong growth of 7.2% in 2022 (2021: 2.6%) attributable to higher capital spending mainly in the manufacturing and services sectors. Public investment grew by 5.3% in 2022 (2021: contraction of 11.3%) supported by higher public capital expenditures.

The higher private and public consumption also led to higher domestic demand by 9.2% (2021: 1.7%). However, net exports recorded a contraction of 1.8% (2021: contraction of 4.1%).

The 2022 headline inflation at 3.3% (2021: 2.5%) were mainly cost-push driven, caused by a surge in global commodity prices, prolonged supply-related disruption, strengthening US Dollar causing higher import prices and robust domestic demand.

The government has introduced various initiatives in its latest national budget targeted at low to mid-level income individuals, and Micro, Small and Medium Enterprises (MSME), which includes targeted tax deductions, financial aids and assistance programmes to help with the cost of living.

FINANCIAL REVIEW

The Group recorded 18.3% increase in revenue to RM7.11 billion (2021: RM6.01 billion) primarily due to higher contribution from all divisions except for the property and credit finance divisions. The higher revenue was primarily due to much higher commodity prices.

The plantation division continued to record strong revenue growth due to high crude palm oil (CPO) prices. The recovery in the automotive sector supported the revenue growth in the automotive division. Fertilizers trading recorded much

higher revenue due to increase in fertilizer prices. Similarly, the building materials division benefitted from higher contribution from both its quarry and Singapore trading business due to the recovery in the construction sector.

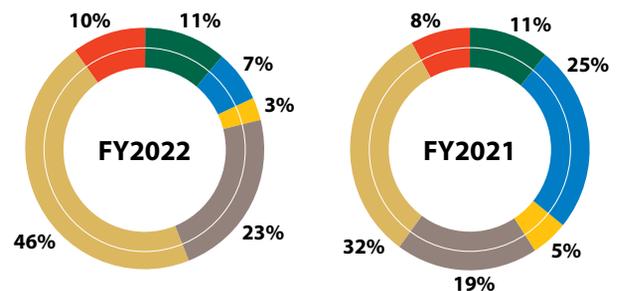
Accordingly, the Group's profit for the year after non-controlling interests for the 2022 financial year increased by 5.6% to RM950.7 million (2021: RM900.4 million).

Group earnings per share increased by 5.6% to 38.18 sen (2021: 36.17 sen). A total dividend of 30 sen per share for the year (2021: 35 sen per share) was declared and paid.

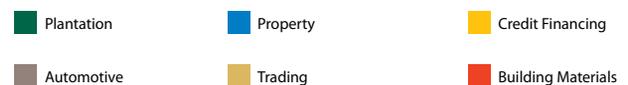
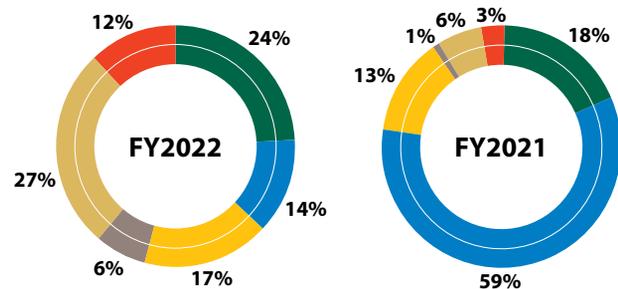
SEGMENTAL PERFORMANCE HIGHLIGHTS

The Group's segmental revenue and operating profit were as follows:

REVENUE



OPERATING PROFIT







Revenue

RM814.6

million



Operating Profit

RM266.9

million

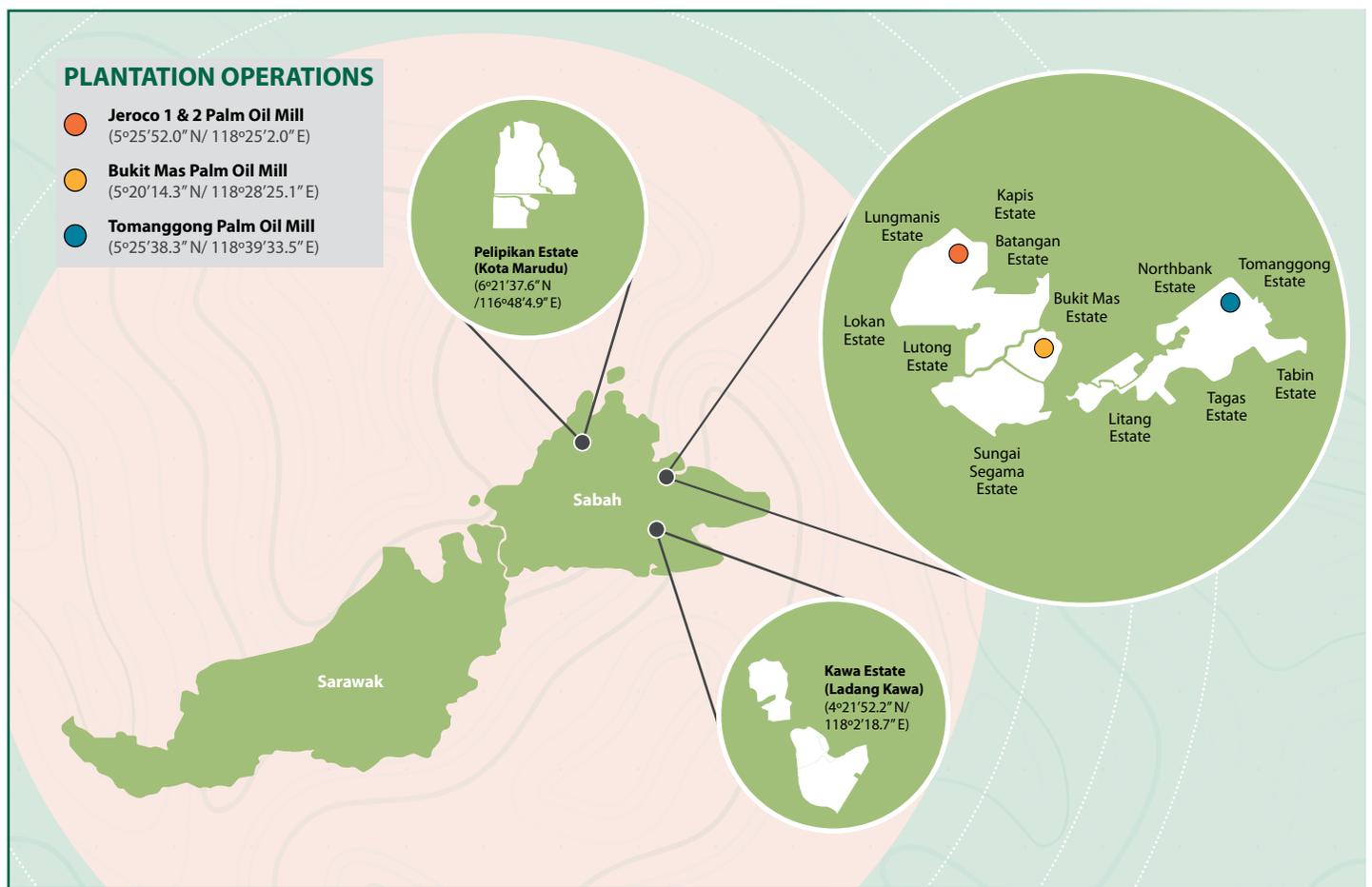


PLANTATION

The Plantation division is an oil palm plantation company listed on Bursa Malaysia. The division is one of the largest producers of sustainable palm oil in Sabah with a landbank of 39,103 hectares across five estates. These estates are the Jeroco Group of Estates (JGOE), Tomanggong Group of Estates (TMGOE), Sungai Segama Group of Estates (SSGOE), Ladang Kawa Estate, Pelipikan and Kota Marudu Estates, with JGOE, TMGOE and SSGOE being contiguous to each other in Lahad Datu. The division also owns and operates four Roundtable on Sustainable Palm Oil (RSPO) certified palm oil mills.



MANAGEMENT DISCUSSION AND ANALYSIS



MARKET CONDITION

In 2022, the Malaysian palm oil industry experienced a significant surge in prices, reaching an all-time high. Despite modest growth in CPO production and exports, total export earnings of oil palm products grew mainly due to better palm product prices. Total CPO production in 2022 increased by 1.9% to reach 18.45 million tonnes (2021: 18.12 million tonnes). Palm oil exports in 2022 amounted to 15.71 million tonnes, a marginal increase of 0.9% or 0.14 million tonnes from the previous year, which was in line with the increase in production.

Crude Palm Oil (CPO) price averaged RM5,087 per tonne (2021: RM4,407 per tonne). The Sabah average CPO price was RM4,786 per tonne (2021: RM4,506 per tonne).

MANAGEMENT STRATEGIES

Vision

The division's vision is to achieve optimum productivity and to be the most cost-efficient producer in Malaysia.

Key Market

The division sells its palm products generally through Spot Sales and Forward Contracts basis. All sales were locally delivered to refiners within Malaysia.

Strategies In Creating Value

As a member of the Roundtable on Sustainable Palm Oil (RSPO), the division is fully committed to sustainability initiatives which are enshrined in the RSPO Principles and Criteria. RSPO has the objective of promoting the growth and use of sustainable oil palm products through credible global standards and engagement of stakeholders.

Benefits of certification amongst others are as follow:

- Better access to international markets, especially Europe
- Price premium for certified sustainable palm oil (CSPO)
- Reduced emission of greenhouse gases through methane capture in effluent treatment plant
- Improved compliance with regulatory requirements

MANAGEMENT DISCUSSION AND ANALYSIS



2022 FINANCIAL REVIEW

The performance of the division was impacted by the overall challenging conditions affecting the plantation industry in Malaysia.

The division revenue for the financial year under review was RM814.6 million, 21.4% higher than the previous financial year of RM670.9 million. Operating profit was 8.8% lower at RM266.9 million (2021: RM292.6 million).

The division recorded average realized CPO and PK prices of RM5,530 per tonne (2021: RM4,432 per tonne) and RM3,278 per tonne (2021: RM2,952 per tonne) respectively for the year.

Average CPO selling price was 15.5% above Sabah average of RM4,786 per tonne and average PK selling price was 7.7% higher than Sabah average of RM3,043 per tonne.

CPO production cost (excluding amortization of bearer plant and surplus on fair value; and after taking into account PK credits) for the financial year was approximately 38.8% higher at RM2,559 per tonne (2021: RM1,844 per tonne) mainly due to increase in minimum wage, higher fertilizer, diesel and input material costs.

OPERATIONAL PERFORMANCE

Planting Operations

As at 31 December 2022, the division had a total planted area of 34,856 hectares (2021: 35,434 hectares) out of a total area of 39,103 hectares. Of the total planted area, approximately 92% or 32,135 hectares (2021: 32,436 hectares) were mature areas, with the average age of 16.6 years (2021: 16.3 years)

	Hectares
Immature	2,721
30 months to 7 years	4,941
> 7 years to 17 years	11,164
> 17 years	16,030
Total planted – oil palm	34,856
Immature – other crops	146
Total planted area	35,002
Reserve plantable	113
Building, road, reserves, etc	3,988
Total Area	39,103

For FY2022, the division had 2,721 hectares of immature of oil palm out of which 1,061 hectares are expected to mature in 2023. The division replanted 828 hectares during the 2022 financial year. The division produced 583,943 tonnes of FFB in 2022 (2021: 593,279 tonnes).

MANAGEMENT DISCUSSION AND ANALYSIS



Area Statement of the division as of 31 December 2022 was as follows:

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of Mature Area
JGOE(i)	14,117	*12,808	11,590	90.5%
TMGOE(ii)	12,806	**11,863	11,220	94.6%
SSGOE(iii)	9,907	8,743	7,737	88.5%
Ladang Kawa	100	100	100	100.0%
Pelipikan	1,365	903	903	100.0%
Kota Marudua	***808	585	585	100.0%
Total	39,103	35,002	32,135	91.8%

(i) JGOE refers to Jeroco group of estates

(ii) TMGOE refers to Tomanggong group of estates

(iii) SSGOE refers to Sungai Segama group of estates

* Including 86 hectares planted with Jelutong trees

** Including 60 hectares planted with Sepat trees

*** Including 81 hectares of land adjoining to the existing land of which the land title is currently under application

Milling Operations

The division's milling operations are undertaken by four mills with a combined milling capacity of 180 FFB tonnes per hour. The division's mills, which include Jeroco Palm Oil Mill 1, Jeroco Palm Oil Mill 2, Tomanggong Palm Oil Mill and Bukit Mas Palm Oil Mill, produced 130,510 tonnes (2021: 133,284 tonnes) of CPO and recorded an average utilization rate of 61.2% in 2022 (2021: 62.2%).



MANAGEMENT DISCUSSION AND ANALYSIS

Sustainability and Food Safety Certification

The division strives to ensure FFB used in its production, whether sourced internally or externally, are certified sustainable. Due to the ongoing RSPO compensation case relating to the Tabin, Northbank and Pelipikan Estates, the division has reviewed, for the 2nd time, the targets to ensure all its FFB achieve RSPO certification by 2025. This revised target of time-bound plan to achieve 100% RSPO certified sustainable palm oil from 2022 to 2025 was accepted by RSPO in 2021 RSPO Annual Communication Progress report.

The division's palm oil mills and estates are 100% and 82% RSPO certified respectively. All its palm oil mills are also International Sustainability and Carbon Certification EU (ISCC EU) certified. In addition, the Group has obtained Malaysian Sustainable Palm Oil (MSPO) certification for all its 14 estates and four palm oil mills in 2018.

The division continues to engage with independent local outgrowers and smallholders to raise sustainability awareness and the benefits associated therewith.

At the time of reporting, nine out of the 11 independent local outgrowers and smallholders (82%) participated in obtaining the RSPO and MSPO certification. Four independent local outgrowers and smallholders have obtained both RSPO and MSPO certification in the period of 31 December 2019 to 19 July 2022 while three independent local outgrowers and smallholders achieved MSPO Certification as at December 2022.

As part of the division's effort to improve the palm products' marketability for food application, all the division's mills are Hazard Analysis Critical Control Points (HACCP), MeSTI (Makanan Selamat Tanggungjawab Industri) and HALAL certified.



SHORT & LONG-TERM GOALS

The various certifications obtained on RSPO, HACCP, MSPO, ISCC EU, HALAL and MeSTI are a testament to the Group's commitment to be a responsible and sustainable palm oil producer in compliance with global sustainability standards for agriculture production. This enhances the Group's customer market access as its palm products are recognised for its quality that meets the premium market requirement.



OUTLOOK FOR 2023

The division's prospect mostly depends on the domestic and global macroeconomic factors that affect the palm oil market, weather conditions in major countries producing oil seeds, government policy on biodiesel and the seasonal cropping pattern of FFB. Palm oil production for the 1st Quarter of 2023 is showing signs of a recovery despite heavy rains and flooding particularly in Sabah.

In 2023, Malaysian palm oil production is forecast to reach close to 19 million tonnes. With this anticipated increase in palm oil production, Malaysia producers will likely face stiff competition from Indonesia producers offering competitive pricing to protect their market share.



PROPERTY



Revenue

RM523.9

million



Operating Profit

RM158.3

million

The Property division is an established property developer in both Peninsular Malaysia and Sabah. The division's property developments are located in strategic locations across the Klang Valley and Sabah. The division's investment properties are located in Kuala Lumpur and Kota Kinabalu. The division unveiled its inaugural 5-star hotel, Hyatt Centric Kota Kinabalu, in October 2022.

Menara Hap Seng 3



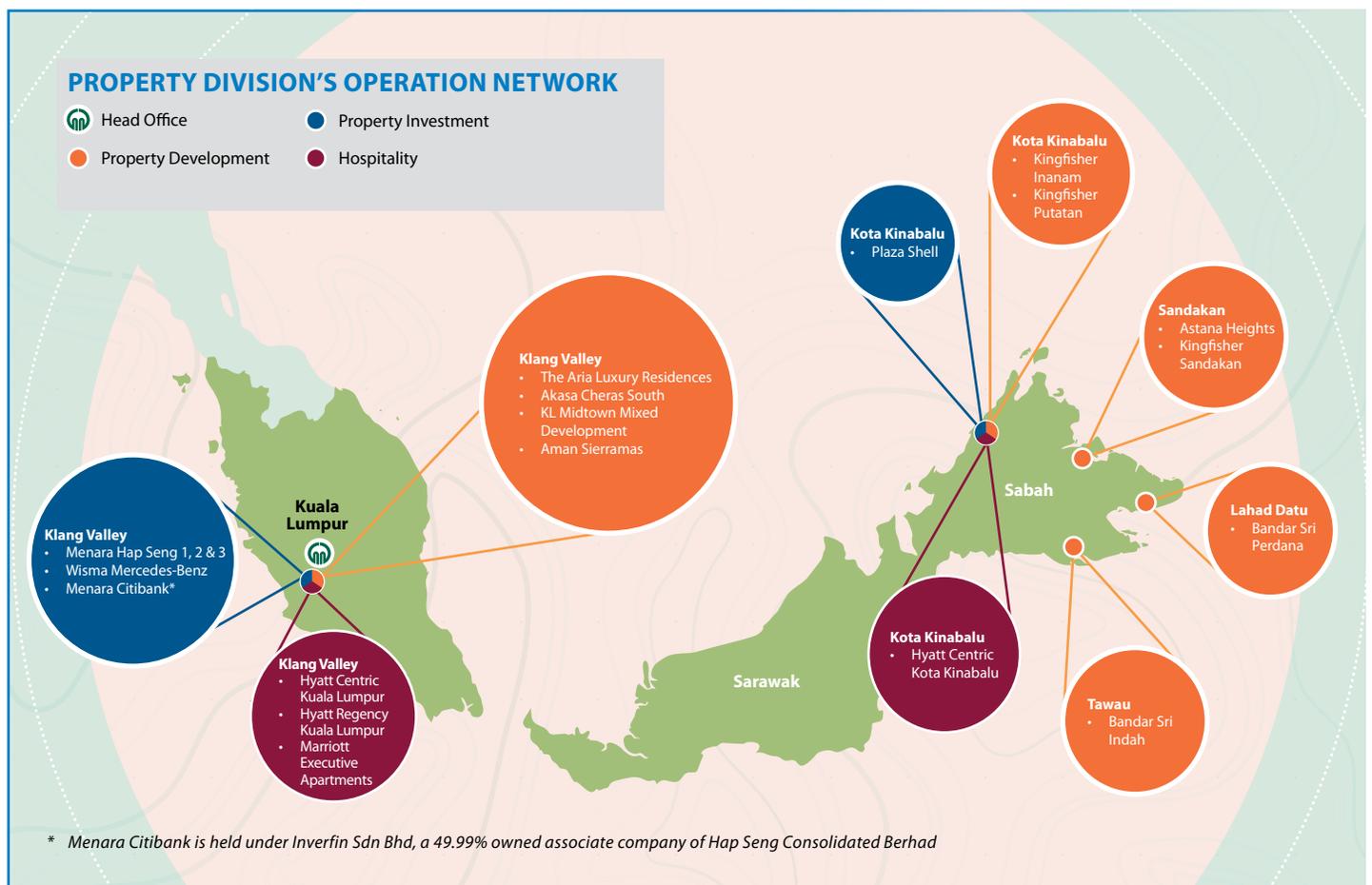
Hyatt Centric Kota Kinabalu





FIABCI Malaysia
Property Award 2022
under Office Category for
Menara Hap Seng 3

MANAGEMENT DISCUSSION AND ANALYSIS



MARKET CONDITION

With the country having transitioned into the endemic phase of COVID-19, the Malaysian housing market has continued to recover in 2022. The number of residential property transactions has increased by 34.6% in the first nine months of the year. Correspondingly, the Klang Valley and Sabah have registered a volume growth of 27.9% and 29.9% respectively compared to the same period in 2021.

The government continued to support the housing industry with incentives such as “My First Home Scheme” which provided first-time home buyers 100% home financing for properties priced below RM500,000. In addition, stamp duty exemption for properties below RM500,000 and Real Property Gains Tax exemption for individual disposal of properties after the fifth year, have had a positive impact on the property industry.

The investment property market in Malaysia remained subdued in 2022. Occupancy rate of office buildings in Kuala Lumpur remained at 70.3% at the end of the 3rd quarter of the year (3rd quarter 2021: 70.5%). As of the end of the 3rd quarter of 2022, total office space available in Kuala Lumpur remained at 9.4 million square metres.

Kota Kinabalu registered an overall occupancy rate of 85.1% for office buildings at the end of the 3rd quarter of 2022 (3rd quarter 2021: 82.9%). The total office space in Kota Kinabalu remained at 0.5 million square metres as of the end of the 3rd quarter of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT STRATEGIES

The division remains steadfast in its commitment to helping prospective homebuyers. To this end, the division has rolled out attractive packages, which include "zero cost moving-in" package and "free furniture fittings" package, to assist buyers to climb the home ownership ladder.

The division will continue to intensify its sales and marketing initiatives, both online and in-person. This would include the collaborative efforts with the different agencies and property associations such as the Real Estate and Housing Developers' Association Malaysia (REHDA) and The International Real Estate Federation (FIABCI). In addition, the division will also continue to leverage its extensive business network and associates to generate more property sales.

The division's projects are mostly in the well-established areas of Kuala Lumpur, Selangor, Kota Kinabalu, Tawau, Sandakan and Lahad Datu. The division will also continue its effort to feature itself in the prime locations of the Klang Valley and Sabah.

The division will expand its hospitality business with the development of its three hotels in Kuala Lumpur.

Plaza Shell



Menara Hap Seng 1



Menara Hap Seng 2



Menara Hap Seng 3



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL PERFORMANCE

In 2022, the division recorded a revenue of RM523.9 million (2021: RM1.54 billion). The higher revenue in 2021 was due to more land disposals. The main revenue contributors were Aria Luxury Residences, Akasa Cheras South, Bandar Sri Indah, Kingfisher Sandakan, Kingfisher Inanam, Kingfisher Putatan, and Bandar Sri Perdana.

Rental income from the division's investment properties increased to RM95.7 million (2021: RM88.3 million), with higher contributions from Menara Hap Seng, Menara Hap Seng 3 and the newly completed Autohaus in Setia Alam.

Overall, the division's operating profit decreased by 83.9% to RM158.3 million (2021: RM986.2 million).

PROPERTY DEVELOPMENT

PENINSULAR MALAYSIA

The Aria Luxury Residences

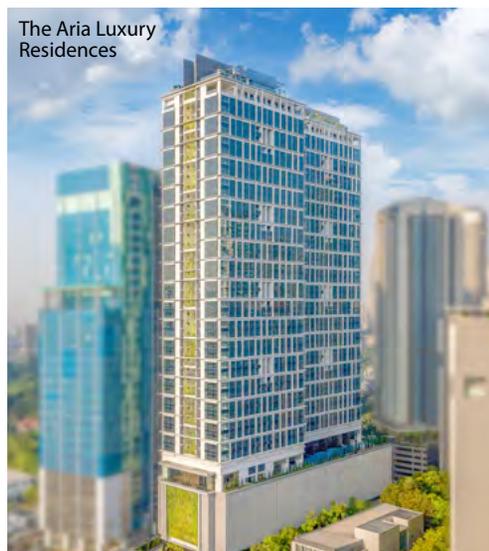
The Aria Luxury Residences is the division's second high-end service residence project in the Klang Valley with an estimated gross development value (GDV) of RM1.1 billion. It is located between the Singapore and Japan embassies and in close proximity to prominent shopping malls such as Suria KLCC and Pavilion Kuala Lumpur. Aria is presently home to many expatriates and embassy officers.

Akasa Cheras South

Akasa Cheras South is a 9.7-acre freehold mixed development comprising Akasa Service Residence and Akasa Business Park. Akasa is easily accessible by the SILK highway, and is located in a growing and thriving neighbourhood. Akasa is in close proximity to shopping malls, medical facilities, and international schools, providing a complete and convenient living and working experience.

Akasa Service Residence features three residential towers, totalling 998 units with various contemporary layouts and practical designs. The development, with an estimated GDV of RM642 million, offers a resort-style living with 150,000 square feet of common facilities.

Akasa Business Park is a prominent commercial centre in Cheras South, catering to the needs of the Akasa Service Residence community and the surrounding established business communities. Comprising 19 commercial units of office and retail space ranging from five to eight storeys, Akasa Business Park has an estimated GDV of RM210 million. It is presently bustling with big names in the like of Lifecare Diagnostics Centre and BYD electric vehicles dealership.



The Aria Luxury Residences



Akasa Cheras South

MANAGEMENT DISCUSSION AND ANALYSIS

UPCOMING NEW PROJECTS IN PENINSULAR MALAYSIA

KL Midtown Mixed Development at KL Metropolis

Strategically located right opposite Malaysia International Trade and Exhibition Centre (MITEC), the largest convention centre in Malaysia, KL Midtown is a mixed-use integrated development slated to be the ultimate destination to shop, dine, work, live, and play in the Klang Valley.

In addition to the lifestyle retail mall, the development, spanning across 8.95 acres of freehold land, will include the 5-star Hyatt Regency Kuala Lumpur Hotel and Service Suites, two signature office towers, a corporate tower and three service residence towers.

Working in collaboration with world-class architects and designers such as Skidmore, Owings & Merrill (SOM), the acclaimed architect firm headquartered in Chicago and Mr Kengo Kuma, the award-winning Japanese architect behind the Tokyo Olympics Stadium, the diverse and complementary components of the development will be harmoniously integrated and seamlessly interconnected.

In addition, KL Midtown will be connected to MITEC and its adjacent five-acre KL Metropolis linear park by a covered overhead pedestrian bridge as well as a two-way tunnel currently under construction. Another distinctive feature of the KL Midtown will be its verdant beauty on full public display when completed as well as with all the buildings to be GreenRe Gold compliant.

Aman Sierramas

The 9-acre freehold Aman Sierramas is situated in the tranquil and well-established Sierramas township. The proposed development will include three condominium blocks, totalling 540 units with a comprehensive two-acre facilities deck. This is the only development in the Sierramas township that offers a panoramic view of Bukit Lagong Forest Reserve and Kuala Lumpur City Centre, and is bordering the rich greenery of the Valencia Golf Course. This project, currently under planning, has an estimated GDV of RM600 million.

KL Midtown Mixed Development at KL Metropolis | Artist Impression



Sierramas Residential Project | Artist Impression



MANAGEMENT DISCUSSION AND ANALYSIS

SABAH

KOTA KINABALU

Kingfisher Inanam

The Kingfisher Inanam residential development is located in the well-established Inanam Kota Kinabalu neighbourhood, approximately two kilometres from the upcoming Pan Borneo Highway interchange. It is conveniently located within a short distance from various amenities, including commercial centres, trade centres, and educational facilities.

The three blocks of residential towers, 739 units with an estimated GDV of RM400 million, provide a tranquil living environment amidst lush greenery. Residents can enjoy the breath-taking view from the two-acre sky recreational facilities.

Kingfisher Putatan

The Kingfisher Putatan residential development is in the established Putatan locality, with easy access to the upcoming Pan Borneo Highway interchange. It is located 15 kilometres from Kota Kinabalu and seven kilometres from the Kota Kinabalu International Airport.

With 528 units spanning across four residential towers, the development, with an estimated GDV of RM280 million, presents a picturesque vista of the Crocker mountain range. All units feature practical and spacious layouts, and are well-suited for first-time homebuyers. The towers were designed and built with seismic interlocking features.

TAWAU

Bandar Sri Indah

Bandar Sri Indah (BSI) is the division's largest flagship development in Tawau and one of the most integrated township developments across Sabah. This mixed development was launched in 2004 and spans over 1,368 acres, comprising residential, commercial, and industrial components.

BSI boasts an array of extensive facilities designed to cater to both its residents and the community. These include a supermarket, community sports complex, affordable eateries and fast food chains, an intercity bus terminal, and Tawau's largest Petron petrol station. Additionally, the township has an education hub that houses the Open University Malaysia, Tawau Vision School, Vision International School, and Community College. The extensive range of amenities available in BSI makes it a self-sufficient township.

Designed with nature in mind, BSI offers its residents lush greenery and recreational space via a generous green landscape and a 15.5-acre lake garden that showcases over 50 species of orchids. Furthermore, BSI is encircled by green

Kingfisher Inanam



Kingfisher Putatan



Bandar Sri Indah



lung comprising three picturesque forest reserves, and located in close proximity to the tranquil and scenic Shan Shui Golf and Country Club.

BSI offers a wide range of products, from affordable apartments to single-storey and semi-detached houses, all designed to promote multigenerational living. To date, a total of 4,703 residential, commercial, and industrial properties have been completed, with an estimated GDV of RM1.6 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

LAHAD DATU

Bandar Sri Perdana

Covering an area of 250 acres, Bandar Sri Perdana is a choice integrated township in Lahad Datu. This highly coveted township is located in a lively commercial district that provides access to a wide range of amenities, such as a hypermarket, bank, hotel, and fast-food chains. To date, a total of 1,409 units of mixed development have been completed, amounting to an estimated GDV of RM570 million. Responding to the overwhelming market demand, an additional 130 units of terrace house, with a GDV of RM61 million, were launched and sold out in early 2022.

SANDAKAN

Astana Heights

Astana Heights is a hilltop mixed development project, offering a picturesque panoramic views of the Sulu Sea. The division's flagship development, Kingfisher Sandakan, features four 18-storey apartment blocks, offering a total of 792 units. The development was launched progressively since 2018 and was recently completed in 2022.

Its 3-tier security system and seismic interlocking design of this project are the first of its kind of in Sandakan.

PROPERTY INVESTMENT

The property investment market in 2022 remained highly competitive. Despite the higher operating costs on the back of the minimum wage hike and inflationary pressures, the division remains steadfast in ensuring that all its investment properties are maintained in a pristine order.

Despite a challenging year, Menara Hap Seng, Menara Hap Seng 2, Plaza Shell and Menara Citibank recorded an encouraging average occupancy rate of 85%.

Menara Hap Seng 3, the latest addition to Plaza Hap Seng, is a 26-storey MSC-zoned corporate office and is a certified LEED GOLD green building. It received recognition for having the Highest Indoor Vertical Green Wall in Malaysia from the Malaysia Book of Records in 2022. Designed by international renown architect, SOM, it features the first new Mercedes-Benz Retail Brand Presence in the heart of KL City Centre and the first Mercedes-Benz Accessories and Collection Boutique in Malaysia. As at 31 December 2022, Menara Hap Seng 3 has an occupancy rate of 60%.



MANAGEMENT DISCUSSION AND ANALYSIS

HOSPITALITY

With the recent opening of its first hotel, Hyatt Centric Kota Kinabalu, the division has now ventured into the hospitality sector, with three additional premium international hotels in Kuala Lumpur in the pipeline.

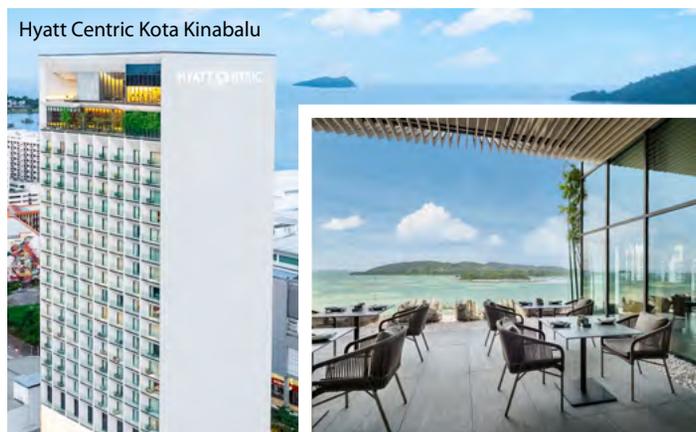
Hyatt Centric Kota Kinabalu

This newly opened 22-storey hotel is the latest upscale lifestyle hotel in the heart of Kota Kinabalu. Designed by renowned Japanese architect Mr. Kengo Kuma, the hotel's 222 guestrooms and suites, as well as its all-day dining restaurant and bar on the highest floors, were inspired by the surrounding landscape of Sabah's undulating hills and South China Sea islands.

Mr Kuma used the tree as the primary design metaphor, with the hotel lobby representing the roots, with dense lower greenery showcasing bamboo trees and calming water feature. The tree theme continues with vertical wooden slats and panels covering the hotel lobby walls, providing a sleek and clean-cut feel. The guest room floors depict the vertical lines of a tree trunk, and is tastefully decorated with vibrant and colourful hand-woven pieces and patterns, reflecting the traditional Kadazan Dusun's culture of Sabah. Elements of the South China Sea are represented through the use of seashells in the signages. The rooftop serves as the tree crown, with its ON23 Sky Bar and an adjacent double-edge rooftop infinity pool, offering an unobstructed view of both the sea and hills at the same time.

The hotel is adorned with uniquely commissioned artworks, such as the intricate hand-carved wood sculpture by Anniketnri Madian located at the hotel lobby, the delicate butterfly framed paper cuts and prints on fine art paper made of natural materials by Raku Inoue adorning the ON22 Restaurant wall, and the ceramics on wood panels art pieces by Agnes Lau located in the lift lobby. The hotel also features abstract wall images representing Mount Kinabalu, designed by Regev Amrani.

To compliment the design and vibrant feel of the hotel, Hyatt Centric Kota Kinabalu partnered with award-winning local designer, Melinda Looi, to create and design the uniforms for hotel staff. These colourful and vibrant uniforms are inspired by the natural beauty of Sabah.



Hyatt Centric Kuala Lumpur

Located in the heart of Kuala Lumpur city centre and to be seamlessly connected with Plaza Hap Seng, the Hyatt Centric Kuala Lumpur is the first hotel in KL to bear the Hyatt Centric brand and will be green building certified. Slated for completion in 2024, the hotel will offer tenants of Plaza Hap Seng and surrounding offices a wider range of meeting and dining spaces.

The Hyatt Centric Kuala Lumpur will be a unique lifestyle hotel destination, to be inspired by the rich history of Kuala Lumpur.

Hyatt Regency Kuala Lumpur

The Hyatt Regency Kuala Lumpur is a 33-storey five-star business hotel currently under construction forming part of KL Midtown. This is yet another masterpiece by Mr. Kengo Kuma. Upon opening, the hotel will boast 410 luxurious hotel rooms and high-end serviced suites, as well as various dining venues, including a market cafe, a Japanese restaurant & bar, a Chinese restaurant and a lobby lounge. It will feature 2,000 square metres of state-of-the-art meeting spaces and a grand ballroom measuring 1,000 square metres. Upon completion, the hotel will provide world-class hospitality to business travellers and tourist alike, in addition to complimenting and supporting MITEC.



Marriot Executive Apartments Kuala Lumpur

The division's Marriot Executive Apartments Kuala Lumpur, a luxury apartment with premier hotel services, is located within walking distance of Suria KLCC, the Kuala Lumpur Convention Centre and Pavilion KL. This 41-storey executive service apartment includes 353 exclusive studios and apartments with up to three bedrooms, making it the first Marriot Executive Apartments in Malaysia. Slated to open in 2025, the Marriot Executive Apartments offers a seamless and elevated serviced apartment experience, catering to the mid to long-term stay needs of corporate as well as leisure travellers.

MANAGEMENT DISCUSSION AND ANALYSIS

AWARDS AND RECOGNITION

In recognition of the Property division's commitment to quality and excellence, the division, in the recent FIABCI-Malaysia Property Award 2022, won 2 awards in the following category:-

Category	Property
Office	Menara Hap Seng 3
Industrial	Hap Seng Business Park

Hap Seng Business Park (HSBP) is the division's first industrial property construction project. The division was engaged by Hap Seng Logistics Sdn Bhd, a wholly-owned subsidiary of Lei Shing Hong Limited; to design, build and construct HSBP on a 20-acre site in the prime Section 23 industrial zone of Shah Alam.

HSBP comprises Three 3-storey detached warehouses, eight 5-storey semi-detached warehouses, one 6-storey flatted warehouse and a 5-storey retail and commercial block. It also houses the Automotive division's multi-brand Body & Paint Competence Centre.

HSBP is the first GreenRE Gold-rated industrial development in Klang Valley, achieving the highest score under the industrial category at the time of certification. It features numerous eco-friendly features including an Energy Management System, Low-e glass facades to minimise heat, LED lightings and a rainwater harvesting system. It is also designed to provide its tenants a better work-life balance with amenities such as a multipurpose court, foot reflexology paths, jogging tracks, stepped amphitheatre seating and mini landscape park.



SHORT AND LONG-TERM GOALS

The division continues to pursue growth in property development as well as to improve and achieve an attractive yield for its investment and hospitality properties. The division will adapt swiftly to the economic dynamics and stay vigilant to any and every growth opportunity.

OUTLOOK FOR 2023

Residential sector

For the residential sector, market sentiments are expected to continue to recover from 2022 with supportive government initiatives such as the stamp duty waiver for first-time homebuyers for properties priced RM500,000 and below, and 75% stamp duty waiver for properties priced above RM500,000 to RM1 million, while self-employed homebuyers can apply for the Housing Credit Scheme, Syarikat Jaminan Kredit Perumahan Berhad ("SJKP") worth up to RM5 billion, making it easier for first-time buyers without a steady income to own a home. In addition, the elimination of loan documentation fees for housing loans and home financing by Bank Negara Malaysia and the reduced tax rate for annual income below RM100,000 will also help to put more money in the hands of prospective house buyers and thus making homeownership more attainable. The division is cautiously optimistic about the demand for residential products located in prime and strategic locations, supported by attractive packages offered.

Commercial office sector

Despite the challenging commercial property market, particularly with the incoming of new office space in Kuala Lumpur coupled with the growing trend of hybrid working arrangements, the division remains optimistic about leasing momentum. This optimism is due to recent developments such as the opening of borders and the increase in foreign direct investments, as well as the division's strategic location of green-certified buildings which makes them more appealing to prospective tenants. With a stable tenant portfolio and ongoing efforts in leasing and building management, the division is confident that its investment properties will continue to thrive.





Revenue

RM241.7

million



Operating Profit

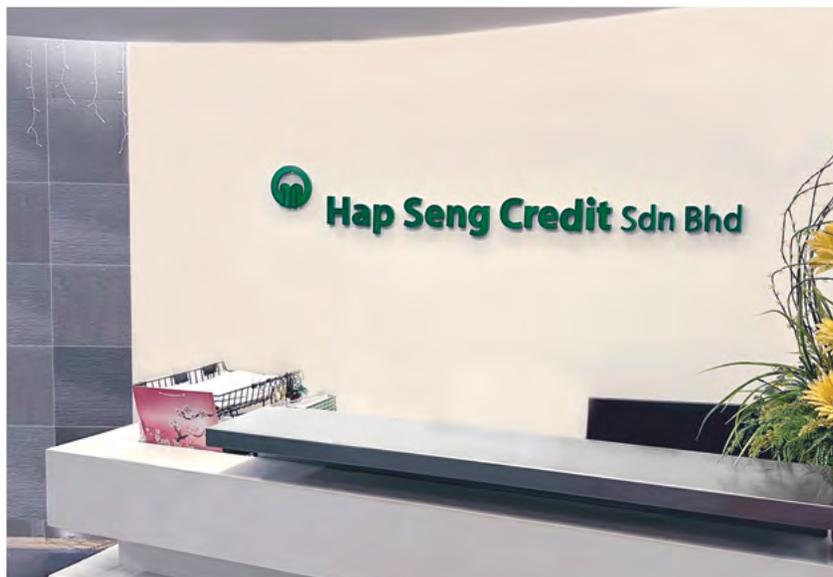
RM194.5

million

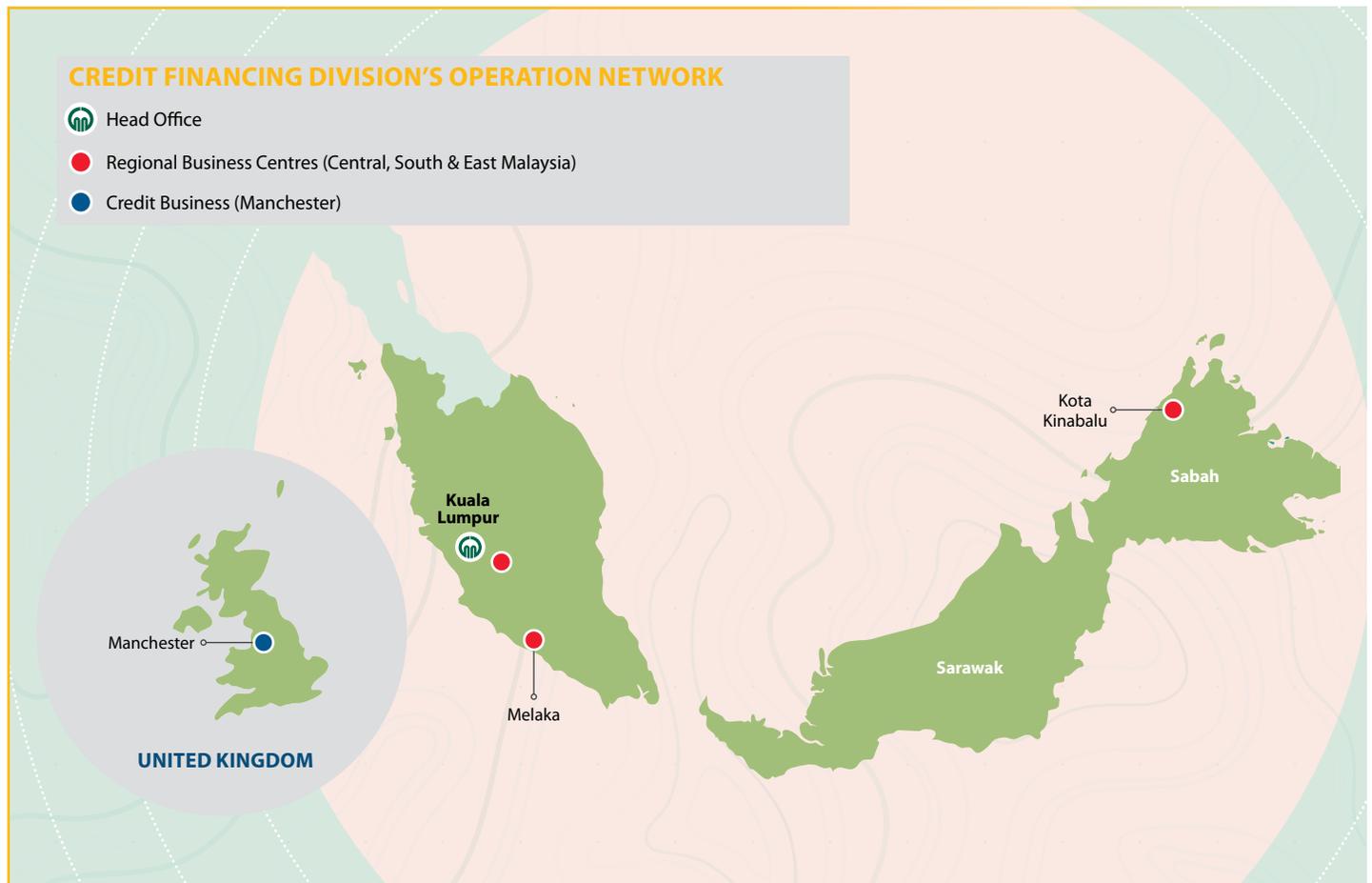


CREDIT FINANCING

The Credit Financing division's principal activity is the provision of secured term loans and industrial hire purchase, primarily to small and medium enterprises (SME). The division has presence both in Malaysia and the United Kingdom (UK), under Hap Seng Credit Sdn Bhd and HS Credit (Manchester) Ltd respectively. Hap Seng Credit Sdn Bhd operates via three regional business centres; two in Peninsular Malaysia and one in Sabah, and is one of the leading non-bank credit financing institutions in Malaysia. In the UK, the division only offers secured term loans to the UK market.



MANAGEMENT DISCUSSION AND ANALYSIS



MARKET CONDITION

The Malaysian economy expanded by 8.7% in 2022 (2021: 3.1%) as the nation entered into the endemic phase of COVID-19 in April 2022. The strong growth was supported by continued expansion in domestic demand, resilient electrical & electronic industry and recovery in tourism activities. Loan growth in the banking industry grew by 5.7% in 2022 compared to 4.6% in 2021.

MANAGEMENT STRATEGIES

The division continues to uphold the principle of prudent lending by procuring acceptable quality businesses with reasonable return, concentrating on loyal customers with proven track record and targeting borrowers from growth sectors. The division continues to offer tailored solutions to cater to customers' needs.

OPERATIONAL PERFORMANCE

The division continued to adopt a guarded approach in new business procurement during the year. Ongoing emphasis on managing interest costs has achieved acceptable net interest margins to the business. With concerted efforts in credit collections, loan recovery and rehabilitations, the division managed to maintain its non-performing loans (NPL) at a reasonable level and minimised its credit loss.

In line with the lower loan portfolio balance, the division recorded an operating profit of RM194.5 million (2021: RM211.2 million). The return on average asset for the year was 4.04% (2021: 3.48%), which compares favourably with the industry average of 1.3% (2021: 1.1%). Gross NPL ratio was higher at 2.10% in 2022 (2021: 1.99%), attributed to the smaller net loan base despite actual NPL quantum being lower.

MANAGEMENT DISCUSSION AND ANALYSIS

SHORT AND LONG-TERM GOALS

In the short-term, the division will continue to exercise prudent lending in view of the uncertainties in the domestic and global economies, challenging financing landscape and higher interest rate environment. The division continues to place strong emphasis on loan collection and NPL recovery to further improve its asset quality.

In the long-term, the division will maintain its efforts to improve net interest margin and build a stable and sustainable loan portfolio.

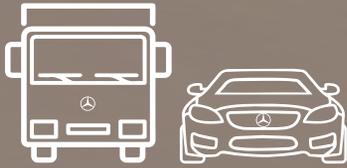
The division also places much importance in the development and retention of human capital. Internal training programmes are regularly conducted in the areas of technical updates and refresher seminars for relevant staff.

Opportunities are continuously explored to expand both domestically and abroad. This is in pursuit of continuous growth of the division and a diversified market.

OUTLOOK FOR 2023

Malaysia's economic growth in 2023 is forecast at 4.5%, as announced during the national budget in February 2023. The division expects businesses to remain challenging in view of elevated interest rates and uncertainties in the global economies and financial sector.





AUTOMOTIVE



Revenue

RM1.75

billion



Operating Profit

RM69.3

million

The Automotive division is engaged in the sale of Mercedes-Benz passenger cars and distribution and sale of Mercedes-Benz and FUSO commercial vehicles in Malaysia.

The passenger car business, under Hap Seng Star Sdn Bhd (Hap Seng Star), is a leading Mercedes-Benz dealer in Malaysia. HSS currently comprises a network of 10 Mercedes-Benz passenger car dealerships which are strategically located across the country – six in the Klang Valley and one each in Iskandar, Melaka, Kota Kinabalu and Kuching.

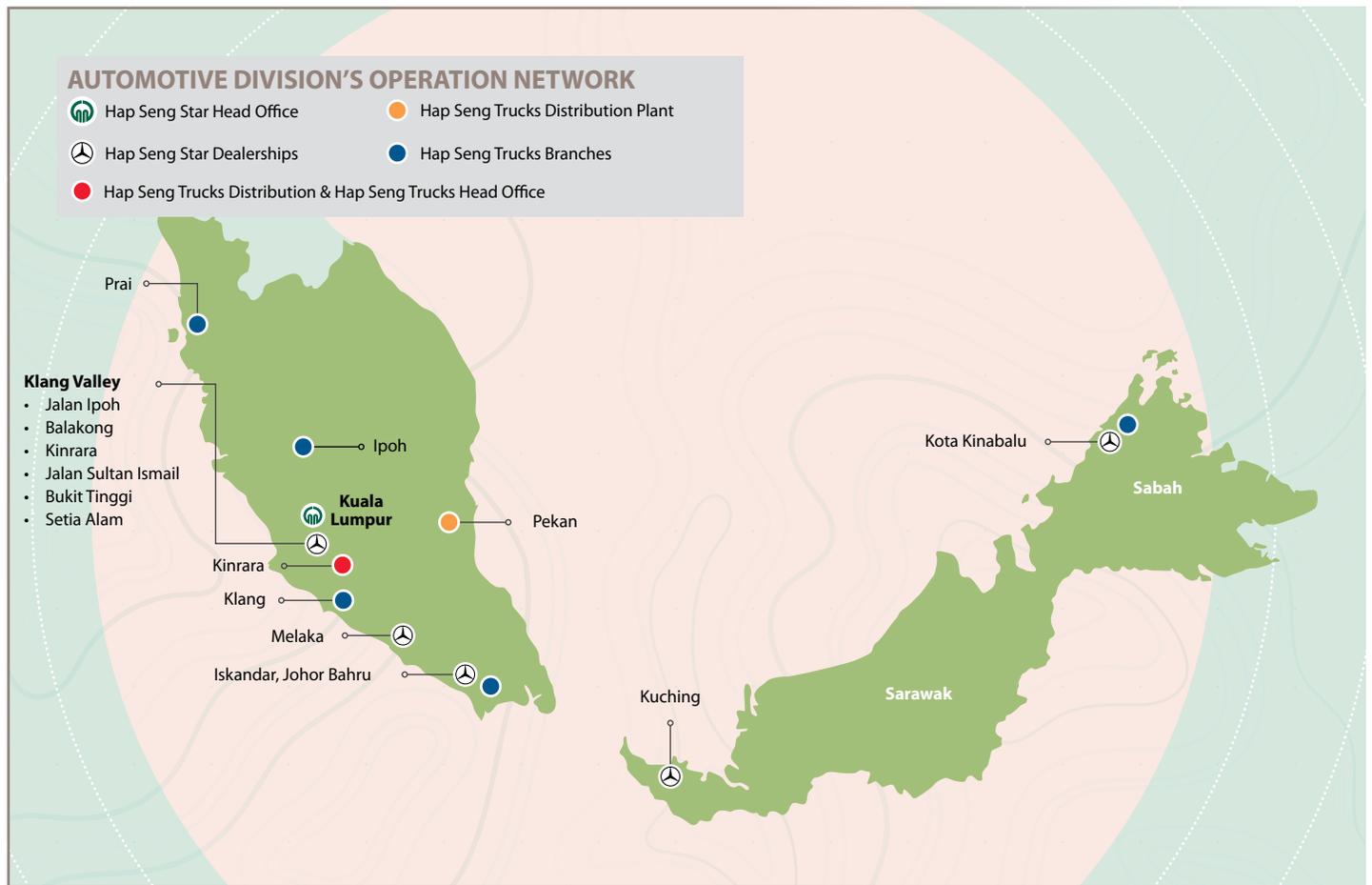
The Automotive division operates the largest stand-alone Mercedes-Benz Certified Pre-Owned Centre in Malaysia, located in Kinrara. The division also manages a centralised multi-brand Body & Paint Competence Centre (BPC) located in Shah Alam.

The commercial vehicles business is operated via Hap Seng Trucks Distribution Sdn Bhd (Hap Seng Trucks Distribution), the exclusive general distributor of Mercedes-Benz and FUSO commercial vehicles in Malaysia, offering a portfolio of light-duty and heavy-duty European and Japanese trucks. Hap Seng Trucks Sdn Bhd (Hap Seng Trucks) is an authorised dealer of Hap Seng Trucks Distribution.





MANAGEMENT DISCUSSION AND ANALYSIS



MARKET CONDITION

In 2022, the Malaysian automotive industry rebounded following two years of declining sales, with total industry volume (TIV) recording an all-time high of 720,658 units (2021: 508,883 units), representing a growth of 41.6%.

Supported by pent up demand for vehicles and the extension of the sales tax exemption for vehicles purchased before 30 June 2022 and registered by 31 March 2023, the TIV for passenger cars grew significantly by 41.8% to 641,773 units (2021: 452,486 units). The introduction of electric vehicles (EV) by Mercedes-Benz further contributed to Hap Seng Star's 2022 performance.

The commercial vehicles market saw a similar recovery as companies began to invest in anticipation of an economic rebound after two years of slowdown due to impact of COVID-19 pandemic. As a result, TIV of commercial vehicles increased by 39.9% to 78,885 units (2021: 56,397 units). TIV

of the European prime mover truck segment increased by 42.4% to 1,079 units in 2022 (2021: 736 units), whereas TIV of the Japanese light-duty truck and medium-duty truck segment saw a 32.1% increase to 14,479 units in 2022 (2021: 10,958 units). Mercedes-Benz Actros saw a 77% increase in registration from 158 units in 2021 to 280 units in 2022. FUSO registrations maintained at 1,438 units in 2022 (2021: 1,468 units) despite facing short supply disruptions of complete knocked down (CKD) parts and kits from Japan.



MANAGEMENT DISCUSSION AND ANALYSIS

Hap Seng Star Setia Alam



MANAGEMENT STRATEGIES

As part of its strategy to enhance customer experience, a new 3S Autohaus was launched in Setia Alam in June 2022. The next 3S Autohaus is slated to open in Bukit Tinggi in April 2023. The division has diversified its aftersales services to include other brands of passenger car via its centralised multi-brand BPC. The division will continue to strengthen the BPC's technical competency and broaden its service offerings.

Hap Seng Trucks Distribution continued with its network development strategy in 2022 to offer better customer experience for its truck owners throughout Malaysia. One new FUSO 3S dealership was appointed in Kuching to further expand on the growing market development in Sarawak. A new Mercedes-Benz 2S service centre was appointed in Kuantan to further enhance its service offering to its truck customers in East Coast, and to support the growing Mercedes-Benz Actros fleet in the region.

OPERATIONAL PERFORMANCE

Hap Seng Star recorded higher volume sales with a 45.7% increase over the previous year, mainly contributed by the fulfilment of bookings received prior to 30 June 2022 for sales tax exemption. The division's aftersales operation recorded a 19.4% increase in throughput over the previous year. On the whole, Hap Seng Star recorded a turnover of RM1.43 billion (2021: RM938.5 million) with an operating profit of RM40.8 million (2021: RM10.1 million).

Hap Seng Trucks Distribution recorded a total revenue of RM322.2 million, which represents a 19.2% increase as compared to 2021. It recorded an operating profit of RM25.9 million (2021: RM2.5 million) as a result of better sales mix.

Hap Seng Trucks recorded a total revenue of RM173.2 million representing a 36.4% increase over 2021. With the encouraging increase in sales revenue, Hap Seng Trucks recorded an operating profit of RM2.4 million (2021: operating loss of RM4.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

AWARDS AND RECOGNITION

As part of the division’s ongoing commitment to provide excellent sales and service experience for its customers, Hap Seng Star has clinched several awards from Mercedes-Benz Malaysia (MBM).

The MBM's Dealer of the Year Awards Programme is a way to acknowledge and reward dealerships for their commitment to providing excellent operational services and customer experiences. In 2022, Hap Seng Star dealerships clinched top positions in five categories as follows:



Award	Champion	1 st Runner-up	2 nd Runner-up
Dealer of the Year	Kinrara	-	Bukit Tinggi
Best in Sales	Melaka	Balakong	-
Best in Customer Services	Setia Alam	Kinrara	-
Best in 5 Star Rater – Sales	Melaka	-	-
Best in CSI (5 Star Rater)	Kota Kinabalu	-	Bukit Tinggi
Best in Financial Service	-	Kinrara	-
Most Improved Dealer	-	Balakong	-

During the Mercedes-Benz South East Asia II Service Excellence Award regional award ceremony for 2022 held on 2nd March 2023, Hap Seng Star received the following awards from MBM and Mercedes-Benz AG from a total network of 29 dealerships:

a. Service Excellence Award:

Award 2022	Champion League	Super League
Champion	Bukit Tinggi	Kota Kinabalu
1st Runner Up	Kinrara	-
2nd Runner Up	-	Setia Alam

b. Top Service Adviser Award:

Hap Seng Star clinched seven positions out of 10 positions.

c. SEAll Platinum Star Award:

Recognise BEST OF THE BEST among the retail staff.

MANAGEMENT DISCUSSION AND ANALYSIS

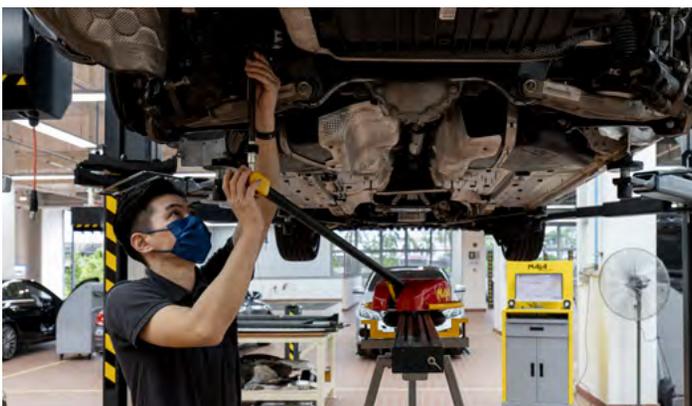
SHORT AND LONG-TERM GOALS

Hap Seng Star's short-term goal is to boost productivity and profitability in its network. As part of the Mercedes-Benz Group's intensifying digital sales transformation, Hap Seng Star has enhanced its digital presence for both sales and aftersales services in 2022.

To achieve business growth, profitability and sustainability, customer retention is crucial. Hap Seng Star will be increasing its focus on customer care programmes and other initiatives to retain its customers moving forward.

Hap Seng Trucks Distribution will continue its short-term goal to drive the growth of Mercedes-Benz and FUSO commercial vehicles through a stronger dealer network.

In line with government's sustainability roadmap, Hap Seng Trucks Distribution will launch the new generation of Mercedes-Benz Actros and FUSO commercial vehicles in 2024 with Euro 5 emission standards. It is the long-term goal of Hap Seng Trucks Distribution to deliver the best-in-class customer experience in the industry.



OUTLOOK 2023

According to the Malaysian Automotive Association (MAA), the passenger car market is expected to experience an 8.8% decline in 2023, with an anticipated TIV of 585,000 units as compared to 641,773 units in 2022. However, the premium luxury car market in Malaysia is still robust. In addition to its existing combustion engine vehicles, MBM is expanding its range of EV for the Malaysian market in 2023. The EV market is expected to grow steadily, with new models and competitors entering the market.

For the commercial vehicle segment, the MAA predicts a 17.6% decrease in TIV to 65,000 units in 2023 from 78,885 units in 2022. While global supply chain disruptions affecting the automotive industry have improved, the industry remains vulnerable to uncertainties in the geopolitical situation in Europe that can affect the supply and prices of vital raw materials and freight costs. Nonetheless, the Automotive division plans to focus on strengthening its dealerships and improving the efficiency of its after-sales and services segment to enhance profitability.





Revenue

RM3.46

billion



Operating Profit

RM297.0

million

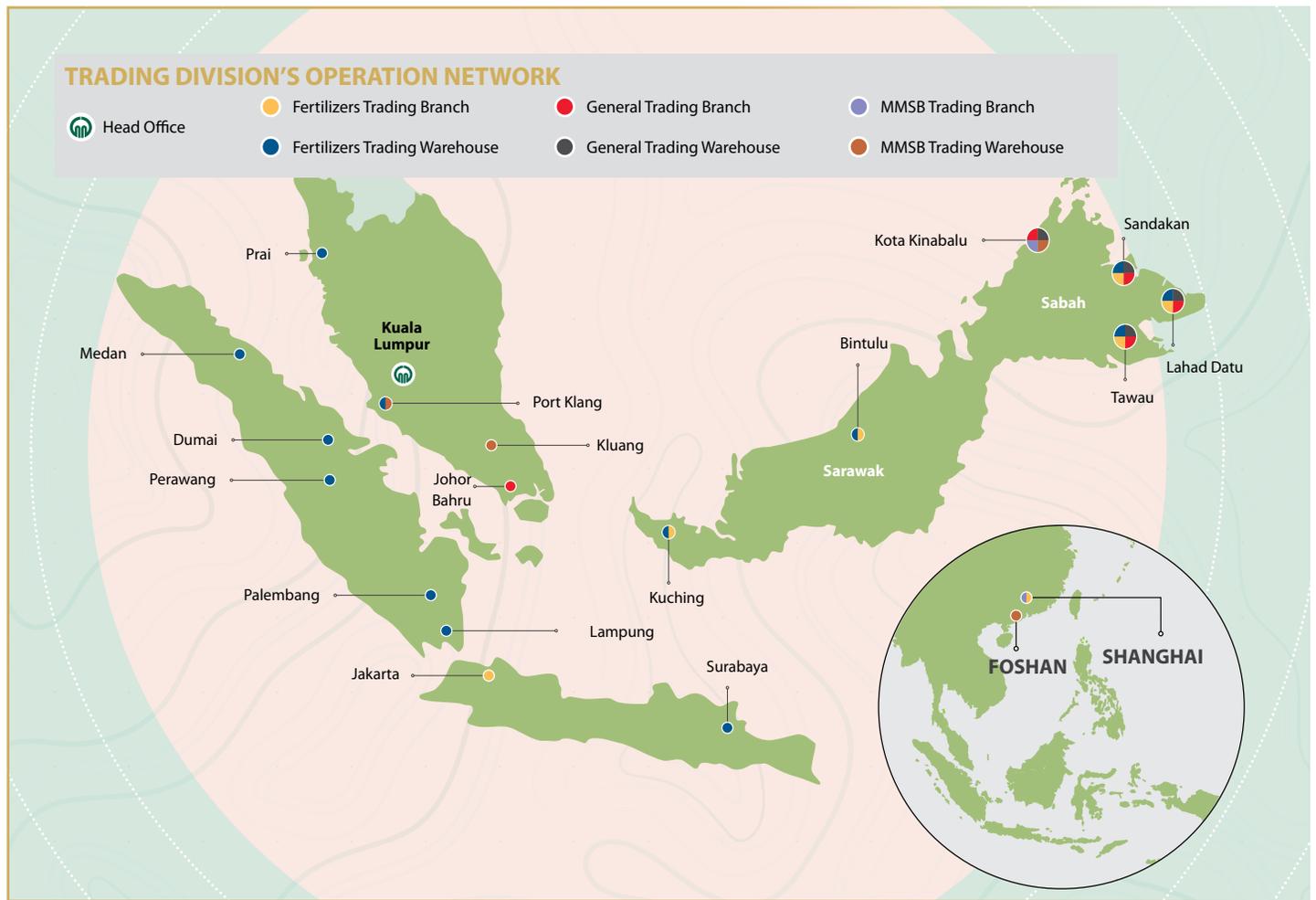


TRADING

The Trading division comprises the fertilizers trading, general trading and ceramic tiles operations.



MANAGEMENT DISCUSSION AND ANALYSIS



Fertilizers Trading

The fertilizers trading operation supplies a wide range of fertilizers to oil palm plantations in Malaysia and Indonesia that include muriate of potash, ammonium sulphate, rock phosphate, kieserite, ammonium chloride, fused magnesium phosphate and other nitrogen, phosphorus, and potassium (NPK) fertilizers.

Fertilizers trading operates through Hap Seng Fertilizers Sdn Bhd (HSF), PT Sasco Indonesia (PTSI) and MML (Shanghai) Trading Co., Ltd (MMLS). These trading entities operate from 14 warehouses - eight in Malaysia and six in Indonesia. MMLS is based in Shanghai, China and trades in fertilizers globally.

General Trading

The general trading operation supplies a diverse portfolio of building material products, which include steel bars, cement, tiles, iron & metal, building chemicals, interior fittings, sanitary wares and petroleum products.

General trading operates under Hap Seng Trading (BM) Sdn Bhd and Hap Seng (Oil & Transport) Sdn Bhd, and services the construction, housing development and infrastructure development industries through its network of six branches - four in Sabah, one in Johor and the main office in Kuala Lumpur.

Ceramic Tiles

Operating under Malaysian Mosaics Sdn Bhd (MMSB) and MMLS, the ceramic tiles operation supply a variety of ceramic tiles under "MML" brand to the Malaysia retail and project sectors, as well as markets in China and Asia Pacific region.

MANAGEMENT DISCUSSION AND ANALYSIS



MARKET CONDITION

Fertilizers Trading

The global markets for fertilizers in 2022 began in a tightened state following strong demand driven by a series of supply interruptions and an emphasis on food security caused by the COVID-19 pandemic; and high raw material costs in 2021.

Trade sanctions on Russian and Belarusian fertilizers supplies following the start of the Russia-Ukraine war led to a global fertilizers shortage. This reduced supply, coupled with drastic natural gas price increases in Europe impacting nitrogenous fertilizers production costs, and the spring upswing in demand for the Northern Hemisphere planting, led to a rapid increase in fertilizers prices which peaked in May 2022.

In response to the rapidly increasing prices, fertilizers consumers adjusted their buying patterns with many delaying or reducing application on affordability grounds. In Malaysia, the labour shortages faced by the plantation sector further constrained fertilizers application, affecting its demand.

Subsequently, with fertilizers exports from Russia exceeding initial expectations, and reduced global demand due to affordability, fertilizers prices began to decline between May and October 2022. Prices however remained higher than at the start of the year. By the end of 2022, the tight global fertilizers supply has started to ease.

General Trading & Ceramic Tiles

Malaysia recorded a GDP growth of 8.7% in 2022 (2021: 3.1% growth) following the opening of both the global and domestic economy amid the transition to the COVID-19 endemic phase.

Malaysia's construction sector saw a growth of 5.0% in 2022 (2021: 5.2% contraction), largely driven by large infrastructure, commercial and industrial projects. However, construction activities continued to be impacted by labour shortages as well as delays in various infrastructure projects.



MANAGEMENT STRATEGIES

Fertilizers Trading

Fertilizers trading operates in a price-volatile environment, driven by international demand for fertilizers and CPO prices. The division will strive to maintain its market-leading position while managing its exposure to price volatilities by matching supply with demand.

General Trading

The general trading operation, being one of the major building materials suppliers in Malaysia, will focus on streamlining its various business segments as well as leveraging on the strength of the Group's synergies.

Ceramic Tiles

The ceramic tiles operation will be consolidated under Hafary Holdings Limited to strengthen the "MML" brand market presence and to enhance financial performance through the business synergies to be achieved.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL PERFORMANCE

Fertilizers Trading

The fertilizers trading operation recorded an exceptional growth in revenue and operating profit. Revenue grew by 81.3% to RM2.72 billion (2021: RM1.50 billion) while operating profit increased significantly by 237.4% to RM285.1 million (2021: RM84.5 million) on the back of higher fertilizer prices and better margins. However, sales volume reduced by 10.4% to 1,327,000 tonnes (2021: 1,481,000 tonnes) as a result of reduced fertilizer demand from the plantation industry in Malaysia and supply disruption in Indonesia.



Operations in Malaysia

HSF continues to be a major fertilizer trader in Malaysia, assuming the leading position in East Malaysia and remaining a major player in Peninsular Malaysia.

Turnover doubled to RM2.36 billion (2021: RM1.18 billion) due to higher fertilizer prices. Operating profit more than quadrupled to RM241.5 million (2021: RM51.7 million) with the increased turnover and improved margins. However, sales volume reduced by 4.3% to 1,076,000 tonnes (2021: 1,124,000 tonnes) on account of reduced demand.

Operations in Indonesia

PTSI's revenue increased by 10.3% to RM362.1 million (2021: RM328.4 million) as a result of higher fertilizer prices. Operating profit increased by 32.9% to RM43.6 million (2021: RM32.8 million). However, sales volume decreased by 29.7% to 251,000 tonnes (2021: 357,000 tonnes) owing to disruption of supplies originating from Eastern Europe.

General Trading

The general trading operation recorded a 44.9% increase in revenue to RM473.6 million (2021: RM326.8 million). However, operating profit remained the same at RM7.3 million (2021: RM7.3 million). This was primarily due to compressed margins as a result of the significant increases in building materials and petroleum products prices.



Ceramic Tiles

The ceramic tiles operation recorded a 33.5% increase in revenue to RM273.5 million (2021: RM204.9 million), mainly due to improvement in overseas sales. However, operating profit of RM4.6 million (2021: RM5.4 million), primarily impacted by inventory impairment and write-down of assets in preparation to consolidate its operations with the Hafary Group.



MANAGEMENT DISCUSSION AND ANALYSIS

SHORT & LONG-TERM GOALS

Fertilizers Trading

The fertilizers trading operation will continue to focus on cost containment and resource optimization in this volatile operating environment. Vigilance over effective inventory and trade receivables management remains its top priority.

Fertilizers trading strives to maintain its market leadership position in Malaysia, whilst continuing to grow its business in Indonesia. As part of its market development strategy, the fertilizers trading operations will focus on establishing strategic partnerships with key customers and principal suppliers through continuous engagements.

In the longer term, the operation aims to broaden its market reach through expanding its NPK production. The on-going shortage of plantation workers is anticipated to increase demand for NPK fertilizer. This will add value to the wide range of raw materials which are readily available as common stock.

General Trading

In the short-term, the general trading operation aims to maintain its position as a major building materials supplier while exercising stringent control on credit exposure, and leverage on the strength of the Group's synergy.

For the longer term, the general trading operation aims to expand its market coverage by targeting new projects and distribution channels.

Ceramic Tiles

The ceramic tiles operation will continue to focus on inventories reduction and cashflow improvement until completion of the business consolidation under Hafary Holdings Limited.



OUTLOOK FOR 2023

Fertilizers Trading

Potash supply continues to be heavily impacted by the Russia-Ukraine war, while sanctions on Belarus are expected to prolong into 2023. Russia and Belarus together account for 40% global potash supply.

However, the tight supply situation has eased with more Belarusian potash being observed to reach the global market. In addition, emerging new production capacities and supplies are expected from Canada and Laos which may relieve pressure on pricing particularly in regional market like South East Asia.

With fertilizer prices remaining high, affordability continues to be a concern driving demand. The softer CPO prices as compared to 2022, and the slow resolution of labour shortages, coupled with continuing adverse weather pattern, may have an unfavourable impact on fertilizers demand.

General Trading & Ceramic Tiles

Malaysia's GDP is forecast to grow by 4.5% in 2023. The construction sector in Malaysia is expected to further recover in 2023 with a forecast growth of 4.7%. However, business sentiment is weighed down by the slowdown in the global economy and the anticipation of a possible recession in the major Western economies.



BUILDING MATERIALS



Revenue

RM706.0

million



Operating Profit

RM131.8

million

The Building Materials division comprises two main operations namely the quarry, asphalt and brick operation, and Singapore trading operation.



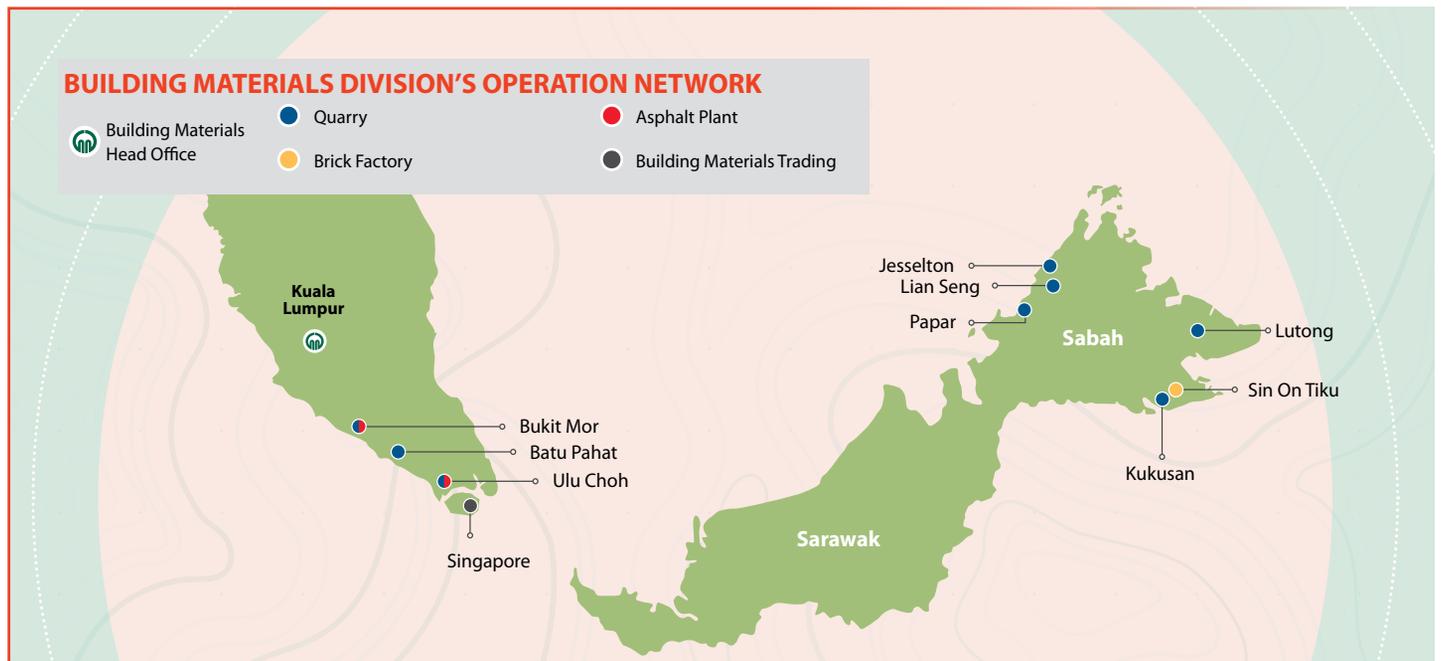


QUALITY GUARANTEED



HAFARY

MANAGEMENT DISCUSSION AND ANALYSIS



Quarry, Asphalt and Bricks

This operation engages in quarrying activities in both Peninsular Malaysia and Sabah with an approximate total capacity of 6.8 million tonnes per annum. The quarry operations are complemented by two asphalt plants which provide downstream production and sales of premix for road surfacing. The quarry and asphalt products are distributed mainly to the local infrastructure and construction industry.

The clay brick manufacturing operates from one factory in Sabah with a monthly production capacity of approximately 3.5 million common clay bricks. The bricks are distributed to building materials traders and contractors in the local market.

Singapore Trading

The Singapore operations are carried out by its listed subsidiary in Singapore, Hafary Holdings Limited (Hafary). Hafary supplies a diverse and comprehensive portfolio of products, which includes tiles, stones, mosaics, wood flooring and interior fittings. Currently, Hafary's corporate headquarters also serves as its main gallery. Together with three showrooms and warehousing premises, they collectively span an area of approximately 800,000 square feet in Singapore.

Hafary's business is divided into two segments: general and project. The general segment caters to home-owners, architecture, interior design and renovation firms, while the project segment serves architectural firms, property developers, and construction companies.

MARKET CONDITION

In 2022, the Malaysian construction sector continued to recover from the various Movement Control Orders (MCO) which disrupted construction activities in the previous year. As a result, the sector grew by about 5.0% in 2022 (2021: 5.2% contraction).

The Singapore economy expanded by 3.6% in 2022, moderating from the 8.9% growth in 2021. The construction sector posted growth of 6.7%, extending the 20.5% expansion in 2021, supported by both public and private sector construction works.



MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT STRATEGY

Quarry, Asphalt and Brick

Faced with the challenges posed by cost inflationary pressures amid a gradual recovery in the construction sector, the operation's strategies include focusing on productivity and efficiency enhancements, various cost containment initiatives, strategic product pricing, and leveraging on the strength of the Group's synergies.

Singapore Trading

Hafary, the leading building material supplier in Singapore, aims to increase market penetration and emphasis on strengthening both its customer service and exclusive product offerings.

Hafary is presently poised to offer an expanding product range via the Hafary Gallery. Located at 105 Eunus Avenue 3, the Hafary Gallery has been designed to give the market an immersive experience. It spans a total of 43,000 square feet with a dedicated floor showcasing mainly its latest product offering – the large format porcelain slab. With dimensions of up to 3.2 metres by 1.6 metres, the large-format porcelain slab opens up new application of size, scale and grandeur.

Hafary is currently expanding its retail business and plans to establish a new flagship store at 161 Lavender Street. By doing so, Hafary aims to showcase a broader range of its products in a central and easily accessible location, which will enable it to better serve the needs of its retail customers in Singapore. Hafary has expanded its operations by gaining manufacturing capabilities through the incorporation of a new Joint Venture ("JV") Company, International Ceramics Manufacturing Hub Sdn Bhd ("ICMHSB"). The JV will enable Hafary to move upstream and mitigate supply chain constraints as well as leverage on the Group's MML brand and its distribution networks to grow sales in Malaysia and the regional export market.

OPERATIONAL PERFORMANCE

In 2022, the division recorded a revenue of RM706.0 million (2021: RM543.2 million) and operating profit of RM131.8 million (2021: RM57.3 million).

The quarry, asphalt and brick operation recorded a revenue of RM165.0 million (2021: RM153.9 million) and an operating profit of RM7.9 million (2021: RM5.9 million) on the back of higher quarry sales volume and improved margin.

Hafary registered a revenue of RM541.0 million (2021: RM389.3 million). The higher revenue is mainly attributable to the both general and project segments, particularly from the resale market, pickup in construction activities and the pent-up demand in 2022. Hafary recorded a 141.1% growth in operating profit to RM123.9 million (2021: RM51.4 million).

SHORT AND LONG-TERM GOALS

Quarry, Asphalt and Brick

The operation's short-term goals are to optimise the utilisation of its assets, mitigate the impact of cost inflation through stringent cost containment and strategic product pricing, and leverage on the strength of the Group's synergies. In Sabah, the operation's goal is to maintain its position as the market leader of aggregate production.

Singapore Trading

Hafary's short-term goals are to grow sales volume, improve operating profits and enhance market leadership. To this end, it will further utilize online marketing initiatives, such as virtual showroom tours, online product videos via YouTube, Facebook and Instagram platforms.

In the longer term, Hafary will continue to build up on its current product competencies, strengthen its supply chain and explore overseas opportunities.

OUTLOOK FOR 2023

The Malaysian construction sector is projected to maintain its recovery with a growth of 6.1%, lending support to the demand for the division's products. In the recent re-tableting of the national budget 2023, the government has announced several infrastructure projects, including flood mitigation project in Johor, construction of inter-village and rural roads and the upgrade and maintenance of federal roads. In addition, the government is committed to accelerate the implementation of Sabah Pan Borneo highway and Sarawak-Sabah Link Road and has also announced various public infrastructure projects for Sabah.

The Singapore's Ministry of Trade and Industry has forecast the GDP growth in 2023 to maintain between 0.5 to 2.5%, echoing the Monetary Authority of Singapore's view that the Singapore economy will slow further in 2023 amid growing challenges in the external environment.

The Building and Construction Authority projects the total construction demand in 2023 (i.e. the value of construction contracts to be awarded) to range between S\$27 billion and S\$32 billion, with 60% coming from the public sector. This is backed by a continuing strong pipeline of public housing projects and Housing Development Board's ramping up of Build-To-Order flats supply.

The private sector construction demand is projected to be between S\$11 billion and S\$13 billion in 2023, comparable with 2022 figures. Both residential and industrial building construction demand are expected to be similar to last year's level, underpinned by the development of new condominiums and high-specification industrial buildings.

MANAGEMENT DISCUSSION AND ANALYSIS

ANTICIPATED OR KNOWN RISKS

The Group is committed to managing and reducing risks in all its business operations, with the aim of generating sustainable value for its shareholders. The Group will remain vigilant in addressing existing and potential financial and operational risks, as well as enhancing operational effectiveness and capitalizing on synergies within the Group.

In 2022, the Group continued to focus on employee health and safety even as the country moved to endemic phase of COVID-19. The Group remained vigilant in monitoring the COVID-19 situation and continued to encourage best practices throughout its operations. The Group is committed to anti-corruption and bribery initiatives and will continue to implement adequate procedures to mitigate corruption risks for the Group.



The Plantation division is expected to face pressures arising from increase in cost of production and shortage of labour. To mitigate this, reviews are being carried out regularly on feasibility to mechanize certain works with objective of reducing cost and labour dependency. In addition, plantation management conducts quarterly reviews of workers' wages to ensure the division pays a competitive market rate to minimise workers attrition.

Every employee's safety, health and wellbeing has always been of utmost importance to the division. Despite having transitioned to the endemic phase of COVID-19, the division continues to conduct selective swab tests, provide necessary personal protective equipment, tighten movement control and maintained temporary quarantine centres in accordance with the Ministry of Health guidelines.

The Property division anticipates a property market recovery in 2023, following the country's reopening of borders and the government's implementation of initiatives aimed at boosting post-pandemic growth. However, the demand for residential

properties among potential buyers and commercial office space among commercial tenants may be hindered by higher borrowing costs and inflationary pressures.

In response, the division will provide a wide range of promotional packages for its products to appeal to different types of home buyers across the Klang Valley and Sabah. These promotions together with the stamp duty waiver schemes, and home ownership schemes for the self-employed are expected to lure prospective buyers. The division's emphasis on ESG initiatives including green-certified office buildings will cater to the growing demand for high-quality office spaces that comply with ESG standards. In addition, the division will intensify its leasing efforts to retain existing tenants and attract new tenants.

The division expects its hospitality to improve in 2023 as the country opens its border with the return of business and leisure traveling from domestic and regional markets. However, the recovery of tourism in Kota Kinabalu hinges on the return of foreign tourists, especially from China.



The Credit Finance division will be vigilant to changes in the economic and financing landscapes surrounding its businesses. It will constantly review its lending policies to manage operational risks whilst continuing its approach of stringent cost management practices and effective credit collection, loan recovery and rehabilitation. In light of the uncertainties in the global financial sector, the division maintains a healthy capital adequacy ratio to support its loan portfolio.



MANAGEMENT DISCUSSION AND ANALYSIS

While the economy is recovering from the global shortage of semiconductors, the ending of Sales Tax Exemption by 31 March 2023 may lead to a slowdown in passenger cars sales. However, the introduction of new EV models is expected to contribute to the growth of passenger car retail sales in 2023. Furthermore, the Automotive division continues to focus on providing service excellence to attract and retain customers in order to mitigate any potential shortfall in retail sales.

While the automotive industry is recovering from the easing of global supply chain disruptions, it is still vulnerable to the uncertainties in the geopolitical situation in Europe which may lead to further increase in commercial vehicle prices that may impact sales volume. The transition to Euro 5 emission standard in 2024 may lead to uncertainty in the supply of trucks due to possible weakness in the logistics, manufacturing and import of CKD kits. The Automotive division will place greater focus on customer support initiatives to improve profitability.

The fertilizers trading operations expects that with the easing of the tight fertilizers supply, fertilizers prices will also progressively soften from the elevated level encountered in 2022. Fertilizers consumers may delay their purchasing decision in the hope of fertilizers prices falling to a more affordable level. Fertilizers stock holding optimisation measures continue take centre stage in alleviating the resultant pricing risks, involving the matching of stock purchases with sales.



The general trading operations will continue to concentrate on developing its existing customer base in order to weather the issues affecting the construction industry.

The quarry, asphalt and brick operation is mostly reliant on the timely implementation of the various mega infrastructure projects, such as the Pan Borneo Highway, and the recovery of demand in the export markets. Any delay in such mega project implementation or recovery in the export demand is likely to weigh down the performance of the sector.

In Singapore, the high inflation, rising interest rates, economy slowdown, and reduction in consumer local spending may lead to decrease in sales and margins.

Hafary will also be facing manufacturing related risks as it expands its operation into tile manufacturing, impacting product quality and cost. In mitigation, the manufacturing JV partner, CNA Pte Ltd ("CNA"), is an established and experienced premium tile manufacturer from China whom is also the current operator of MMSB's plant, and will bring its extensive know how and manufacturing capabilities into the JV.



MANAGEMENT DISCUSSION AND ANALYSIS

MOVING FORWARD

The global economy is expected to soften in 2023 due to the persistent global inflationary challenges and ongoing geopolitical tensions. Accordingly, the global GDP is projected to moderate to between 1.7% - 2.9% in 2023.

Malaysia's GDP is projected to grow between 4.0% and 4.5% to be driven predominantly by its domestic private sector, notwithstanding the softening global outlook. The domestic economy will also be supported by the Budget 2023 initiatives and development expenditure under the 12th Malaysia Plan, 2021 – 2025.

The Malaysian palm oil industry is expected to be challenging in 2023 as the rising operational costs and lower yield becomes an industry-wide trend. Plantation companies will be plagued by higher operational costs such as higher fertiliser and diesel costs, increase in minimum wage, higher compliance and recruitment costs. However, the increase in operational costs is somewhat mitigated by increase in palm oil production due to improvement in yield. Oil World projected Malaysia's CPO production to rise by 0.3 million tonnes to 18.8 million tonnes in 2023. Malaysia CPO price is forecast to be in between RM3,500 to RM4,000 per tonnes for 2023. This forecast is supported by several factors, including the widening price gap between CPO and Soybean oil, a possible lower yield due to prolonged La-Nina weather, geopolitical instability in Eastern Europe causing supply shortages for sunflower and rapeseed oils, and better progress of biofuel mandate implementation in Malaysia (B20) and Indonesia (B40). Despite the labour shortage situation easing, it still continues to affect the palm oil industry; hence, both the government and industry players are exploring mechanisation and automation technologies to increase productivity for oil palm plantations.



The Malaysian property market is expected to gradually recover in 2023 notwithstanding inflationary pressures and various other headwinds in the property sector. The ongoing labour shortages and elevated building material costs have started showing signs of easing off. For the residential sector, the division is cautiously optimistic about the demand for residential products located in prime and strategic locations supported by attractive packages offered. For the commercial office sector, with a relatively stable tenant portfolio supported by active leasing and building management efforts, the division is confident that its investment properties will remain viable. For the hospitality sector, the division unveiled its first five-star hotel in Kota Kinabalu and construction is currently underway for three more hotels/service suites in Kuala Lumpur.



The credit financing business is expected to be challenging in 2023 in view of higher interest rates and economic uncertainties affecting the financial sector. The division will consolidate its business focussing on collections. The NPL is expected to improve through concerted efforts in credit control and debt recovery. The division will continue to capitalise on Group-wide synergies in its business procurement.

The automotive industry is expected to record a 10% drop in TIV in 2023, with passenger vehicle and commercial vehicle TIV falling by 9% and 18% respectively. The decline in TIV is mainly due to absence of additional incentives for new car purchases by the government upon the expiry of the sales tax exemption in June 2022. As an effort to encourage the adoption of EV in Malaysia, the government announced various tax incentive measures such as tax deduction for companies that rent non-commercial EV, 100% tax exemption and investment tax allowance for manufacturers of EV charging equipment, and import duty and excise exemption on imported CBU and locally assembled CKD EVs. However, the adoption in EV in Malaysia would be affected if underlying infrastructure such as charging stations is insufficient to support the demand.

MANAGEMENT DISCUSSION AND ANALYSIS



The fertilizer industry is expected to be challenging and competitive in 2023. Fertilizer prices continues to be affected by the stronger US Dollar, commodity price movements and uncertainties of global fertilizer supply and demand. The division will continue to monitor its supply chain as well as to match supply with demand to the extent possible.

The general trading business is also expected to remain challenging in 2023 due to inflationary pressures, elevated building material costs and labour shortages. The division remain cautious and will continue to implement prudent credit control to mitigate credit risk.



The construction sector in Malaysia is expected to maintain its recovery in 2023 supported by the anticipated growth in the overall economy. For the building materials division, large infrastructure projects such as the ongoing Pan Borneo Highway will drive demand for quarry products. However, construction activities are still constrained by labour shortages and inflationary cost pressures.

In Singapore, the construction sector is expecting to be driven by the public sector via its public housing projects. However, labour shortages and elevated costs of construction materials will weigh on the outlook even as activity continues to pick up in 2023. In addition, rising interest rates pressure is expected to impact the purchasing power of potential home owners. The division will continue to cautiously grow market share, while exercising prudent credit control.

Overall, despite the global economy expecting to grow at a moderate pace in 2023, it is still subject to various uncertainties such as the prolonged global geopolitical tension.

ACKNOWLEDGEMENT

The Company would like to express its gratitude and thanks to its board of directors and shareholders for their confidence and support. The Company would like to extend its gratitude to Lt Gen (R) Datuk Abdul Aziz Bin Hasan, who resigned as independent non-executive director on 26 May 2022, for his dedicated service to the Company and Board.

The Company would also like to thank the management and staff for their significant contributions over the years and further acknowledges the support given to the Group from its bankers, business partners, clients, customers and suppliers as we continue to create value for all stakeholders.

BOARD OF DIRECTORS



1 Cheah Yee Leng
Executive Director

2 Datuk Edward Lee Ming Foo, JP
Managing Director

3 Thomas Karl Rapp
Independent Non-Executive Chairman

4 Lee Wee Yong
Executive Director

>> *Sitting from left to right*

5 Datuk Simon Shim Kong Yip, JP
Non-Independent Non-Executive Director

6 Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah
Independent Non-Executive Director

7 Leow Ming Fong @ Leow Min Fong
Independent Non-Executive Director

8 Tan Boon Peng
Independent Non-Executive Director

9 Wong Yoke Nyen
Independent Non-Executive Director

>> *Standing from left to right*

DIRECTORS' PROFILE



Thomas Karl Rapp
Independent Non-Executive Chairman

Thomas Karl Rapp, male, a German, aged 66, is the independent non-executive chairman of Hap Seng Consolidated Berhad. He was appointed to the Board as an independent non-executive chairman on 26 February 2020. He is also a member of the Audit Committee and Nominating Committee and the chairman of the Remuneration Committee.

Mr. Thomas Karl Rapp joined Hap Seng Consolidated Berhad (HSCB) Group on 1 July 2006 as the executive chairman of the property holding and development division. He then became the CEO and chairman of Malaysian Mosaics Sdn Bhd (formerly Malaysian Mosaics Berhad) (MMSB) from 1 February 2007 to 1 December 2008.

Prior to him joining HSCB Group and MMSB, Mr. Thomas Karl Rapp had held various senior positions within the worldwide Mercedes-Benz Group from 1986 to 2006 in Europe and South East Asia. He was the general director of Mercedes-Benz Vietnam Ltd in Ho Chi Minh City and chief representative of Daimler in Hanoi / Vietnam from 2002 to 2006.

Since 2009 Mr. Thomas Karl Rapp is the managing director of TKR Consulting Sdn Bhd.

Mr. Thomas Karl Rapp graduated with a Degree in Business Economics from Chamber of Commerce Stuttgart, Germany.

Mr. Thomas Karl Rapp does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

He attended all the 6 board meetings held during the financial year ended 31 December 2022.

DIRECTORS' PROFILE



Datuk Edward Lee Ming Foo, JP
Managing Director

Datuk Edward Lee Ming Foo, JP, male, a Malaysian, aged 68, is the managing director of Hap Seng Consolidated Berhad. He was first appointed to the Board on 1 November 2000 as a non-independent non-executive director, became an executive director on 25 March 2002 and assumed the current position since 31 March 2005.

In addition, Datuk Edward Lee is the managing director of both Gek Poh (Holdings) Sdn Bhd (Gek Poh) and Hap Seng Plantations Holdings Berhad. Gek Poh is the holding company of Hap Seng Consolidated Berhad. Datuk Edward Lee is also a non-independent non-executive director of Hafary Holdings Limited, a company incorporated in Singapore and listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

Datuk Edward Lee graduated with a degree in Bachelor of Arts from the McMaster University in Canada in 1977. He joined the Malaysian Mosaics Sdn Bhd (formerly Malaysian Mosaics Berhad) group of companies in 1980, became the group chief operating officer in 1995 and was the managing director from 31 March 2005 to 31 January 2007.

Datuk Edward Lee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company save for the related party transactions disclosed in Note 43 to the Financial Statements. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

He attended all the 6 board meetings held during the financial year ended 31 December 2022.

DIRECTORS' PROFILE



Lee Wee Yong
Executive Director

Lee Wee Yong, male, a Malaysian, aged 75, is an executive director of Hap Seng Consolidated Berhad and was appointed to this position on 2 February 2011.

Mr. Lee is a director of Gek Poh (Holdings) Sdn Bhd and an executive director of Hap Seng Plantations Holdings Berhad.

Mr. Lee holds a degree in Bachelor of Commerce and Administration from Victoria University in New Zealand and is a member of the Malaysian Institute of Accountants and Chartered Accountants Australia and New Zealand. He joined Malaysian Mosaics Sdn Bhd (formerly Malaysian Mosaics Berhad) group of companies in 1992 and was appointed as a director since 1 March 1999. He also assumed the position of group chief financial officer from 1 March 2003 to 15 December 2005.

Mr. Lee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

He attended all the 6 board meetings held during the financial year ended 31 December 2022.

DIRECTORS' PROFILE



Cheah Yee Leng
Executive Director

Cheah Yee Leng, female, a Malaysian, aged 54, is an executive director of Hap Seng Consolidated Berhad and was appointed to this position on 1 June 2014.

In addition, Ms. Cheah is a non-independent non-executive director of Paos Holdings Berhad and Hafary Holdings Limited, a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

Ms. Cheah joined Hap Seng Consolidated Berhad (HSCB) group of companies in 1997 and is presently the Director of Corporate Affairs and the Legal Counsel of HSCB Group. She is also an executive director and the Group Company Secretary of Hap Seng Plantations Holdings Berhad.

Ms. Cheah holds a Bachelor of Economics Degree and Bachelor of Laws Degree from Monash University in Australia.

Ms. Cheah does not have any family relationship with any director and/or major shareholder nor does she have any conflict of interests with the Company. She has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

She attended all the 6 board meetings held during the financial year ended 31 December 2022.

DIRECTORS' PROFILE



Datuk Simon Shim Kong Yip, JP
Non-Independent Non-Executive Director

Datuk Simon Shim Kong Yip, JP, male, a Malaysian, aged 66, is a non-independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 16 February 1996. He is also a member of the Audit Committee, Remuneration Committee and Nominating Committee.

In addition, Datuk Simon Shim was appointed as a non-independent non-executive director of Hap Seng Plantations Holdings Berhad on 9 August 2007 and became the deputy chairman on 23 February 2015. He is also a non-independent non-executive director of Lam Soon (Thailand) Public Company Limited, a company listed on the Stock Exchange of Thailand.

Datuk Simon Shim is a director of Lei Shing Hong Securities Limited, a company registered with the Securities and Futures Commission Hong Kong, is a wholly-owned subsidiary of Lei Shing Hong Limited, a company incorporated in Hong Kong. He was also appointed as the business advisor of Lei Shing Hong Group on 1 September 2022.

Datuk Simon Shim is the managing partner of Messrs Shim Pang & Co. He holds a Master Degree in law from University College London, London University and is a Barrister-at-law of the Lincoln's Inn, London, an Advocate and Solicitor of the High Court in Sabah and Sarawak, a Notary Public and a Justice of the Peace in Sabah. He is a Chartered Arbitrator and a Fellow of both the Chartered Institute of Arbitrators, United Kingdom and the Malaysian Institute of Arbitrators. He was a member of the Malaysian Corporate Law Reform Committee and its working group on Corporate Governance and Shareholders' Rights.

Datuk Simon Shim does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company save for the related party transactions disclosed in Note 43 to the Financial Statements. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

He attended 5 out of the 6 board meetings held during the financial year ended 31 December 2022.

DIRECTORS' PROFILE



Leow Ming Fong @ Leow Min Fong
Independent Non-Executive Director

Leow Ming Fong @ Leow Min Fong, male, a Malaysian, aged 73, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 4 March 2016. He is also the chairman of the Audit Committee and a member of the Remuneration Committee.

In addition, Mr. Leow is the independent non-executive director of Jawala Inc, a company incorporated in Labuan and listed on the Singapore Exchange Securities Trading Limited. He is also an independent non-executive director of Canadia Bank PLC, Sovannaphum Life Assurance PLC and Dara Insurance PLC in Cambodia.

He is a fellow member of the Institute of Chartered Accountants in England & Wales as well as a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

Mr. Leow commenced his articleship with a firm of Chartered Accountants in London, United Kingdom in 1969. He joined KPMG Malaysia upon his return in 1974 and retired as an Audit Partner in 2005. During his 32-year career with KPMG, he had held various senior positions and had been posted to various KPMG branches including carrying out short term assignments in Singapore, British Guinea in South America and Vietnam. In addition, he was also involved in special work for fraud investigation, due diligence for merger and acquisitions, reporting accountant for various corporate exercises for public listed companies. From 1996 to 2000, he was the Partner-in-Charge of KPMG Cambodia and was involved in advisory work for pharmaceutical business operating in the Asean region and foreign investment advisory to explore business opportunities in Cambodia.

Mr. Leow does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

He attended all the 6 board meetings held during the financial year ended 31 December 2022.

DIRECTORS' PROFILE



**Dato' Wan Mohd Fadzmi Bin
Che Wan Othman Fadzilah**
Independent Non-Executive Director

Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah, male, a Malaysian, aged 57, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 23 November 2017. He is also the chairman of the Nominating Committee.

Dato' Wan Fadzmi is an independent non-executive chairman of Sumitomo Mitsui Banking Corporation Malaysia Berhad and also an independent non-executive director of Zurich General Takaful Malaysia Berhad. In addition, he is a member of the Investment Panel at Lembaga Tabung Angkatan Tentera.

Dato' Wan Fadzmi holds a Bachelor of Construction Economics from RMIT University, Melbourne, Australia and attended the Advanced Management Program at The Wharton Business School, University of Pennsylvania, USA and the Senior Executive Finance Program at University of Oxford, United Kingdom. He is a Chartered Banker (Asian Institute of Chartered Bankers) and a Fellow of Institute of Corporate Directors Malaysia.

Dato' Wan Fadzmi has extensive experience in domestic and international banking. During his 22 years career in the Malayan Banking Berhad, Dato' Wan Fadzmi held various senior management positions including the chief executive and country heads for the bank's operations in London, New York and Hong Kong. In addition, he was director of Global Financial Banking strategic business group at RHB Bank Berhad from July 2010 to June 2011 before assuming the position as the president/chief executive officer at Bank Pertanian Malaysia Berhad (Agrobank) from July 2011 to August 2017.

Dato' Wan Fadzmi does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

He attended all the 6 board meetings held during the financial year ended 31 December 2022.

DIRECTORS' PROFILE



Tan Boon Peng

Independent Non-Executive Director

Tan Boon Peng, male, a Malaysian, aged 56, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 26 February 2020.

Mr. Tan was formerly the Regional Head of Equity Capital Markets at the CIMB Group where he had held various positions over a span of more than 13 years until 2016. Mr. Tan was a Sime Darby Scholar and began his professional career as a factory manager/engineer with the Sime Darby Group before venturing into financial services. He was an equity research analyst, over time holding various positions at several Malaysian and international stockbroking institutions including being Head of Research; and thereafter joined the CIMB Group.

Currently, Mr. Tan is an independent non-executive director of CapitaLand Malaysia REIT Management Sdn Bhd which manages CapitaLand Malaysia Trust, a real estate investment trust listed on the Main Market of Bursa Malaysia Securities Berhad.

Mr. Tan graduated with a Master of Arts and Bachelor of Arts (Hons) in Engineering from the University of Cambridge, United Kingdom.

Mr. Tan does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

He attended all the 6 board meetings held during the financial year ended 31 December 2022.

DIRECTORS' PROFILE



Wong Yoke Nyen
Independent Non-Executive Director

Wong Yoke Nyen, male, a Malaysian, aged 64, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 1 January 2021.

Mr. Wong is an independent non-executive director of Focus Lumber Berhad, Sentoria Group Berhad and Pertama Digital Berhad.

Mr. Wong started his career in Baker Rooke, a firm of Chartered Accountants in London, United Kingdom in 1981, where he gained wide experience and exposure in the areas of auditing, accountancy and management consultancy work. He joined Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad) in 1983 and his last position in Aseambankers Malaysia Berhad was executive vice president cum head of corporate finance division. He is a seasoned investment banker with more than 30 years of dedicated corporate finance and investment banking experience. He was an honorary advisor to the Master Builders Association Malaysia from July 2008 to June 2010.

Mr. Wong started WYNCORP Advisory Sdn Bhd (WYNCORP) in 2004, a private company licensed to provide corporate finance advisory services. Currently, Mr. Wong is the managing director of WYNCORP.

Mr. Wong holds a Bachelor of Arts with Second Class Honours Degree (First Division) from City of London Polytechnic (now known as London Metropolitan University), United Kingdom. He attended the Advance Management Program at The Wharton Business School, University of Pennsylvania, USA.

Mr. Wong does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

He attended 5 out of the 6 board meetings held during the financial year ended 31 December 2022.

SENIOR MANAGEMENT TEAM



1 Harald Uwe Behrend
Group Chief Operating Officer &
Chief Executive
Automotive Division

2 Cheah Yee Leng
Director of Corporate Affair &
Group Legal Counsel

**3 Datuk Edward
Lee Ming Foo, JP**
Group Managing Director

4 Lee Wee Yong
Group Finance Director

5 Chong Chee Wooi
Deputy Group Finance Director

>> *Sitting from left to right*

6 Andrew Talling
Chief Operating Officer
Quarry, Asphalt and Bricks Business

7 Voon Thau Vui
Chief Executive
Trading Division

8 Khor Soo Beng
Chief Operating Officer
Property Division

9 Puan Chen Keck
Chief Executive
Credit Financing Division

10 Au Yong Siew Fah
Chief Executive
Plantation Division

11 Tan Boon Siong
Chief Financial Officer

**12 Yong Teak Jan @
Yong Teck Jan**
Chief Operating Officer
Building Materials /
General Trading Business

>> *Standing from left to right*

SENIOR MANAGEMENT TEAM'S PROFILE

1 Harald Uwe Behrend Group Chief Operating Officer & Chief Executive – Automotive Division

Harald Uwe Behrend, male, a German, aged 62, is the group chief operating officer of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 2 January 2013.

In addition, Mr. Behrend was appointed as chief executive of the automotive division of HSCB on 1 January 2014. He commenced his career with Mercedes-Benz AG in Germany in 1989. During his 24-year career with the German company Daimler AG, he held various senior positions in several countries including Mainland China, Hong Kong and South Korea. He also had short-term assignments in the United States of America and Japan. Prior to him joining HSCB group of companies, he was the president and chief executive officer of Mercedes-Benz Korea Limited and Daimler Trucks Korea Limited.

Mr. Behrend holds a Bachelor of Business Management Degree (Diplom-Betriebswirt) from University Pforzheim, in Germany, an Executive Master in Consulting and Coaching for Change from INSEAD in Singapore and a Master (Staatsexamen) in History and English as well as German literature and linguistics from Pedagogical University Freiburg, Germany.

Mr. Behrend does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

2 Chong Chee Wooi Deputy Group Finance Director

Chong Chee Wooi, male, a Malaysian, aged 51, is the deputy group finance director of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 30 May 2019.

Mr. Chong was attached to the Lei Shing Hong Ltd Group of Companies (LSH Group) for 11 years where he held various senior positions in the automotive, credit and property businesses. His last position in LSH Group was as the group financial controller of Lei Shing Hong Properties Co. Ltd based in Hong Kong. Prior to him joining the LSH Group, Mr. Chong had held various senior finance and management positions in companies spanning pharmaceutical, petrochemical and specialty chemical industries covering the Asia Pacific region for 15 years.

Mr. Chong holds a Bachelor of Commerce Degree majoring in Accounting from University of Newcastle, New South Wales, Australia. He is a Fellow member of the Institute of Singapore Chartered Accountants and a member of the Malaysian Institute of Accountants.

Mr. Chong does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

SENIOR MANAGEMENT TEAM'S PROFILE

3 Tan Boon Siong Chief Financial Officer

Tan Boon Siong, male, a Malaysian, aged 55, is the chief financial officer (CFO) of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 3 October 2022.

Mr. Tan commenced his career with Arthur Andersen & Co (now known as Ernst & Young PLT), Malaysia in 1991. He left the audit profession in 1994 to join the Corporate Finance Division of Commerce International Merchant Bank Berhad (now known as CIMB Investment Bank Berhad). He joined YTL Power Group (YTL Group) in 2002. During his 14-year career with YTL Group, he held various senior finance roles, including a 9-year secondment stint at Wessex Water Services Limited, their United Kingdom water operations. In 2016, he joined Land & General Berhad

initially as a Corporate Advisor and subsequently as CFO. Prior to his appointment to the HSCB group, he was the CFO of TSH Resources Berhad.

Mr. Tan holds a Bachelor of Commerce (Hons) Degree from the University of Melbourne, Australia. He is a member of the Malaysian Institute of Accountants and CPA Australia.

Mr. Tan does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interest with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

4 Au Yong Siew Fah Chief Executive – Plantation Division

Au Yong Siew Fah, male, a Malaysian, aged 72, is the chief executive of the plantation division of Hap Seng Consolidated Berhad (HSCB), Hap Seng Plantations Holdings Berhad (HSP), and was appointed to this position on 12 February 2001. Thereafter he was appointed an executive director of HSP on 31 July 2007.

Mr. Au Yong started his career as a cadet planter with Yule Catto Plantations Sdn Bhd in Kluang, Johor in 1969 after attending the Royal Military College. He has more than 52 years of extensive experience in all aspects of management of large plantations for major crops.

Mr. Au Yong obtained the Diploma of the Associate of Incorporated Society of Planters in 1974. He is one of the founding members of the Malaysian Palm Oil

Association (MPOA) and is presently the vice-chairman. He served as a member of the Malaysian Palm Oil Board (MPOB) during the years from 2008 to 2016 and was re-appointed in 2018.

Currently, Mr. Au Yong holds 291,600 HSCB shares and 180,000 HSP shares respectively.

Mr. Au Yong does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

SENIOR MANAGEMENT TEAM'S PROFILE

5 Puan Chen Keck Chief Executive – Credit Financing Division

Puan Chen Keck, male, a Malaysian, aged 65, is the chief executive of the credit financing division of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 7 April 2014.

Mr. Puan joined HSCB group of companies in 2003 as the general manager of the credit financing division and was later promoted to deputy chief executive before assuming the present position. He has more than 25 years of experience in senior management position in credit and finance sector. Prior to this, he was the head of retail banking of Affin-ACF Finance Berhad (now known as Affin Bank Berhad).

Mr. Puan is a member of the Chartered Institute of Management Accountants in United Kingdom.

Currently, Mr. Puan holds 11,000 HSCB shares and 32,500 Hap Seng Plantations Holdings Berhad shares respectively.

Mr. Puan does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

6 Voon Thau Vui Chief Executive – Trading Division

Voon Thau Vui, male, a Malaysian, aged 59, is the chief executive of the trading division of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 1 September 2013.

Mr. Voon has over 20 years of senior management experience in the commodities trading industry in Asia. Prior to him joining HSCB group of companies, he was the executive director of Lei Shing Hong Trading (China) Co. Ltd. from March 2006 to August 2013 and was responsible for the overall business performance of the company covering both China and Asia Pacific region.

Mr. Voon holds an Executive MBA in International Marketing from Berne University of Applied Sciences Switzerland and a Postgraduate Diploma in Marketing from Chartered Institute of Marketing in United Kingdom. He is a Fellow of the Chartered Institute of Marketing in United Kingdom.

Mr. Voon does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

7 Khor Soo Beng Chief Operating Officer – Property Division

Khor Soo Beng, male, a Malaysian, aged 60, is the chief operating officer of the property division of Hap Seng Consolidated Berhad and was appointed to this position on 9 December 2013.

Prior to this, Mr. Khor was the chief operating officer of the property development of UOA Group. During his 18-year career with UOA Group, he was primarily involved in the development of the Bangsar South Mixed Development. In addition, he was also involved in the listing of UOA Real Estate Investment Trust (UOA REIT) and UOA Development Berhad. He then joined Paramount Corporation Berhad to be its chief operating officer of the property division.

Mr. Khor holds a Bachelor of Science (Hon) degree in Building from University of Ulster in United Kingdom. He is a member of The Chartered Institute of Building (CIOB) United Kingdom, Building Management Association of Malaysia (BMAM) and Malaysian Institute of Property and Facility Managers (MIPFM).

Mr. Khor does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

SENIOR MANAGEMENT TEAM'S PROFILE

8 **Yong Teak Jan @ Yong Teck Jan** Chief Operating Officer – Building Materials / General Trading Business

Yong Teak Jan @ Yong Teck Jan, male, a Malaysian, aged 52, is the chief operating officer of building materials – general trading business of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 7 November 2017.

Mr. Yong is a non-independent non-executive director of Hafary Holdings Limited, a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited. Currently, he is also the chief operating officer of Malaysian Mosaics Sdn Bhd, which trades and distributes ceramic tiles under the "MML" brand name, one of Malaysia's leading brands in ceramic tiles with more than five decades in the market. Mr. Yong has more than 25 years of experience in the building material and engineering industry in Malaysia and Singapore. He had held various positions such as

business development, sales and marketing and export, manufacturing and procurement in Eastech Steel Mill Services (M) Sdn Bhd and Salcon Limited.

Mr. Yong holds a Bachelor of Science with Honours in Chemistry from the University of Malaya.

Mr. Yong does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

9 **Andrew Talling** Chief Operating Officer – Quarry, Asphalt and Bricks Business

Andrew Talling, male, British, aged 59, is the chief operating officer of the quarry, asphalt and bricks business of Hap Seng Consolidated Berhad and was appointed to this position on 18 December 2017.

Mr. Talling has more than 30 years of international experience in heavy building material industries, including quarries, asphalt, concrete and brick. Prior to this, he had held various senior positions in global building material multinationals including Hanson Quarry Products (Thailand) Ltd and Insee Aggregates division of Siam City Concrete Co. Ltd which was part of Holcim Group.

Mr. Talling holds a Master in Business Administration from the University of Lincoln and Humberside in United Kingdom and an Honours Degree in Mining Engineering from Imperial College, London, United Kingdom. He is also a Fellow of the Institute of Quarrying.

Mr. Talling does not have any family relationship with any director and/or major shareholder nor does he have any conflicts of interests with the Company. He has not been convicted of any offense in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

This corporate governance overview statement (“CG Statement”) of Hap Seng Consolidated Berhad (“HSCB” or the “Company” and “Group” refers to HSCB’s group of companies) is prepared pursuant to paragraph 15.25(1) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“LRs” and “Bursa Securities”), with guidance being drawn from Practice Note 9 of LR’s and the Corporate Governance Guide (4th Edition) issued by Bursa Securities.

The CG Statement is supplemented by a corporate governance report (“CG Report”) prepared in accordance with the prescribed format of paragraph 15.25(2) of the LR’s. The CG Report is to provide a detailed articulation on the extent to which the Company has complied with the corporate governance practices set out in the Malaysian Code on Corporate Governance 2021 (“MCCG”). The CG Report is available on the Company’s website, www.hapseng.com as well as the website of Bursa Securities.

This CG Statement should also be read in conjunction with the other statements in this annual report (e.g. Statement on Risk Management and Internal Control, Reports on Audit, Nominating and Remuneration Committees and Sustainability Statement) as the application of certain corporate governance enumerations may be more succinctly explained in the context of the respective statements.

CORPORATE GOVERNANCE APPROACH

The board of HSCB (“Board”) is committed to ensure that the Company remains strong, viable and sustainable to deliver value to both its shareholders and stakeholders. The Board believes that a robust and dynamic corporate governance framework is essential for effective and responsible decision-making at the Company.

The Company’s overall approach to corporate governance is to:

- have the appropriate people, processes and structures to direct and manage the business and affairs of the Company;
- drive the application of good corporate governance practices through the alignment of the interests of shareholders, the stakeholders and the Company; and
- embed sound corporate governance practices into the Company’s broader responsibility to shareholders, customers and the communities in which it operates.

For this purpose, the Board strives to promote meaningful and thoughtful application of good corporate governance practices. Recognizing that improving corporate governance practices is a dynamic and evolving process, the Company will continue to enhance accountability, objectivity and transparency in its operations.

A summary of the Company’s corporate governance practices with reference to the MCCG is described below.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for overseeing the management of the business and affairs of the Group, including the commitment to sustainability, in the best interest of the Company.

The Board has established three board committees, namely the Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”) (collectively the “Board Committees”), with clear terms of reference. By engaging closely and actively with the Board, the Board Committees are able to effectively assist the Board in the discharging of its oversight function.

Board Committees	Responsibilities of Board Committees
AC	The AC is responsible to support the Board with its oversight role in the areas of financial reporting, related party transactions and conflicts of interests, internal control environment, internal audit and external audit as well as the Group’s overall risk management system.
NC	The NC is responsible to recommend candidates to be appointed to the Board and Board Committees, annually evaluate performance of the Board and the Board Committees as well as to develop succession plans for directors of the Company.
RC	The RC is to set out the Group’s remuneration policy, and to make remuneration recommendations for executive directors, non-executive directors and senior management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board and Board Committees meet regularly to deliberate on matters under their respective purview. During the year, the Board has deliberated on business strategies and critical issues concerning the Group, including business plan, annual budget, financial results, risk management status report and sustainability report. Meeting attendance of Board members and members of the various Board Committees during the financial year ended 31 December 2022 is as follows:

Directors	Board	AC	RC	NC
Thomas Karl Rapp	6/6	5/5	2/2	2/2
Datuk Edward Lee Ming Foo, JP	6/6	-	-	-
Lee Wee Yong	6/6	-	-	-
Cheah Yee Leng	6/6	-	-	-
Datuk Simon Shim Kong Yip, JP	5/6	4/5	2/2	2/2
Leow Ming Fong @ Leow Min Fong	6/6	5/5	2/2	-
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	6/6	-	-	2/2
Tan Boon Peng	6/6	-	-	-
Wong Yoke Nyen	5/6	-	-	-
Lt Gen (R) Datuk Abdul Aziz Bin Hasan*	2/2	-	-	-

* Retired on 26 May 2022

 Board/Board Committee Chairman  Member

There is a clear demarcation of responsibilities between Board and management of the Group ("Management"). While the Board directs and governs the Management, it does not unduly usurp the operational and implementation role of Management. The chairman is responsible to spearhead the Board ("Chairman") while the managing director is responsible for the efficient and effective management and day-to-day operations of the Group ("Managing Director"), in accordance with the strategic direction of the Board. The positions of Chairman and Managing Director are held by different individuals.

The Board has formalised a board charter which delineates the responsibilities of the Board, Board Committees, and their members, including matters that are solely reserved for the Board's decision ("Board Charter"). The Board Charter is periodically reviewed by the Board to ensure it reflects Group's evolving needs. The Board Charter is available on the Company's website.

During the year, the Board approved fit and proper policy which serve as a guide to the NC and Board in their review and assessment of suitable candidates that are to be appointed to the board or its subsidiaries as well as directors who are seeking for re-election.

A senior independent director is also appointed to act as a sounding board for the Chairman, address concerns that may be raised by shareholders of the Company and as an intermediary for other directors when necessary.

In discharging its responsibilities, the Board is assisted by a qualified and competent company secretary who acts as a counsel on corporate governance matters. The Management always provides directors with adequate and timely information prior to meetings to enable them to make informed decisions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD COMPOSITION

Recognizing that the Group is diversified with six core and synergistic businesses – plantation, property, credit financing, automotive, trading and building materials, the Board ensures that it has an appropriate mix of skills, experience and diversity to discharge its role and responsibilities effectively based on the Group's diversified businesses. The Board undertakes a periodic review of its composition to ensure that all skill gaps are filled and to identify areas of weakness for improvement.

The directors strive to harness their knowledge and professional experience to provide diverse perspectives on the Company's business operations and strategies. The expertise possessed by the Management as well as access of directors to external professional experts complement the effective functioning of the Board. The collective skill-set and experience of the Board are illustrated in the following matrix.



The Board is currently made up of five independent non-executive directors, one non-independent non-executive director and three executive directors including a managing director. The presence of majority independent directors allows the Board to apply heightened professional vigilance and challenge the Management in an unbiased manner and prevent dominance and complacency in the boardroom.

The NC assesses the independence of the independent directors annually to ascertain if they display a strong element of impartiality. In conducting this assessment, the dimension of tenure of service is also considered to ensure that the same has not reduced impartiality or resulted in lack of fresh insights. All the independent non-executive directors have served the Board for less than nine years as at 31 December 2022.

Presently, the Chairman is a member of the Board Committees. The Board recognises the perceived or potential, although not factual, risk of self-review by the Chairman assuming membership of the Board Committees. This being the case, the NC will continue to do the necessary in reviewing and recommending the appropriate candidates to the Board to replace the Chairman's membership in the Board Committees.

Board appointments are made via a formal, rigorous and transparent process, premised on meritocracy and after taking into account the skills, experience, tenure and diversity needed on the Board in the context of the Company's strategic direction. In terms of gender diversity, the Board currently comprises one female director, namely, Ms. Cheah Yee Leng. The Company continues to encourage mentoring of junior female employees by senior female executives within the Group. This will eventually deepen the internal female talent pool for potential female candidates to be appointed onto the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board, facilitated by the company secretary, undertakes an annual assessment of the effectiveness of both the Board and the Board Committees as well as the individual directors in a formal process. Every directors is required to complete the requisite questionnaires and submit the same directly to the company secretary who will collate the responses and produce a summary report to the NC. The NC will then analyse the report and submit its findings and recommendation to the Board. Such findings would be utilized as the bases for the Board's development needs and in making governance changes.

NC has conducted the fit and proper assessment on the directors who were proposed for re-election in accordance with clause 116 of the Company's constitution at the forthcoming annual general meeting ("AGM"). The retiring directors had also submitted to the Company their fit and proper declaration forms.

REMUNERATION

The Board ensures that a fair level of remuneration is imperative to attract, retain and motivate directors and senior management to manage the Company successfully. The component remuneration packages for executive directors and senior management have been structured to link rewards to corporate and individual performance whilst non-executive directors' remuneration reflects the experience and level of responsibilities undertaken by individual non-executive directors. The remuneration policy and procedures for executive directors, non-executive directors and senior management are available on the Company's website.

AUDIT COMMITTEE

None of the AC members are the former audit partners are required to observe a cooling-off period of at least three years before being appointed. The AC is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions, conflict of interest situations as well as risk management framework. The AC seeks to benefit from the possession of financial literacy amongst its members complemented with a sound understanding of the business for it to discharge its responsibilities effectively.

The AC has established formal and transparent arrangements to maintain an appropriate relationship with the Company's external auditors. These include policies and procedures to review the suitability and independence of the external auditors. During the year under review, the AC has received written assurance from external auditors confirming that it is and has been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The external auditors confirmed that throughout the course of audit, they had not discovered any suspected or actual fraud cases. The AC also confirmed that to the best of their knowledge, they had no knowledge of any suspected or actual fraud cases involving the Company.

During the year the AC held two separate independent meetings with the external auditors in the absence of the executive Board members and management representatives during which the external auditors informed the AC that they had received full co-operation from the Management as well as unrestricted access to all information required for purpose of their audit and there were no special audit concerns to be highlighted to the AC.

REVIEW OF BOARD AND BOARD COMMITTEES' POLICIES AND PROCEDURES

The Board reviewed its Board Charter alongside the terms of reference for each of the Board Committees. The information was up-to-date with the revised regulatory expectations as well as the expectations of stakeholders for directors to exercise greater vigilance and skepticism in understanding and shaping the direction of the Company. These authoritative documents serve to guide the governance and conduct of the Board and Board Committees.

The Board was satisfied with the evaluation conducted by NC that all members of the Board and Board Committees were suitably qualified to hold their positions having considered amongst their respective academic and professional qualifications, skills, competencies, tenure, experiences, commitment and contribution to the Board and Board Committees.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PROFESSIONAL DEVELOPMENT OF DIRECTORS

During the year under review, directors have continued to attend various training and courses relevant to the discharging of their function as directors of the Company. In-house talks were also organised on topical areas to keep directors updated the latest developments or changes in the regulatory framework and the like. Site visits were also arranged, as necessary, for directors to gain first-hand views on the Company's operations.

Training programmes attended by the Board members during the financial year ended 31 December 2022 are outlined below:

Programme Title	Date
Thomas Karl Rapp	
Employer and Employee Tax Obligations in Malaysia	23 February 2022
Malaysia's Corporate Taxes and Incentives Updates	9 March 2022
Kuala Lumpur - Open for Business	14 April 2022
KPMG Board Leadership Center Exclusive: Insights into Task Force on Climate-Related Financial Disclosures and Sustainable Finance	21 April 2022
Plantation Outlook	12 July 2022
Briefing on Integrated Reporting	24 August 2022
Conversation with Audit Committees	6 December 2022
Manage Forward - "Klarheit & Fokus" Target 2023	8 December 2022
ICDM Advocacy Dialogue on Bursa Malaysia's Enhanced Sustainability Reporting Framework	12 December 2022
Datuk Edward Lee Ming Foo, JP	
Plantation Outlook	12 July 2022
Briefing on Integrated Reporting	24 August 2022
LED - Environmental, Social and Governance Essentials (Core)	25 October 2022
Lee Wee Yong	
Plantation Outlook	12 July 2022
Briefing on Integrated Reporting	24 August 2022
Cheah Yee Leng	
Companies Act 2016 Practical Guide for Company Secretaries	29 March 2022
Plantation Outlook	12 July 2022
SSM National Conference 2022	26 & 27 July 2022
Companies Act 2016 Directors' Statutory Disclosures	11 August 2022
Resolving Boardroom and Shareholders Disputes	15 August 2022
Briefing on Integrated Reporting	24 August 2022
Corporate Governance & Remuneration Practices for The ESG World	14 September 2022
LED - Environmental, Social and Governance Essentials (Core)	8 November 2022
Datuk Simon Shim Kong Yip, JP	
Plantation Outlook	12 July 2022
Leow Ming Fong @ Leow Min Fong	
Corporate Training on Understanding Sustainability and Environmental, Social and Governance	1 July 2022
Plantation Outlook	12 July 2022

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Programme Title	Date
Leow Ming Fong @ Leow Min Fong	
Briefing on Integrated Reporting	24 August 2022
MIA Webinar Series: Anti-Money Laundering & Counter Financing of Terrorism (AML/CFT) Masterclass	11 October 2022
MIA Webinar Series: Investigation & Prosecution of Money Laundering (AMLA) cases in Malaysia	31 October 2022
MIA Webinar Series: Global Financial Markets and Instruments	11 November 2022
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	
KPMG Board Leadership Center Exclusive: Insights into Task Force on Climate-Related Financial Disclosures and Sustainable Finance	21 April 2022
Empowering and Rewarding the "Boardroom Brigade" - A Board Remuneration Masterclass	18 May 2022
Syariah Training for Board of Zurich General Takaful Berhad	4 July 2022
BNM-FIDE Forum Dialogue: Engagement with Board Members of General Insurers and Takaful Operators on Motor Claims Reforms	11 August 2022
FIDE Forum – CGM Conversations with Chairmen: A Standing Item in Board Agendas	15 August 2022
Building the Islamic Finance Industry's Future: Creating Role Model Economies, Inclusive Institutions and Impact Driven Assessment	18 August 2022
Briefing on Integrated Reporting	24 August 2022
Board Effectiveness Evaluation – Post Launch Workshop	6 September 2022
Malaysian Banking Conference 2022	13 September 2022
Global Islamic Finance Forum 2022	5 & 6 October 2022
The Emerging Trends, Threats and Risks to the Financial Services Industry	24 November 2022
Tan Boon Peng	
Malaysia's Corporate Taxes and Incentives Updates	9 March 2022
How Boards Should Rethink Their Talent Strategy in this Era of Opportunity	19 May 2022
2022 Board and Audit Committee Priorities	31 May 2022
Assessing Your Organizational Culture	22 June 2022
Plantation Outlook	12 July 2022
Sustainable Investing: From Aspirational to Attainable	26 July 2022
Briefing on Integrated Reporting	24 August 2022
3 rd Annual Malaysian REIT Forum 2022 – M-REITs & The Road Ahead	18 October 2022
Bursa Immersive Session: The Board "Agender"	1 December 2022
Wong Yoke Nyen	
Guidance for Preparation of Sustainability Statement	22 August 2022
Briefing on Integrated Reporting	24 August 2022
Assessing Financial System Integrity – Anti-Money Laundering and Combating the Financing of Terrorism, Corruption & Bribery, Customer Information and Permitted Disclosure	24 August 2022
Success, Survival and Sustainability Strategies in Competitive Environment using Sun Zi's Art of War's Approach	5 September 2022
Compliance with Listing Requirements – Reporting of Financial Statements	12 September 2022

CORPORATE GOVERNANCE OVERVIEW STATEMENT

SUSTAINABILITY

The Board oversees the sustainability strategy of the Group. Sustainability Committee chaired by the Managing Director with participation from heads of business division is to assist the Board to achieve the overall effectiveness and adequacy in the management of environmental, social and governance (“ESG”) issues in accordance to the Group sustainability framework. Sustainability Committee is responsible in overseeing the progress on delivering of the sustainability commitments and identify future sustainability-related risks and opportunities to the Group. The Sustainability Committee is also responsible to align the Group’s expectation and business strategy to the sustainability focus areas.

The Board reviewed and approved the ESG related key performance indicator (“ESG-related KPIs”) of the Group. ESG-related KPIs are formulated to enhance accountability and to encourage continuous improvements in sustainability performance and linked to the remuneration of executive directors and senior management as per recommended by the MCCG. The 17 ESG-related KPIs were identified and adopted by the Group after engagement with the business divisions and in consultation with the Sustainability Committee.

PROMOTING GOOD BUSINESS CONDUCT

A code of conduct has been put in place to foster an ethical culture and allow legitimate concerns to be raised in confidence without the risk of reprisal (“said Code”). The said Code is reviewed periodically by the Board and published on the Company’s website.

The Company has undertaken a group-wide integrity program with the view to instill the value and culture of good corporate behavior among its employees. As part of the said program, the Group has implemented its anti-bribery and corruption policy (“ABC Policy”) with which various adequate procedures were introduced pursuant to section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 (“MACC Amendment Act 2018”). This ABC policy, which is available on the Company’s website, is to deter and prevent acts of bribery and corruption among employees of and third parties dealing with the Group.

The Company has in place the standalone whistle-blowing policy to promote and maintain high transparency and accountability at the workplace, manage reports of improper conduct in an objective and timely manner, provide protection to the whistle-blower from unfair dismissal, victimisation, demotion, suspension, intimidation or harassment, discrimination, any action causing injury, loss or damage or any other retaliatory actions, provide a transparent and confidential process in dealing with any such whistle-blowing of improper conduct, protect the reputation of the Group and improve and maintain a healthy and productive culture (“Whistle-Blowing Policy”). Any party who believes or has reasonable grounds to believe that improper conduct has occurred or is occurring should report their concerns using the available reporting channels as stated in the Whistle-Blowing Policy. The whistle-blowers and/or their interests will not in any way be implicated or impaired whatever the outcome of the investigation is, so long as the reports have been made in good faith. The Whistle-Blowing Policy is published on the Company’s website.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board is cognisant that a robust risk management and internal control framework helps the Group to achieve its value-creation targets by providing risk information to enable better formulation of the Group’s strategies and decision-making. The Group’s risk management and internal control framework covers not only financial controls but also operational, environmental and compliance controls as well as corporate liability as set out under section 17A of the MACC Amendment Act 2018. The risk management committee of the Group (“RMC”) assumes the risk management responsibility, building upon already established structures and mechanisms to implement the processes for identifying, evaluating, monitoring and reporting of risks as well as to take appropriate and timely corrective actions as required. The managing director assumes the role of chairman of the RMC while the chief executives or the business heads lead the risk management function of the various business units. An annual comprehensive risk management report and a half yearly update on salient changes to the key risk profile are tabled to the AC to facilitate timely assessment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Group has an in-house internal audit department (“IA”) which is independent of the activities or operations of other operating units in the Group. The IA provides the AC and the Board with assurance regarding the adequacy and integrity of the system of internal control. The IA adopts a risk-based approach and prepares its audit strategy and plan based on the respective risk profile of the business units of the Group. To discharge its functions independently and effectively, the IA has unfettered access to the Group’s records, properties and personnel and most importantly, a direct reporting line to the AC.

COMMUNICATION WITH STAKEHOLDERS

The Board believes in apprising the Company’s stakeholders of all material business events in a timely manner. In this connection, the Board ensures timely announcements of all material transactions to Bursa Securities, which are also made available on the Company’s website. The Company’s website contains recent announcements, past and current reports to shareholders, including summaries of key financial data, operational briefing presentations as well as copies of recent notices and minutes of general meetings. While the Company endeavours to provide as much information as possible to its stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information, as well as the commercial sensitivity of certain information.

The Company also organizes quarterly briefings to various equity and research houses and corporate bankers upon the announcement of the Company’s quarterly financial results to keep the interest public updated on the progress and development of business and prospects of the Company.

CONDUCT OF GENERAL MEETING

The Board recognises the significance of the AGM as a platform for direct and meaningful communication between the Board and the Company’s shareholders. As such, the Board strives to ensure that shareholders are accorded with sufficient time to consider the resolutions that will be discussed and decided upon at the AGM.

The notice convening the AGM in 2022 was issued 28 days prior to AGM (“AGM 2022”). This goes above and beyond section 316(2) of Companies Act 2016 and paragraph 7.15 of LRs of Bursa Securities which call for a 21-days notice period.

The notice for the AGM 2022 outlines the resolutions to be tabled during the meeting and is accompanied with explanatory notes and background information where applicable to shed clarity on the matters that will be decided at the AGM 2022. Shareholders were provided the administration guide on how to register, appoint proxy, participate and vote remotely via remote participation and electronic voting facilities (“RPEV”) together with the notice of AGM 2022.

AGM 2022 was conducted by way of a fully virtual meeting and all the non-executive directors participated the AGM 2022 via live streaming whilst the Chairman and executive directors as well as the chief financial officer and company secretary were present at broadcast venue.

The external auditors, Messrs Ernst & Young PLT, were also invited to attend the AGM 2022 to address queries from shareholders relating to the conduct of the audit and the preparation and content of the auditor’s report.

At the commencement of AGM 2022, the Chairman duly advised the shareholders that they were encouraged to submit their questions or queries in the query box of RPEV throughout the AGM 2022 proceeding. The Chairman shared at the AGM 2022 questions submitted by Minority Shareholders Watch Group. The questions and the corresponding replies were also read out by the Chairman during the AGM 2022. All resolutions were voted via electronic poll voting. The poll results were verified by the scrutineer, GovernAce Advisory & Solutions Sdn Bhd and the Chairman declared the resolutions were duly passed. The poll results were also announced by the Company to Bursa Malaysia Securities Berhad on the same day for the benefit of all shareholders.

Minutes of the AGM 2022 as well as questions and answers posted by the shareholders and proxies were made available on the Company’s website at www.hapseng.com.

AUDIT COMMITTEE REPORT

Members of the Audit Committee	
Mr. Leow Ming Fong @ Leow Min Fong	Independent Non-Executive Director – Chairman
Mr. Thomas Karl Rapp	Independent Non-Executive Director
Datuk Simon Shim Kong Yip, JP	Non-Independent Non-Executive Director

Terms of Reference of the Audit Committee

Duties and responsibilities of the Audit Committee are set out in its terms of reference which is published on the Company's website at www.hapseng.com.

Meetings

During the financial year ended 31 December 2022, five meetings were held. Attendance details of each member of Audit Committee are set out in the Corporate Governance Overview Statement on page 64 of this annual report.

The executive directors, deputy finance director, chief financial officer and general manager of group finance were invited to all Audit Committee meetings to facilitate direct communication and to provide clarification on financial and audit issues as well as updates on business or operations. The head of the internal audit attended all the quarterly Audit Committee meetings to table and brief the committee members on the internal audit reports.

Summary of Works of the Audit Committee

The works of the Audit Committee during the financial year ended 31 December 2022 are summarised below:

- Reviewed internal audit plan for the financial year to ensure adequate scope and comprehensive coverage which includes review of operational compliance with established control procedures, management efficiency, risk assessment and reliability of financial records.
- Received and reviewed a total of 23 internal audit reports presented by the internal auditors at the quarterly Audit Committee meetings covering the processes of the Group's business units and was satisfied with the recommendations and actions taken by the management in addressing the issues highlighted.
- Reviewed annual audit plans outlining audit materiality, audit scope, methodology and timing of audit, audit focus areas and proposed fees for the statutory audit services rendered by the external auditors and recommendation of their audit fees to the Board for approval.
- Discussed the annual audited financial statements of the Group with the external auditors and noted the salient features and key findings from the external auditors as well as to ensure that the audited financial statement was drawn up in accordance with the provisions of the Companies Act 2016 and the applicable accounting standards approved by the Malaysian Accounting Standards Board.
- Reviewed the annual audited financial statements for recommendation to the Board for approval.
- Noted the key audit matters highlighted by the external auditors as disclosed in the independent auditors' report.
- The Audit Committee held two separate independent meetings with the external auditors in the absence of the executive Board members and management representatives during which the external auditors informed that they had received full co-operation from the management as well as unrestricted access to all information required for purpose of their audit and there were no special audit concerns to be highlighted to the Audit Committee.
- The external auditors also confirmed that during the audit process, they were not aware of any relationships or matters that, in their professional judgment, would impact their independence in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA").

AUDIT COMMITTEE REPORT

- Reviewed the independence of the external auditors and have received written assurance from external auditors confirming that they were, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements as well as the By-Laws (on Professional Ethics, Conduct and Practice) of the MIA.
- Reviewed the suitability of the external auditors and was satisfied with the suitability of the external auditors, Messrs Ernst & Young PLT in terms of the quality of audit, performance, competency and sufficiency of resources and recommended to the Board for the reappointment of Messrs Ernst & Young PLT as the external auditors of the Company for the next financial year.
- Reviewed the Group's quarterly unaudited financial results prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 134 "Interim Financial Reporting" and chapter 9 of Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Listing Requirements") prior to submission to the Board for consideration and approval where the chairman of the Audit Committee will brief the Board on the pertinent points and the recommendations of the Audit Committee.
- Reviewed and considered the disclosure of related party transactions in the financial statements and the recurrent related party transactions in circular to shareholders.
- Received and reviewed the comprehensive risk management report from the risk management committee of the Group and is satisfied with the assessment thereof.
- Reviewed and recommended to the Board the statement on risk management and internal control for approval and inclusion in the annual report.
- Reviewed the limit of authority as well as the list of non-assurance services to be provided by the external auditors of the Company.
- Reviewed the proposed disposal of HS Credit (Birmingham) Ltd ("Proposed Disposal") and recommended to the Board that the Proposed Disposal was in the best interests of the Company and the Group, fair, reasonable and on normal commercial terms and not detrimental to the interest of the non-interested shareholders.

Summary of Works of the Internal Audit Function

Summary of works of the internal audit function for the financial year ended 31 December 2022 is set out in the Statement on Risk Management and Internal Control on page 78 of this annual report.

NOMINATING COMMITTEE REPORT

Members of the Nominating Committee

Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	Independent Non-Executive Director – Chairman
Mr. Thomas Karl Rapp	Independent Non-Executive Director
Datuk Simon Shim Kong Yip, JP	Non-Independent Non-Executive Director

Terms of Reference of the Nominating Committee

Duties and responsibilities of the Nominating Committee are set out in its terms of reference which is published on the Company's website at www.hapseng.com.

Meetings

During the financial year ended 31 December 2022, two meetings were held and all the Nominating Committee members were present.

Summary of Activities of the Nominating Committee

The activities carried out by the Nominating Committee during the meeting held on 27 May 2022 are summarized below:

- Reviewed the amendments on the whistle-blowing policy by expanding the whistle-blowers' coverage to include business associates and external providers of the Group and directors as well as employees of the Group have to sign the integrity declaration once in every two years.
- Reviewed the amendments on the terms of reference of remuneration and nominating committees.
- Reviewed the current size and composition of the Remuneration Committee and was satisfied that the Remuneration Committee was effective in the discharge of its function.
- Reviewed and recommended to the Board the fit & proper policy which serves as a guide to the Nominating Committee and Board in their review and assessment of suitable candidates that are to be appointed to board and its subsidiaries as well as directors who are seeking for re-election.

During the meeting held on 23 February 2023, members of the Nominating Committee had performed activities summarised below for the financial year 2022:

- Evaluated the performance and effectiveness of Board and Board Committees collectively as well as the performance of each member on an annual basis through the self and peer-assessment and was satisfied that all members of the Board and Board Committees were suitably qualified to hold their positions in view of their respective academic and professional qualifications, skills, competencies, experiences, tenure, commitment and contribution to the Board and Board Committees.
- Evaluated the independence of each independent director taking into account both the quantitative and

qualitative criteria and satisfied that all the independent directors meet the independence criteria prescribed by the Listing Requirements.

- Reviewed the term of office and performance of the Audit Committee and each of its members in compliance with Listing Requirements. The Nominating Committee was satisfied that the Audit Committee and its members had carried out their duties in accordance with their terms of reference.
- Reviewed the training needs of the directors in order to keep abreast with developments in the relevant industry to enhance their skills in a dynamic and complex business environment and with changes in the relevant statutory and regulatory requirements.
- Reviewed the board charter and terms of reference of the Board Committees adopted by the Board.
- Conducted directors' self and peer assessment, fit and proper assessment and independence of the independent directors to evaluate as well as determined the respective performance and eligibility of the following directors who are to retire in accordance with clause 116 of the Company's constitution to stand for re-election at the forthcoming annual general meeting ("AGM"):-
 - Mr. Thomas Karl Rapp (Chairman);
 - Ms. Cheah Yee Leng (Executive Director); and
 - Mr. Tan Boon Peng (Non-independent Non-executive Director).

In their evaluation, the retiring directors had met the criteria of character, experience, integrity, competence and time required to effectively discharge their respective roles as directors and satisfied the directors' fit and proper assessment criteria. The retiring director had abstained from deliberation and decision on their respective re-election at the relevant Nominating Committee and Board meetings.

- Reviewed and recommended to the Board the anti-bribery and corruption policy with which various adequate procedures were introduced pursuant to section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018.
- Reviewed and recommended to the Board the standalone whistle-blowing policy.

REMUNERATION COMMITTEE REPORT

Members of the Remuneration Committee	
Mr. Thomas Karl Rapp	Independent Non-Executive Director – Chairman
Mr. Leow Ming Fong @ Leow Min Fong	Independent Non-Executive Director
Datuk Simon Shim Kong Yip, JP	Non-Independent Non-Executive Director

Terms of Reference of the Remuneration Committee

Duties and responsibilities of the Remuneration Committee are set out in its terms of reference which is published on the Company's website at www.hapseng.com.

Meetings

During the financial year ended 31 December 2022, two meetings were held and all the Remuneration Committee members were present.

Summary of Activities of the Remuneration Committee

- During the Remuneration Committee meeting held on 20 December 2022, the members of Remuneration Committee had reviewed and recommended to the Board, the executive directors and senior management's emoluments inclusive of benefits for the financial year ending 31 December 2023 and bonus for the financial year ended 31 December 2022. Such reviewed was to ensure that the remuneration package of executive directors and senior management remain attractive and in line with the industry forecast for 2022/2023 for the average salary increment and bonus.
- During the Remuneration Committee meeting held on 23 February 2023, the Remuneration Committee reviewed and recommended to the Board, the payment of directors' fee for the Company and its subsidiary for the financial year ended 31 December 2022 which is subject to the approval by shareholders at the forthcoming AGM.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is committed to ensure a sound system of risk management and internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control which outlines the nature of internal control of the Group during the financial year ended 31 December 2022 pursuant to paragraph 15.26(b) of the Listing Requirements. In making this statement, the Board is guided by the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” (“SRMICG”) which is issued by the Taskforce on Internal Control with the support and endorsement of the Exchange.

For the purposes of this statement, associates and joint venture are not dealt with as part of the Group, and therefore not covered by this statement.

Board’s Responsibility

The Board recognises that a sound risk framework and management process and system of internal control is fundamental to good corporate governance and an effective risk management to assist the Group to achieve its performance and profitability targets.

The Board acknowledges its responsibility for the Group’s risk management and system of internal controls covering not only financial controls but also operational, environmental and compliance controls.

The risk framework and management process and system of internal control which involve every business units and their respective key management, are designed to meet the Group’s needs and to manage the risks to which it is exposed.

The risk framework and management process and system of internal control, by their nature, can only provide reasonable but not absolute assurance against material loss or against the Group failing to achieve its objectives.

Towards this end, the Group has a formal approach towards identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives.

The Audit Committee assists the Board in the reviewing process, however, the Board as a whole remains responsible for all the actions of the Audit Committee with regards to the execution of the delegated role.

Risk Management

The Group Risk Management Committee takes responsibility for risk management, building upon already established structures and mechanism.

Members of the Group Risk Management Committee comprise the following:

two executive directors, one being the group managing director	chief executives of the respective business division
group chief operating officer	head of group internal audit
deputy group finance director	chief risk officer / senior manager overseeing the risk management function
chief financial officer	

The group managing director assumes the role of chairman of the committee while the chief executive leads the risk management function of the business unit.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Responsibilities of the Group Risk Management Committee include inter-alia the following:

- To develop risk management policies, which includes risk management strategies and risk tolerance level for the various business units within the Group;
- To develop methodologies to identify, evaluate, prioritise, address and report the various risks of the various business units within the Group;
- To periodically review the effectiveness of the existing risk management policies and methodologies and recommend changes thereto;
- To monitor and ensure the implementation and compliance of the risk management policies and methodologies across the Group;
- To review the key risk profile of the Group and ensure that all significant risks are managed effectively, including the evaluation and treatment of newly identified risk, review and monitor the implementation of action plans to mitigate the significant risks identified;
- To report risk exposures or risk management activities to the Audit Committee on a timely basis; and
- To promote risk awareness and/or facilitate training on risk management.

The Group Risk Management Committee together with the Group's management are responsible for implementing the processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking appropriate and timely corrective actions as required. This is designed to be responsive to changes in the business environment and is communicated to the appropriate levels through existing reporting structures and processes of the Group.

Key risks critical to the Group's strategic objectives are identified and scored for likelihood of the risks occurring and the magnitude of the impact.

A database of strategic risks identified with appropriate controls has been created and the information filtered to produce a detailed risk register/scorecard. The risk profiles of the respective business units are updated every 6 months to reflect the prevailing operating conditions.

Risk assessment interviews have been conducted by the senior manager overseeing the risk management function with the chief executives and managers of the respective business units as part of the assessment of strategic risks affecting the Group.

The risks profile of the relevant business units has been tabled to the Group Risk Management Committee highlighting on the key risks, their causes and management action plans thereon.

The Group Risk Management Committee reports its activities and makes recommendations to both the Audit Committee and the Board. An annual comprehensive risk management report and a half yearly update on salient changes to the key risk profile are tabled to the Audit Committee to facilitate timely assessment.

Any major changes to risks or emerging significant risk of the business units in the Group together with the appropriate actions and/or strategies to be taken, will be brought to the attention of the Board by the chairman of the Audit Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Control

The Board places emphasis on a sound system of internal control to facilitate the effective and efficient operation of the Group's businesses by enabling the Board and the management to respond appropriately to any significant business, operational, compliance and other risks in achieving the Group's objectives.

Nevertheless, the Board also recognises that the system of internal control can only reduce, but cannot eliminate, the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances. As such, the Board reiterates that the system of internal control, by its nature, can only provide reasonable but not absolute assurance against material loss or against the Group failing to achieve its objectives.

The key elements of the Group's internal control system are described below:

- Clearly defined delegation of responsibilities to the Board Committees and to operating units, including authorisation levels for all aspects of the business.
- Documented internal procedures and/or processes of individual business units, whenever applicable, which include processes to generate timely, relevant and reliable information and proper record keeping as well as compliances with applicable laws and regulations and internal policies for the conduct of business.
- Regular internal audit visits in accordance with the approved internal audit plan by Audit Committee which monitors compliance with procedures and assess the integrity of financial information.
- Regular and comprehensive information provided to management, covering financial performance and key business indicators.
- A detailed budgeting process where operating units prepare budgets for the coming year to be approved by the Board.
- A monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary.
- Regular visits to operating units by senior management whenever appropriate.
- Review of business processes to assess the effectiveness of internal controls by the internal audit department and the highlighting of significant risks impacting the Group by the head of internal audit to the Audit Committee. Annual internal audit plan is reviewed by the Audit Committee.
- In the presence of the group managing director, group finance director and chief financial officer for the purpose of ascertaining the state of internal control and to obtain assurance of the internal control system as to its effectiveness and adequacies in all material aspects, the Audit Committee reviews and holds discussion on significant internal control issues identified in reports prepared by the internal audit department.
- Code of Conduct as set out in the Board Charter and the Employees' Handbook.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Audit Function

The Group has an in-house internal audit department which is independent of the activities or operations of other operating units in the Group, which provides the Audit Committee and the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control.

The head of internal audit department is a member of Malaysian Institute of Accountants and The Institute of Internal Auditors of Malaysia and he is assisted by a team of qualified personnel.

The internal audit functions of the department are carried out using a risk based, systematic and disciplined approach, guided by the standards recognised by these professional bodies.

The head of internal audit has direct access to the chairman of the Audit Committee and whenever deemed necessary, meets with the Audit Committee without the management being present.

The principal responsibility of the internal audit department is to undertake regular and systematic reviews of the system of internal controls, risk management and governance processes so as to provide reasonable assurance that such system operates satisfactorily and effectively within the Company and the Group and reports to the Audit Committee on a quarterly basis.

Internal audit strategy and a detailed annual internal audit plan are presented to the Audit Committee for approval. The internal audit function adopts a risk based approach and prepares its audit strategy and plan based on the risk profiles of the business units of the Group.

Summary of the works of the internal audit function are as follows:

- Undertook internal audit based on the audit plan that had been reviewed and approved by the Audit Committee which includes the review of operational and environmental compliance with established internal control procedures, management efficiency, risk assessment and reliability of financial records as well as governance processes.
- Attended business review meetings held regularly by the Group's senior management to keep abreast with the strategic and operational planning and development issues.
- Conducted investigations with regard to various specific areas of concern as directed by the Audit Committee and the management.
- Attended the meetings conducted by the Group Risk Management Committee.
- Assessment of key business risks at each business unit which were identified by risk analysis and continuous monitoring of control compliance through data extraction and analysis techniques.
- Issued internal audit reports to the Audit Committee on the major business units which encompassed identification and assessment of business risks.

Hafary Holdings Limited ("Hafary"), the Group's 50.82% subsidiary listed on the Singapore Stock Exchange, outsources its internal audit function to a professional advisory firm, to carry out the review on the system of internal controls and key business processes of Hafary and its subsidiaries ("Hafary group"). The internal auditors of Hafary, who have unrestricted access to the Hafary group's documents, records, properties and personnel, reports directly to Hafary's audit committee.

The total costs incurred for the internal audit function by the Group in respect of the financial year ended 31 December 2022 was approximately RM3.4 million.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Other Risks and Control Processes

Apart from risk assessment and internal audit, the Group has in place an organisational structure with defined lines of responsibility, delegation of authority and a process of hierarchical reporting and an Employees' Handbook which highlights policies on Group's objectives, terms and conditions of employment, remuneration, training and development, performance review, safety and misconduct across the Group's operations.

The Board is also supported by Board Committees with specific delegated responsibilities. These committees have the authority to examine all matters within their scope and responsibilities, as provided in the Board Charter, and report to the Board with their recommendations. (For more details on the various committees, please refer to pages 71 to 74 in this annual report).

The Audit Committee meets with the independent external auditors at least annually, without management being present, to discuss their remit and any issues or observations of the independent external auditors, recognising that such issues or observations will generally be limited to risks and controls related to the financial statements.

The Board is provided with financial information on a quarterly basis which includes key performance and risk indicators and amongst others, the monitoring of results against budget.

Assurance to the Board was given collectively by the group managing director, group finance director and chief financial officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management model adopted by the Group.

CONCLUSION

Based on the foregoing as well as the inquiries and information provided, the Board is assured that the risk management process, system of internal control and other processes put in place through its Board Committees were operating adequately and effectively in all material aspects to meet the Group's objectives for the year under review and up to the date of approval of this Statement on Risk Management and Internal Control for inclusion in the annual report.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2022, and reported to the Board that nothing has come to their attention that cause them to believe that the Statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the SRMICG or is factually inaccurate. The external auditors' report was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purpose or parties. As stated in their report, the external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

ABOUT THIS STATEMENT

This Statement describes the sustainability strategy, initiatives and value created from our sustainability journey in Hap Seng Consolidated Berhad (the Group or Hap Seng), in line with our corporate vision of “Creating Value Together, To a Better Future”. We endeavour to ensure our sustainability disclosure addresses all the environmental, social and governance (ESG) issues material to our businesses and our stakeholders.

Reporting Period and Scope

This Sustainability Statement encompasses our ESG performance for financial year (FY) 2022, commencing 1 January 2022 to 31 December 2022, from across our corporate headquarter in Kuala Lumpur to our six business divisions operating within Malaysia: Plantation, Property, Credit Financing, Automotive, Trading and Building Materials. As our hotel investment under the hospitality segment has just started operation at the end of FY2022, sustainability-related data and activities under the segment will be disclosed in the next Sustainability Statement.

Our plantation division, Hap Seng Plantations Holdings Berhad (Hap Seng Plantations), a public listed entity, publishes a standalone Sustainability Report. The report and its full ESG disclosures can be found at: <https://www.hapsengplantations.com.my/sustainability-report.html>. Within this Statement, only key ESG performance of Hap Seng Plantations will be disclosed to provide the overall ESG performance as a Group. Additionally, sustainability performance for Hafary Holdings Limited, a subsidiary of the Group listed on the Singapore Exchange Limited (SGX), can be found in its Annual Report, which is available at: https://www.hafary.com.sg/investor_relations/annual_reports.

Reporting Framework

We have prepared our Sustainability Statement in accordance with Bursa Malaysia Securities Berhad’s (Bursa Malaysia) Main Market Listing Requirements, with the guidance from Bursa Malaysia’s Sustainability Reporting Guide and Toolkits (3rd Edition), Global Reporting Initiative (GRI) Standards and FTSE Russell’s ESG requirements. Carbon emissions disclosure is aligned to the Greenhouse Gas (GHG) Protocol and Roundtable on Sustainable Palm Oil (RSPO) PalmGHG methodology.

Assurance

All data and information contained within this statement have been internally sourced and verified by the respective business division.

This statement has been reviewed by our Annual Report Committee and presented to the Board of Directors for approval.

Feedback

We welcome any feedback from our stakeholders regarding this statement. If you would like to submit feedback or request further clarification, kindly contact:

Name : Andrew Kuan
Designation : Senior General Manager
Department : Corporate Planning & Investor Relations
Email : andrewkuanyc@hapseng.com

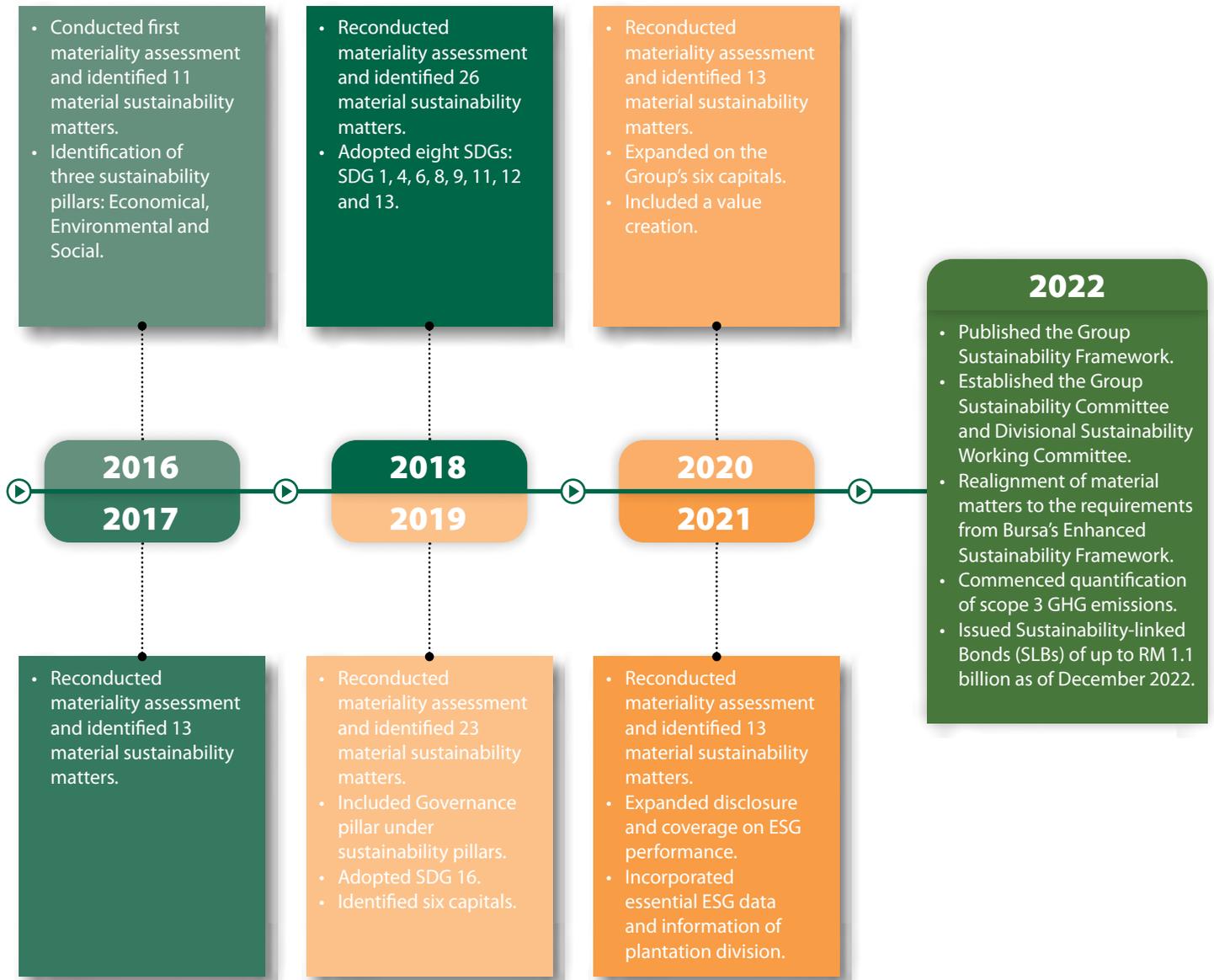
Further information can also be found on our website here.



SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

HAP SENG'S SUSTAINABILITY JOURNEY

FY2022 had been the year where we actively strengthen our Group's internal sustainability management through enhancements in governance and accountability throughout the Group. Such improvement are prioritised to ensure our internal structure and human capital are well positioned to meet the requirements and expectations of our various stakeholders. We believe that an established internal structure, clear responsibility and accountability will provide a solid foundation for our sustainability journey.



SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Key Sustainability Highlights in FY2022



Governance

- Established **Group Sustainability Framework and Sustainability Committee**.
- Identified **ESG-related KPIs** for directors and senior management.



Economy

- Averaged **62.92%** procurement and services spending on local suppliers.



ESG Ratings

- Received an **MSCI ESG Rating of "A"**.
- Scored **81.8%** in SPOTT ESG Policy Transparency Assessments (Hap Seng Plantations).



Energy

- Derived **56.50%** of energy requirement from renewable energy sources.
- Biogas plants generated **14.67 million kWh** of renewable electricity for plantation operations.
- Derived **846,558 kWh** from solar energy for Autohaus operations and excess electricity sold to the grid.



Greenhouse Gas Emissions

- **191,058.74 t CO₂-e** GHG emissions were sequestered and credited through conservation efforts and excess electricity sold to the grid.
- Commenced quantification of **scope 3 GHG emissions**.
- Installed **31 units of electric vehicle charger** at 11 of the Hap Seng Star's Autohaus throughout Malaysia.



Waste

- **107,260.12 MT** of generated non-scheduled waste was recycled and reused.
- Avoided **59,851 t CO₂-e** of emission from waste reuse and recycling.



Health & Safety

- Recorded **zero** work-related fatality and high-consequence injury case.



Corporate Social Responsibilities

- Contributed more than **RM1.94 million** for education and community programmes that benefited more than 3,500 participants.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

ACHIEVEMENTS & RECOGNITIONS

Our performance in ESG initiatives is reflected in the achievements and recognitions achieved both locally and globally.

Business Division	Achievement/ Recognition	Operating Unit
Plantation	Roundtable on Sustainable Palm Oil (RSPO) Certification	100% of oil mills 11 out of 14 estates
	Malaysian Sustainable Palm Oil (MSPO) Certification	100% of oil mills and estates
	International Sustainability & Carbon Certification (ISCC EU)	100% of oil mills 8 out of 14 estates
	Hazard Analysis and Critical Control Points (HACCP) Certification	100% of oil mills
	Makanan Selamat Tanggungjawab Industri (MeSTI) Certification	100% of oil mills
	HALAL Certification	100% of oil mills
	Best Quality CPO Supplier by IOI Edible Oils	Plantation Group
	Highest Quantity CPO Supplier by IOI Edible Oils	Tomanggung Palm Oil Mill
Property	Green Real Estate (GreenRE) Certified	Mercedes-Benz Setia Alam Autohaus
	Leadership in Energy and Environmental Design (LEED) Certified	Menara Hap Seng 3 Plaza Shell
	Green Building Index (GBI) Certified	Menara Hap Seng 2
	Asia Pacific Space Designer Association Award (APSDA)	Menara Hap Seng 3
	FIABCI Malaysia Property Award 2022 - Office Category	Menara Hap Seng 3
	FIABCI Malaysia Property Award 2022 - Industrial Category	Hap Seng Business Park
	Malaysia Book of Records - Highest Indoor Green Wall	Menara Hap Seng 3
Automotive	Environmental Management System (ISO 14001) Certified	HSS Jalan Sultan Ismail
	Quality Management Systems (ISO 9001) Certified	HSS Kinrara, HSS Jalan Sultan Ismail
	Mercedes-Benz Dealer Award 2022	
	Dealer of The Year – Champion	HSS Kinrara
	Dealer of The Year – 2 nd Runner-up	HSS Bukit Tinggi
	Global Customer Experience Challenge – Champion & 1 st Runner-up	HSS Kinrara
	Best in Financial Services – 1 st Runner-up	HSS Kinrara
	Best in 5 Star Rater (Sales) – Champion	HSS Melaka
	Best in CSI (5 Star Rater) – Champion	HSS Kota Kinabalu
	Best in CSI (5 Star Rater) – 2 nd Runner-up	HSS Bukit Tinggi
	Best in Customer Services – Champion	HSS Setia Alam
	Best in Customer Services – 1 st Runner-up	HSS Kinrara
Best in Sales – Champion	HSS Melaka	

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Business Division	Achievement/Recognition	Operating Unit
Automotive	Best in Sales – 1 st Runner-up	HSS Balakong
	Most Improved Dealer – 1 st Runner-up	HSS Balakong
	Service Excellence Award	
	Service Excellence Award 2022 (Champion League) – Champion	HSS Bukit Tinggi
	Service Excellence Award 2022 (Champion League) – 1 st Runner-up	HSS Kinrara
	Service Excellence Award 2022 (Super League) – Champion	HSS Kota Kinabalu
	Service Excellence Award 2022 (Super League) – 2 nd Runner-up	HSS Setia Alam
Trading	Environmental Management System (ISO 14001) Certified	MMSB Site 2 MMSB Site 3
	Quality Management Systems (ISO 9001) Certified	MMSB Head Office MMSB Site 3
	Occupational Health and Safety Management Systems (ISO 45001) Certified	MMSB Site 2 MMSB Site 3
	Classifications, Characteristics and Marking Requirements for Ceramic Tiles (ISO 13006) Certified	MMSB
	Singapore Green Label Certified	MMSB Site 3
Building Materials	Brick certified by SIRIM and BOMBA for Integrity, Insulation, Strength and Hose Stream Test	Sin On Tiku Bricks Factory

As a Group, Hap Seng's ESG performance was independently assessed by recognised rating bodies such as MSCI and SPOTT assessment.

	FY2022	FY2021
MSCI 	"A" rating Note: Scale of AAA, AA, A, BBB, BB, B to CCC (leader to laggard)	"A" rating
SPOTT 	81.8% out of 100%	79.7% out of 100%

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

MEMBERSHIP OF ASSOCIATIONS

Hap Seng is a member of various industry associations and trade groups. Through these associations, we regularly engage with key industry players, keeping us abreast with the latest industry developments and best practices.

As a member, Hap Seng regularly uses the opportunity to influence the value of good sustainability practices within the respective industry.

Division	Entity	Association
Corporate	Hap Seng Consolidated Berhad	Federation of Public Listed Companies (FPLC)
		Malaysian-German Chamber of Commerce (MGCC)
		Malaysian Collective Impact Initiative (MCII)
Plantation	Hap Seng Plantations Holdings Berhad	Roundtable on Sustainable Palm Oil (RSPO)
		Malaysian Palm Oil Association (MPOA)
		Malaysian Palm Oil Board (MPOB)
		Malayan Estate Owners' Association (MEOA)
		Malayan Agricultural Producers Association (MAPA)
Property	Hap Seng Land Development (Puchong) Sdn. Bhd.	Real Estate and Housing Developers' Association (REHDA) Malaysia
	Hap Seng Properties Development Sdn. Bhd.	Sabah Housing and Real Estate Developers' Association (SHAREDA)
	Hap Seng Land Sdn. Bhd.	International Real Estate Federation (FIABCI) Malaysia
Credit Financing	Hap Seng Credit Sdn. Bhd.	Asset Financing and Leasing Association of Malaysia (AFLAM)
Automotive	Hap Seng Star Sdn. Bhd.	Malaysian Retail Chain Association (MRCA)
		Chinese Chamber of Commerce & Industry of Kuala Lumpur & Selangor (KLSCCCI)
		Malaysian Automotive Association (MAA)
Trading	Hap Seng Trucks Sdn. Bhd.	Kuantan Chinese Chamber of Commerce and Industry (KCCCI)
	Hap Seng Fertilizers Sdn. Bhd.	Fertilizer Industry Association of Malaysia (FIAM)
	Malaysian Mosaics Sdn. Bhd.	Federation of Malaysian Manufacturers (FMM)
	Hap Seng Trading (BM) Sdn. Bhd.	Building Materials Distributors Association of Malaysia (BMDAM)
		Master Builders Association Malaysia (MBAM)
		Malaysia Steel Association (MSA)

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

OUR RESPONSIBILITY TOWARDS SUSTAINABLE DEVELOPMENT

Supporting the United Nations Sustainable Development Goals

As part of our commitment to the United Nations Sustainable Development Goals (SDGs), we have identified and adopted nine of the 17 SDGs outlined by the United Nations. The SDGs were strategically aligned to our potential value creation opportunity by leveraging on our nature of operations and extensive network.

Our contribution in FY2022 under the respective SDGs are:-



- Provided new employment opportunities to 3,593 persons.
- 1,138 units of affordable home available for sale.
- Provided financial services to 3,034 Small and Medium Enterprises (SMEs).



- Contributed RM1.28 million for education and development programmes.
- More than 2,200 students and teachers benefited from our education and development programmes.
- Accepted 29 graduate students for internship programme.
- Provided Technical and Vocational Education and Training (TVET) programme to 14 school leavers.
- Sponsored 25 school leavers for the Advanced Modern Apprenticeship programme to develop qualified and competent automotive technicians.



- Utilisation of harvested rainwater as alternative water source at plantation, property and automotive divisions.
- Supplying treated water for the employees and their family members staying in the plantation.
- Buildings equipped with water-efficient dual flush toilet and automatic faucets to reduce water consumption.



- Supported local economy development by procuring 62.92% of supplies and services locally.
- Exercise non-discriminatory hiring practices.
- All employees are assessed for key performance indicators (KPI).
- Achieved zero workplace-related fatality and high-consequence injury case.
- Averaged 8.19 training hours per employee.



- Incorporated eco-friendly fittings in constructed properties.
- Renewable energy generation from biogas, biomass and solar energy.
- Recorded zero data mismanagement within the reporting period.



- Certified for various industry and internationally recognised ESG and green building certifications (refer to Achievements & Recognitions section on pages 83 to 84).
- Developed 173,054 sq.ft. of certified green buildings.
- Implemented various workplace preventive measures to minimise risk of exposure to COVID-19.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL



- Implemented reuse and recycle measures to optimise resource consumption and waste generation.
- Recovered 107,260 MT of wastes through recycle and reuse.
- Achieved various industry and international quality certifications (refer to Achievements & Recognitions section on pages 83 to 84).
- Continuous improvement through proactive customer satisfaction survey (refer to Quality Products & Services section on pages 102 to 103).
- Implemented an Integrated Pest Management (IPM) approach to control pests in plantation.



- Derived 56.50% of energy consumption from renewable energy.
- Conserved 1,401.98 hectares as High Conservation Value (HCV) area and 1,056.74 hectares of riparian reserve.
- Quantified scope 1, scope 2 and partial scope 3 greenhouse gas emissions.
- Carbon emissions reduction of 191,059 t CO₂-e through carbon sequestration and credit.
- Renewable energy from biogas was utilised in three out of four palm oil mills.
- Solar energy was utilised by two Autohaus.
- Continuous deforestation and fire incident monitoring within and surrounding the plantation.



- Zero corruption case reported.
- Continuous compliance to ESG requirements.
- Provided channels to report incidents or wrongdoing in the organisation.

Our Approach to Sustainability

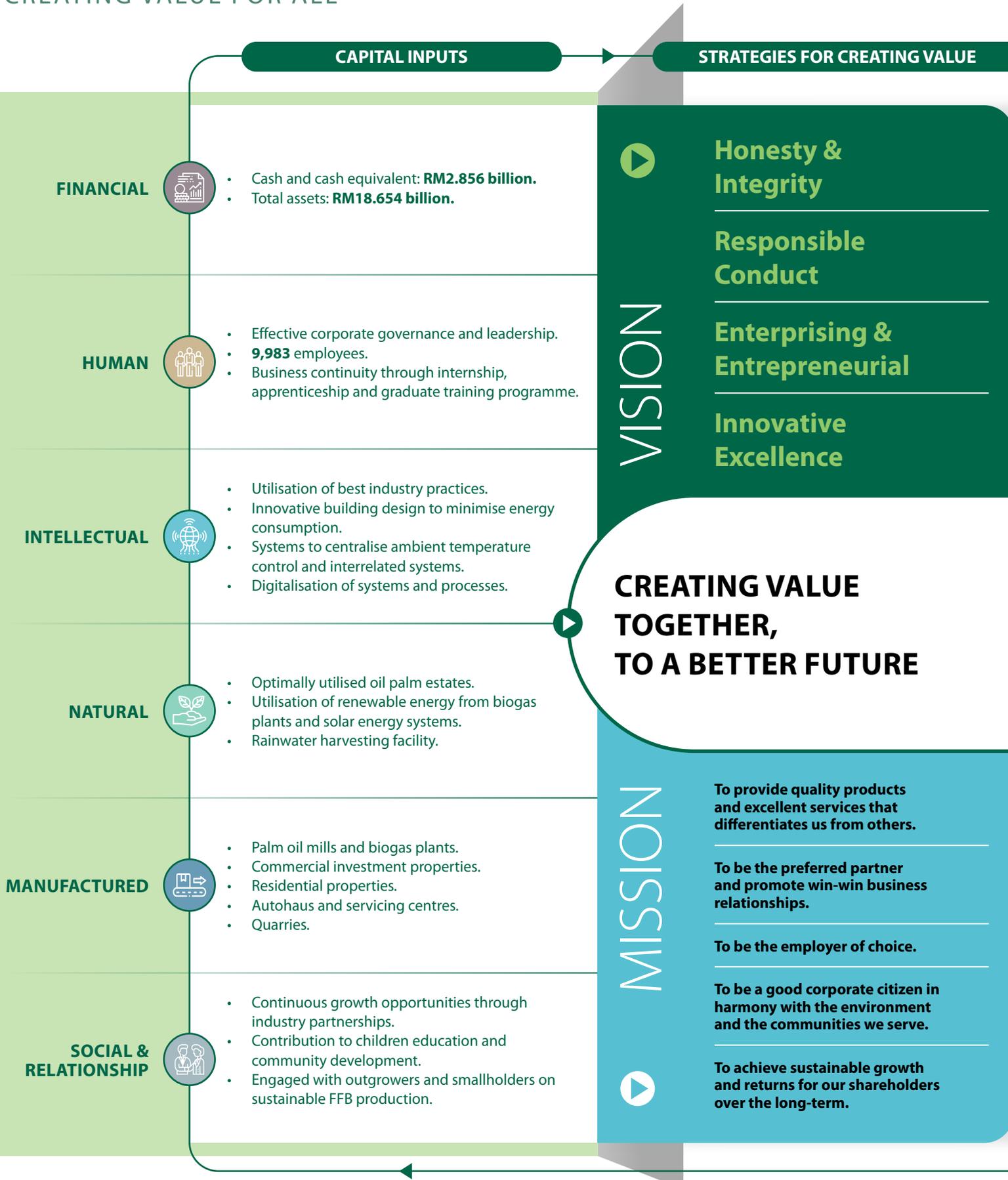
As a forward-looking conglomerate, we place a strong emphasis on creating value, achieving operational excellence, and prioritising sustainability to meet the needs of our stakeholders. In order to stay competitive, the Group takes cognizant of the importance of managing ESG risks, which are crucial components of the Group's sustainability journey.

To ensure accountability in sustainability performance, the Group is in the process of establishing ESG-related KPIs which will be linked to the remuneration of Executive Directors and senior management. This will encourage the management to prioritise sustainability initiatives and promote improvement in this area. Performance in these KPIs will be disclosed in our future sustainability report.

Below are the Group's sustainability pillars, upon which we structure our approach to build a sustainable business.

People and Community Development	Environmental Protection	Responsible Governance	Economic Resilience
Safeguarding a conducive workplace which retains and attracts talents that contribute to the achievement of our strategies and goals. We also contribute to the community outside the workplace through development programmes to alleviate socio-economic hardships within our surrounding communities.	Limiting our environmental footprint is crucial for preserving natural resources for future generations and mitigating adverse impacts resulting from climate change.	Strong governance is needed to ensure the Group continues to operate in an ethical manner, thus fostering trust among our stakeholders.	Stable economic growth supports the development of the Group, contributing to long-term value creation for our stakeholders.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL



VALUE CREATION MODEL

We look to facilitate long-term value creation by effectively managing and utilising our capitals. Below is the illustration of how we utilise our tangible and non-tangible capitals and transform them into value-added activities for our businesses and stakeholders.

OUTPUTS

OUTCOMES



TOTAL REVENUE

increased by
18.3%

TOTAL PROFIT

after tax increased by
5.7%

- Dividend payout ratio at **79%**.



NEW EMPLOYEES
hired
3,593

Customer satisfaction index above **83.3%** for residential properties.
Customer satisfaction index of between **97 to 100%** for passenger automotive.
Tenant satisfaction index at **86%** for investment properties.
Accepted **29** interns for graduates industrial training.
Sponsored **25** school leavers for Advanced Modern Apprenticeship programme.
Provided TVET programme to **14** school leavers.

- Work-life balance working environment.
- Improved Group's efficacy and productivity.
- Retention of employees to support business continuity.
- Zero sexual harassment case reported.
- Zero whistle blowing case reported.



- Internationally recognised sustainability-related certifications.
- Centralisation of building's heating, venting, air condition and other interrelated systems through utilisation of Building Management System (BMS) / Building Automation System (BAS).
- Implemented electronic based system for procurement, billing, tenancy approval, contract and license monitoring.

- Obtained various industry best practice certifications.
- Reduced dependency on non-renewable energy.
- Minimising environmental and social impacts from the operations.



- Renewable energy from biogas, palm biomass, wood waste, biofuel and solar panels generated **56.50%** of total energy requirement.
- Reduced dependency on municipal water source by utilising rainwater.

- Aligning with government's commitment to reduce greenhouse gas emissions.
- Long-term operational cost reduction through utilisation of renewable energy and natural resources.



Total palm oil production capacity at
180 MT/hr

Biogas plants with electricity production at
14.67 million kWh

Total lettable area
7.982 million sq. ft.

Completed **1,564 units** of commercial and residential properties.

- Completed property projects with RM548.8 million Gross Development Value (GDV).
- Produced 5.237 million tonnes of quarry products.

- Contribute to sustainable palm oil volume in the global market.
- Offering quality green buildings and properties to the tenants and consumers.
- Contribute to the country's economic and development by producing essential construction and building materials.



- Consistent supply of fertilisers from trading division to plantation division.
- Consistent supply of building materials from building materials division to property division.
- Partnership with Hyatt Hotel Management Ltd. in developing high-end hotels.
- Contributed **RM1.94 million** for children education and community development.
- Supported **11 outgrowers and smallholders** in sustainable FFB production.

- More resilient supply chain by sourcing raw materials internally.
- Capitalise collaborative advantages through partnership.
- Socio-economic improvement for local communities.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

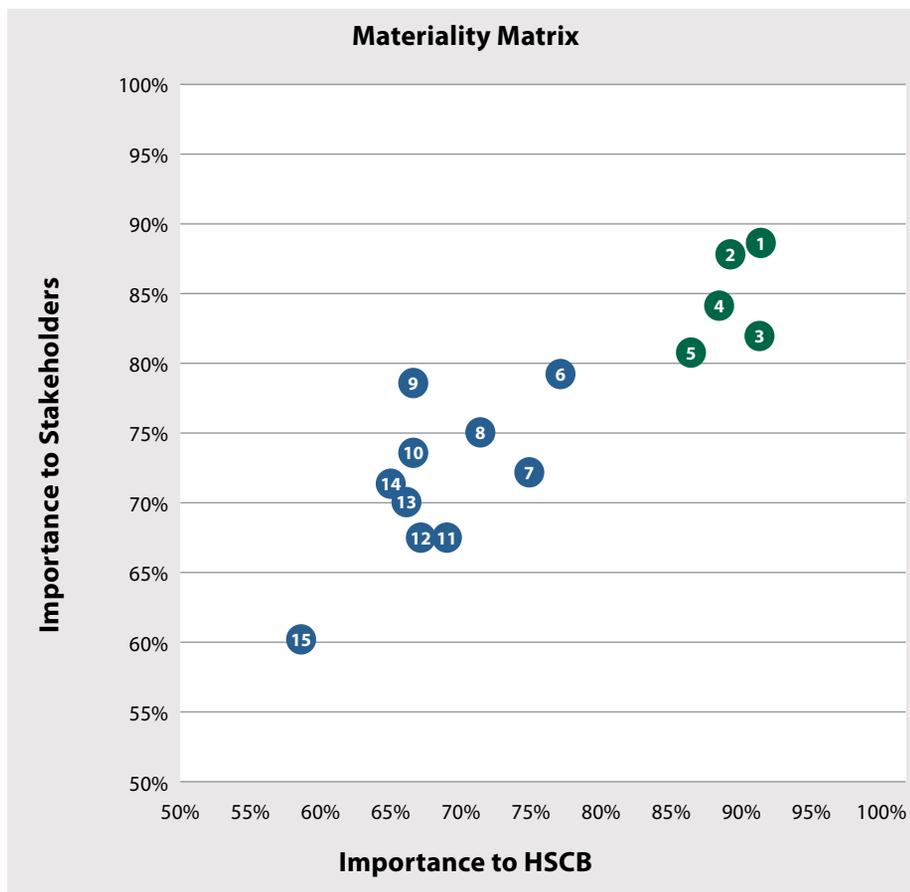
OUR MATERIAL SUSTAINABILITY MATTERS

Materiality assessment is a formal exercise aimed at engaging internal and external stakeholders to evaluate the importance of relevant ESG issues to the stakeholders and our businesses. The insights gained from materiality assessment enables us to identify prioritised sustainability matters and strategically allocate our limited resources to create most value for long-term sustainable growth. This assessment is conducted annually to ensure identified material matters remain relevant to our stakeholders and the Group’s ESG focus areas.

A list of 15 material matters were identified in FY2022. The material matters were selected upon deliberation with the Sustainability Committee by taking into consideration of expectation from regulators, industry, stakeholders and latest local and global ESG requirements. The material matters were also revised to meet the latest Bursa Malaysia’s Enhanced Sustainability Disclosure requirement on common sustainability matters which was introduced in 2022.

Outcome from the materiality assessment was reviewed by our Annual Report Committee and endorsed by the Board of Directors for approval.

Stakeholder Ranking	Importance of Material Matter to Business Operations	Importance of Material Matter to Stakeholders
Each key stakeholder group was assigned a ranking based on priority to the Group.	A ranking was assigned to each material matter in accordance with its importance for the continuity and strengthening of business performance and operations.	Each material matter was ranked based on importance to a selected stakeholder group. Ranking on stakeholders’ material matters are based on our regular correspondence and understanding on them. A full assessment will be conducted on our stakeholders in future.



- ### Most Important Material Matters
1. Corporate Governance, Transparency and Anti-corruption
 2. Data Privacy and Security
 3. Economic Performance
 4. Health and Safety
 5. Quality Products & Services

- ### Other Material Matters
6. Labour Practices and Standards
 7. Supply Chain Management
 8. Energy Management
 9. Emissions Management
 10. Waste Management
 11. Diversity
 12. Supporting Small & Medium Enterprises
 13. Community/ Society
 14. Water Management
 15. Affordable Housing

The results of the materiality assessment indicated that the top 5 most important material matters for the Group and its stakeholders remained the same as those identified in FY2021.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Description of Our Material Matters

Material Matter	Why This Is Material to Hap Seng and Our Stakeholders	Potential Risk	Potential Opportunity	Link to Adopted SDG	Link to Our Capital	Link to Our Stakeholders
Corporate Governance, Transparency and Anti-corruption	Robust governance structure and good business ethics will strengthen brand reputation and lead to long-term value creation.	<ul style="list-style-type: none"> Increased cost from non-compliance and losing brand reputation. 	<ul style="list-style-type: none"> Improve stakeholders' confidence by demonstrating ability to fulfil current and future ESG requirements. 	 	Human, Social and relationship	<ul style="list-style-type: none"> Regulators and government bodies. Shareholders, investors and analysts. Customers.
Data Privacy and Security	We uphold stringent data protection practices to ensure confidential data is kept securely and not misused in any way.	<ul style="list-style-type: none"> Leaking of confidential and personal data can be reputationally and financially detrimental. 	<ul style="list-style-type: none"> Improved stakeholders' confidence. 		Social and relationship	<ul style="list-style-type: none"> Employees. Regulators and government bodies. Suppliers. Customers.
Economic Performance	Consistent and strong economic growth from a sustainable business model will create long-term value to the company and stakeholders.	<ul style="list-style-type: none"> Limited local economic development and low employment rate. 	<ul style="list-style-type: none"> Contribute to local economic development and provide employment opportunity. 		Financial	<ul style="list-style-type: none"> Employees. Communities. Regulators and government bodies. Shareholders, investors and analysts.
Health & Safety	Ensuring a healthy and safe working environment and optimal productive workforce to cater customers' demand.	<ul style="list-style-type: none"> Poor health and safety practices would lead to operational inefficiency, legal non-compliance and fines. 	<ul style="list-style-type: none"> Improved working environment, productivity and regulatory compliance. 		Social and relationship	<ul style="list-style-type: none"> Employees. Regulators and government bodies. Media.
Quality Products & Services	Continuous improvement in products quality and services will provide good customer experience and ensure the business remains relevant to the market.	<ul style="list-style-type: none"> Diminishing brand value and reputation. 	<ul style="list-style-type: none"> Competitive advantage through improved products and services that meet or exceed customers' expectation. 	 	Manufactured	<ul style="list-style-type: none"> Employees. Customers. Shareholders, investors and analysts. Media.
Labour Practices and Standards	Well managed, effective and functional workforce are important for continuous development of our businesses.	<ul style="list-style-type: none"> Under motivated and incompetent workforce may limit the organisation's growth potential. 	<ul style="list-style-type: none"> Effective and skilled workforce increase competitive advantage and continuous innovation. 	 	Human	<ul style="list-style-type: none"> Employees.
Supply Chain Management	Reliable and consistent supply chain will ensure seamless raw materials procurement and product distribution.	<ul style="list-style-type: none"> Disruption in supply chain may increase cost of production. 	<ul style="list-style-type: none"> Well managed supply chain ensures sustainable business growth for the company and its suppliers. 		Social and relationship	<ul style="list-style-type: none"> Suppliers Customers

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Material Matter	Why This Is Material to Hap Seng and Our Stakeholders	Potential Risk	Potential Opportunity	Link to Adopted SDG	Link to Our Capital	Link to Our Stakeholders
Energy Management	Adoption of renewable energy and efficient energy management enable businesses to operate at higher capacity while minimising the operational and environmental costs.	<ul style="list-style-type: none"> Increasing stakeholder's requirements on energy efficient products and services. 	<ul style="list-style-type: none"> Enable businesses to operate at higher efficiency, reducing cost of operation and minimising impacts to environment. 	  	Intellectual, Natural	<ul style="list-style-type: none"> Employees. Customers. Shareholders, investors and analysts.
Emissions Management	We acknowledge our role in supporting the global climate agenda by mitigating climate change through best operational practices and transition to low carbon operations.	<ul style="list-style-type: none"> Deferment in transitioning to low-carbon operation may potentially become the future opportunity cost for increasing demand in low carbon footprint products and services. 	<ul style="list-style-type: none"> Opportunity in contributing to the global climate agenda. Improved reputation as a responsible company. Improved competitive advantage by capturing opportunities in low-carbon economy. 		Natural	<ul style="list-style-type: none"> Employees. Communities. Regulators and government bodies. Suppliers. Customers. Shareholders, investors and analysts. Media.
Waste Management	Efficient waste management leads to long-term sustainable growth and maximising resources use efficiency.	<ul style="list-style-type: none"> Irresponsible production may lead to negative environmental impact and potential legal non-compliances. 	<ul style="list-style-type: none"> Minimising direct environmental impact and expenses on waste management. 	  	Natural	<ul style="list-style-type: none"> Employees. Communities. Regulators and government bodies. Media.
Diversity	Diversity brings together people from different backgrounds, experiences and perspectives, leading to innovation, better problem-solving and a stronger company culture.	<ul style="list-style-type: none"> Lack of diversity may result in reduced innovation, discrimination, and damage to company reputation. 	<ul style="list-style-type: none"> Ability to foster a more inclusive culture, increase market share and customer loyalty through better understanding of diverse customer needs. 		Human	<ul style="list-style-type: none"> Employees.
Supporting Small & Medium Enterprises	We provide opportunity for SMEs to grow their businesses through financing products and services, consequently supporting the local economy.	<ul style="list-style-type: none"> Inadequate support to SMEs may limit local businesses growth opportunity. 	<ul style="list-style-type: none"> SME contributing significantly to the Malaysia's Gross Domestic Product (GDP). 		Social and relationship	<ul style="list-style-type: none"> Regulators and government bodies. Customers.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Material Matter	Why This Is Material to Hap Seng and Our Stakeholders	Potential Risk	Potential Opportunity	Link to Adopted SDG	Link to Our Capital	Link to Our Stakeholders
Community/ Society	We are committed to create value to local communities, particularly to the underprivileged and children, through our Corporate Social Responsibility (CSR) and educational programmes.	<ul style="list-style-type: none"> Under developed local community may negatively impact economic development. 	<ul style="list-style-type: none"> Empowered community will directly elevate socio-economy and business opportunities. 		Social and Relationship	<ul style="list-style-type: none"> Communities. Media.
Water Management	Water management is crucial as it reduces operational costs, mitigates risks, protects the environment, and enhances reputation, resilience, and long-term sustainability.	<ul style="list-style-type: none"> Inefficient water management may lead to scarcity, higher costs, fines, and negative environmental impacts. 	<ul style="list-style-type: none"> Efficient water resources management can reduce operating costs and meeting stakeholder expectations for sustainable business practices. 		Natural	<ul style="list-style-type: none"> Communities. Regulators and government bodies. Media.
Affordable Housing	We continue to develop affordable housing to provide home ownership opportunity to the communities.	<ul style="list-style-type: none"> Housing development focusing on medium to high-end housing projects may not serve the increasing demand for affordable housing. 	<ul style="list-style-type: none"> Increasing prospective customers are demanding for affordable housing. 		Manufactured, Social and Relationship	<ul style="list-style-type: none"> Communities. Customers. Media.

STAKEHOLDER ENGAGEMENT

At Hap Seng, we engage with our key stakeholders to ensure that our approach in addressing relevant sustainability matters takes into account their concerns and expectations. The table below covers the list of stakeholder groups, our engagement methods, and the way we respond to the identified material matters.

Stakeholder Groups	Channels of Engagement	Frequency of Engagement	Material Matters	Our Response
Employees	<ul style="list-style-type: none"> Employees' intranet Internal emails Annual performance appraisal Training Internal meetings Interviews 	Ongoing, Annually	<ul style="list-style-type: none"> Corporate governance and transparency Occupational health and safety Talent management 	<ul style="list-style-type: none"> Continuous feedback and rectification through grievance and whistleblowing channels. Regularly provide updates on health and safety preventive measures. E.g. COVID-19 pandemic. Career development, attractive remuneration and benefits package.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Stakeholder Groups	Channels of Engagement	Frequency of Engagement	Material Matters	Our Response
Communities	<ul style="list-style-type: none"> Community engagement sessions and community programmes Corporate website and social media 	Ongoing, Annually	<ul style="list-style-type: none"> Climate change Environmental stewardship Empowering local communities 	<ul style="list-style-type: none"> Organising programmes to uplift socio-economy of communities. Minimising potential impact to the communities through resources use efficiency and pollution prevention measures. Regular engagement and socialisation with local communities. Respecting Free, Prior and Informed Consent (FPIC) on new development involving community land rights.
Regulators	<ul style="list-style-type: none"> Regular compliance reporting Participating in government led initiatives Continuous engagement 	Ongoing	<ul style="list-style-type: none"> Corporate governance and transparency Occupational health and safety Environmental stewardship 	<ul style="list-style-type: none"> Establishing and implementing robust corporate governance across the Group. Adhering to the Anti-bribery & Corruption Policy. Adopting health and safety management system and preventive measures to minimise potential workplace accident. Regular monitoring on environmental and social compliance.
Suppliers	<ul style="list-style-type: none"> Tender process and supplier feedback mechanism Regular communication 	Ongoing	<ul style="list-style-type: none"> Supply chain management Supporting SMEs 	<ul style="list-style-type: none"> Practised equal business opportunity through tendering process. Procure from responsible and sustainable suppliers to minimise supply chain disruption. Supporting SMEs' growth by providing optimal financial solutions.
Customers	<ul style="list-style-type: none"> Customer networking event Customer satisfaction survey Online feedback 	Ongoing	<ul style="list-style-type: none"> Data protection Products quality and services Supply chain management Affordable housing 	<ul style="list-style-type: none"> Proactively request feedback from customers through customer satisfaction survey. Strengthening internal cybersecurity and data management system to safeguard customer's data. Timely product and service delivery to customer. Developing adequate affordable housing to cater demand for lower cost houses.
Investors	<ul style="list-style-type: none"> Annual General Meeting Investor engagement sessions Regular communication 	Ongoing, Quarterly	<ul style="list-style-type: none"> Corporate governance and transparency Economic performance 	<ul style="list-style-type: none"> Annual General Meeting is organised every year to update shareholders, investors and analysts on the Group's performance and strategy. Analyst briefings are conducted quarterly or as and when required to discuss financial performance of the Group. Press release is published as and when required to communicate latest business developments.
Media	<ul style="list-style-type: none"> Press release Information on the company's websites 	Ongoing	<ul style="list-style-type: none"> Corporate governance and transparency Economic performance 	<ul style="list-style-type: none"> Direct engagement to communicate latest and upcoming developments from the Group.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

OUR ACHIEVEMENTS AND TARGETS

We are strengthening our commitment to sustainable development through a set of general KPIs and achievements, which vary across different business divisions and corporate office as follows.

For FY2023, we will be reporting on more specific ESG-related KPI which has been tabled to the Board at the last meeting.

Material Matter	Achievements in FY2022	Identified Targets
Corporate Governance, Transparency and Anti-corruption	<ul style="list-style-type: none"> Establishment of Group Sustainability Framework. Formation of Group Sustainability Committee and conducted two meetings in FY2022. 100% employees underwent performance appraisal. 	<ul style="list-style-type: none"> Establishing Sustainability Framework and Group Sustainability Committee. To conduct inaugural Group Sustainability Committee meeting.
Data Privacy and Security	<ul style="list-style-type: none"> Zero data breach. 	<ul style="list-style-type: none"> To maintain zero data breach.
Supply Chain Management	<ul style="list-style-type: none"> 62.92% of procurement spent on local suppliers. 	<ul style="list-style-type: none"> To maintain more than 50% procurement spent on local suppliers.
Quality Products & Services	<ul style="list-style-type: none"> All the palm oil mills certified for RSPO, ISCC EU and MSPO certifications. All the palm oil mills are certified for HACCP certification. All the palm oil mills are certified for MeSTI and HALAL certifications. Awarded the “Best Quality CPO Supplier” and “Highest Quantity CPO Supplier” by IOI Edible Oils. Four of the property developments certified with green building certification (GreenRE, GBI, LEED). Respectable satisfaction scoring through Customer Satisfaction Index from property, automotive and trading. 	<ul style="list-style-type: none"> Compliance to the relevant sustainability and food quality certifications. To maintain the sustainability-related and green building certification. To maintain or improve on Customer Satisfaction Index scoring.
Supporting SMEs	<ul style="list-style-type: none"> 77.5% customers of credit financing division are SMEs. 	<ul style="list-style-type: none"> To provide financing service to more than 70% SMEs.
Emissions Management	<ul style="list-style-type: none"> Accounted most of the scope 1 & scope 2 GHG emissions and partial quantification of scope 3 GHG emissions as part of the preparations for Task Force on Climate-related Financial Disclosures (TCFD). 	<ul style="list-style-type: none"> Aligning climate change disclosures and reporting with TCFD.
Energy Management	<ul style="list-style-type: none"> 56.5% of total energy sourced from renewable energy. 	<ul style="list-style-type: none"> To continue exploring renewable energy options and rainwater harvesting at our operations. To identify opportunities on other eco-solution initiatives at our operations.
Waste Management	<ul style="list-style-type: none"> Recycled and reused 107,260 tonnes of non-scheduled wastes. 	<ul style="list-style-type: none"> Target was not set.
Health and Safety	<ul style="list-style-type: none"> Zero workplace-related fatality and high-consequence injury case. 	<ul style="list-style-type: none"> To maintain zero workplace-related fatality case.
Affordable Housing	<ul style="list-style-type: none"> 1,138 units of affordable home for sale. 	<ul style="list-style-type: none"> To continue meeting the community's demand on affordable housing.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

RESPONSIBLE GOVERNANCE

Align to SDG:



Our Approach

The Group is led by the Board, who oversees the management of the Group and the fulfilment of objectives and goals, including our Sustainability Committee and its initiatives. The Board and management of Hap Seng are fully committed to ensuring a strong corporate governance and business ethics.

The duties and responsibilities of the Board are explained in the Board Charter, which is available on the Group's corporate website. Further information on the Board can be found on pages 48 to 57 of this Annual Report and in our Corporate Governance Report.

CORPORATE GOVERNANCE, TRANSPARENCY AND ANTI-CORRUPTION

Sustainability Governance

Our Sustainability Framework builds upon the existing Sustainability Pillars by providing holistic overview of the Group's sustainability governance structure, sustainability commitments, implementation strategy, as well as how we measure performance for continuous improvement.

Within the Sustainability Framework, a set of Sustainability Focus Areas consist of environmental, social and governance were identified to create additional value to our businesses. Refer to the published Sustainability Framework for more information¹.

Our sustainability governance is spearheaded by the Corporate Planning & Investor Relations Department (CPIR). CPIR ensures that the Sustainability Framework is adhered to within the Group and continuously engages with relevant internal and external stakeholders. The Group Sustainability Committee guides Hap Seng's sustainability efforts in accordance with the Sustainability Framework. The committee was formed at both the Group and business division levels and has held two meetings in FY2022. The goal of the committee is to support the Board in managing ESG issues effectively and ensuring alignment with the Sustainability Framework. The committee oversees the progress of sustainability commitments and identifies potential ESG-related risks and opportunities. Additionally, the committee aligns the Group's goals and business strategy with the Sustainability Focus Areas outlined in the framework. Regular meetings are held to allow business divisions to track their progress, achievements, and continuous improvements in relation to the Sustainability Focus Areas.



Group Sustainability Committee Structure and Responsibilities

¹ https://www.hapseng.com.my/en/download/termsofreference/HSCB_Sustainability_Framework.pdf

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

As the Group transitions to a more structured approach in sustainability management, it has implemented the following improvements recommended by the Sustainability Committee in FY2022.

Publishing of
Group Sustainability Framework

Formulating plans to meet the latest Bursa Malaysia
Enhanced Sustainability Framework

Formation of Divisional Sustainability
Working Committee

Identifying ESG-related KPIs for the
Board of Directors and Senior Management

Business Ethics and Policies

Apart from a well-structured governance to ensure the sustainability commitments and risks are adequately managed, we believe that promoting good business ethics and high integrity are essential for a sustainable long-term business. In Hap Seng, those values are built on five core principles and ingrained into the standard behaviour expected of all employees. The values are communicated to the employees during induction training and documented in the Employee Handbook and the Group's Code of Conduct (Code). The Employee Handbook and Code are accessible through the employee's intranet portal.

Hap Seng has a zero-tolerance policy towards bribery and corruption, as outlined in its Anti-Bribery and Corruption Policy (ABC Policy). This policy was established in June 2020 and updated in November 2021, and is in accordance with the Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018. All employees, business associates, and external providers must sign an integrity declaration form to confirm their commitment to the policy. External providers and business associates are also required to disclose any conflicts of interest.



Five Core Principles of Hap Seng

To ensure the implementation and effectiveness of the ABC Policy, Hap Seng has formed an Integrity Management Committee (IMC). This committee conducts annual corruption risk assessments to identify potential risks and implement relevant controls. The corruption risk assessment conducted in FY2022 found a low risk of corruption, and there have been no reported breaches of the ABC Policy.

The Group has implemented an Integrity Declaration process that requires all employees to adhere to the ABC Policy. This Declaration is refreshed annually to ensure employees reaffirm their understanding of the policy and the significance of maintaining integrity within the organisation. Every new joiner is required to understand and acknowledge the policy upon joining. The policy is also published on the Group's website for reference by the stakeholders.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Whistleblowing and Grievance Management

Hap Seng has established a whistleblowing channel for employees and third parties to report any suspected violations of the ABC Policy. To ensure impartiality during the investigation process, incidents involving employees are reported directly to the Industry Relations or Employee Relations Manager, whereas incidents related to members of the Board and management are reported to a designated Senior Independent Director.

In addition to reporting suspected violations of the ABC Policy, employees are also encouraged to report any other unethical behaviour through the grievance procedure. This procedure allows employees to report workplace incidents, unethical behaviour, and violations of their rights to their immediate superiors for prompt resolution. If the issue cannot be resolved, it can be escalated to the Group's Human Resources Department for further investigation. The grievance procedure is communicated to employees through the Employee Handbook.

Cases submitted through these channels will be investigated and resolved transparently with the involvement of affected parties. The identity of the whistleblower and grievance raiser will be protected throughout the process to prevent potential threats and retaliation.

There were no reported cases through either the whistleblowing or grievance channels in FY2022.

Regulatory Compliance

In line with one of our core principles of "Compliance to Law," Hap Seng is committed to full compliance with relevant laws and regulations. We have an in-house Legal and Compliance Department that closely monitors changes in applicable laws and regulations and implements necessary actions to meet those changes.

The main laws and regulations that we are adhering:

- Companies Act 2016
- Employment Act 1955 (Amendment) 2022
- Personal Data Protection Act 2010 (PDPA)
- Capital Markets and Service Act 2007
- Environmental Quality Act 1974
- Occupational Safety and Health Act 1994
- Factories and Machinery Act 1967
- Children and Young Persons (Employment) Act 1966
- Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990
- Malaysian Anti-Corruption Commission (Amendment) Act 2018

The risk of legal non-compliance has been adequately identified and mitigated through our internal controls and risk management efforts. In the event of any non-compliance, corrective measures will be taken to rectify the situation immediately to prevent potential incidents. Throughout the reporting period, there were no incidents of non-compliance with environmental, social and governance-related laws and regulations.

As a publicly listed company with a focus on creating value for our stakeholders, we do not engage in any lobbying practices or make political contributions.

Risk Management

The Risk Management Committee of Hap Seng is responsible for conducting a thorough annual risk assessment and ensuring that mitigation measures are effectively implemented for identified risks.

Risks are categorised based on low, moderate, significant, and high net risk ratings. After the risk assessment is completed, the Group implements additional controls and procedures to effectively manage identified risks within acceptable risk tolerance levels.

More information on Hap Seng's approach to risk management can be found on pages 75 to 79 of this Annual Report.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Data Privacy and Security

Data privacy and security have always been important to our Group, more so in today's data-driven age where we handle vast amounts of sensitive information, including personal data, financial transactions, and confidential business records. We believe protection of such information is not only a legal obligation, but it also helps build customer trust and protects the reputation of the company. To ensure that customer data is protected, we exercise vigilance by adhering to the requirements of the Personal Data Protection Act (PDPA) 2010. Additionally, we have a clear policy that outlines how customer data is collected, stored and used. Employees are trained on best practices for handling sensitive information through regular capacity building programme.

The Group IT Department is dedicated to ensuring the highest levels of data privacy and security for our organisation. To achieve this, they regularly conduct groupwide security assessments and phishing email assessments to identify potential risks and vulnerabilities. Furthermore, the Group has subscribed to a trusted managed security service provider to deliver comprehensive monitoring and protection of our data.

Access to customer personal data is strictly limited to authorised personnel within our operations. The Group IT Department conducts annual reviews of user access to the company's business systems across all divisions to maintain the highest level of security. Additionally, each division has a dedicated PDPA officer to manage and resolve matters related to data privacy and security. Our commitment to data protection is further reinforced through our established data management policies and procedures, including the Employee Personal Data Privacy Policy, which ensures that all employee data is properly managed.

The Group IT Department is committed to ensuring that all employees are knowledgeable and equipped to handle potential cyber-attacks. To achieve this, they provide regular cybersecurity awareness training to educate employees on how to identify and respond to malware, phishing, and other forms of cyber threats. In FY2022, the Group IT Department organised a comprehensive cybersecurity awareness training programme that was attended by over 305 employees, contributing to a total of 762.5 training hours.

In addition to employee training, the Group IT Department also implements proactive measures to protect the organisation from potential phishing attacks. They continuously monitor the Group's email systems and send out reminder and alert notifications to employees whenever suspicious emails are detected. This helps to safeguard both employees and the company from falling victim to cyber-attacks.

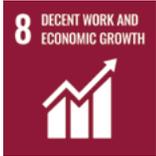
In light of our strict data protection policies and practices, we are proud to report that there have been zero reports or complaints of data mismanagement during the reporting period. However, recognising the importance of being prepared for potential scenarios, we have developed a comprehensive set of corrective measures to address any potential data breaches. These measures are outlined in the Group's Data Breach Policy, demonstrating our commitment to protecting the privacy and security of our clients' and employees' data.

In the event of a data breach, the Group IT Department is tasked with promptly conducting a thorough investigation. Within 24 hours of the breach being reported, the Group IT Department initiates a risk assessment to determine the extent of the breach on affected individuals and the Group as a whole. The investigation leads to the development of remedial measures aimed at containing the breach and preventing further harm. Upon completion of the investigation, the Group IT Department provides a report to the Chief Information Officer with findings, cause and impact of the breach, as well as recommendations for enhancing the company's security system to prevent future incidents.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

ECONOMIC RESILIENCE

Align to SDG:



Our Approach

As a leading conglomerate with a vast value chain, our Group's economic stability is closely tied to the success of our business partners and stakeholders. Leveraging our size and reach, we strive to create positive impact and provide opportunities across our value chain. As part of our business strategy, we continue to offer support to our stakeholders during these challenging times, impacted by the COVID-19 pandemic and disruptions to global supply chains. Our goal is to enhance the resilience of our operations through long term strategic planning, while providing fair business opportunities, support, and delivering top-quality products and services to meet stakeholders' expectations.

Economic Performance

Economic resilience is the cornerstone of our sustainable growth strategy. Our commitment to economic resilience enables us to create value and make a positive impact through dividend distributions, community service, and employment opportunities. By focusing on economic resilience, we are poised to drive sustainable growth for the Group and all of our stakeholders.

Investments in sustainability is an integral part of our Group's business strategy and value creation. To this end, we have issued RM 1.1 billion of Sustainability-linked Bonds (SLBs) through various financial institutions as of December 2022. These SLBs are aligned with the International Capital Market Association's Sustainability-linked Bond Principles, with a variable interest rate linked to the achievement of predetermined sustainability performance targets, such as reducing water and electricity consumption, increasing the use of solar energy, and implementing rainwater recycling initiatives.

Supply Chain Management

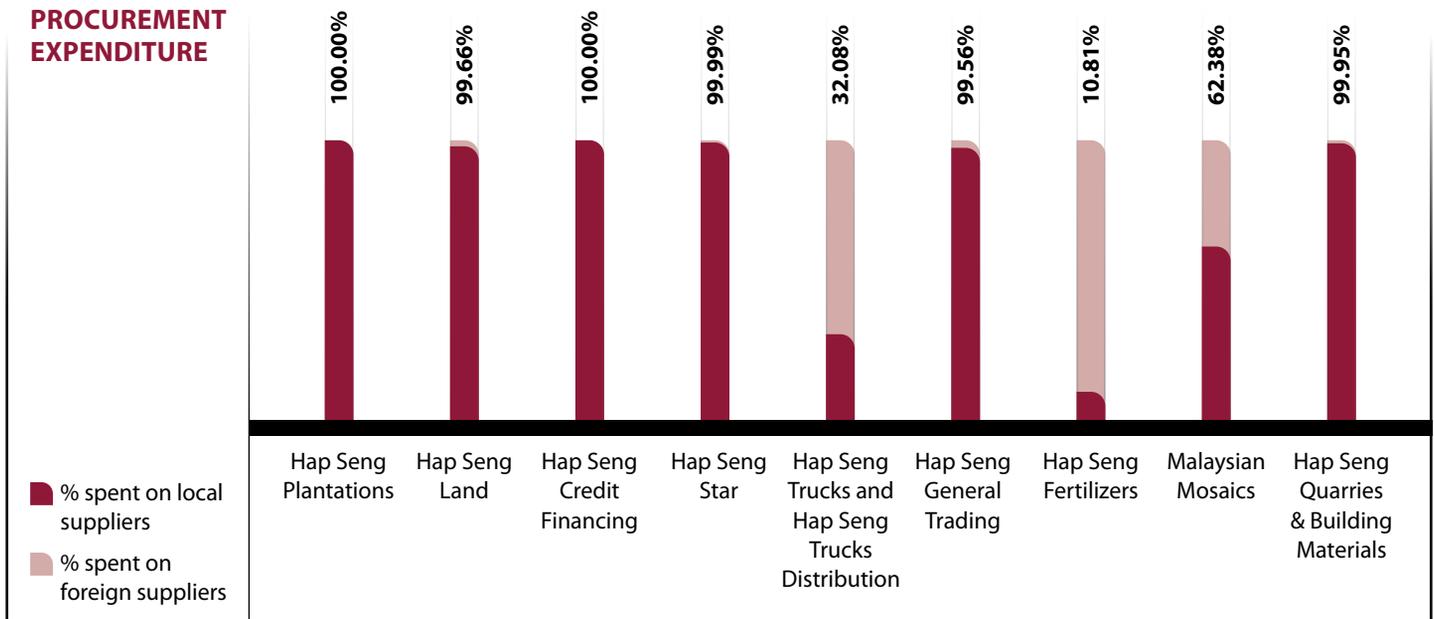
The challenges posed by geopolitical issues and the COVID-19 pandemic have underscored the significance of robust supply chain management and the importance of local sourcing. To an extent, Hap Seng mitigated the impact of global supply chain disruptions through its diverse range of businesses which strategically support one another by supplying essential services and raw materials internally between the different business divisions.

In Hap Seng, supplier selection is done through a transparent and impartial tender process. Potential suppliers are evaluated based on a set of criteria to ensure they can deliver top-quality products and services that meet the demands of our customers. We hold our suppliers accountable to our ethical principles, as outlined in the Sustainability Framework, ABC Policy, relevant industry standards, and legal requirements.

To contribute to the local economy and support domestic growth in Malaysia, the Group strives to prioritise local procurement. This will not only empower local businesses but helps mitigate risk of supply chain disruptions, reduce greenhouse gas emissions, minimise transportation costs and foreign exchange exposure, as well as reduce certain taxes.

In FY2022, 62.92% of the Group's procurement expenditure was allocated to local companies. Most business divisions mainly sourced their materials and services from local suppliers and service providers. However, Hap Seng Trucks Distribution, Hap Seng Fertilizers, and MMSB had a significant proportion of their procurement expenditure go towards overseas suppliers due to the nature of their businesses and limited local sources.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL



As a company committed to sustainable development, we are actively sourcing sustainable raw materials within our supply chain. Some of the raw materials we sourced for our development projects are certified with recognised ecolabels such as MyHijau Mark, Global GreenTag, and Singapore Green Labelling Scheme. The ecolabels are certification programmes that aim to promote environmentally friendly products and services by assessing them against specific environmental criteria, and they are recognised internationally as credible and reliable ways of identifying sustainable products.

Supporting Small and Medium-sized Enterprises

At the end of FY2022, 77.5% of our credit financing division's customer base were small and medium enterprises (SMEs). Our success in maintaining a high proportion of SME customers is a result of our commitment to providing tailored financing solutions that drive their business growth.

Economic slowdown resulting from the COVID-19 pandemic and supply chain disruption significantly impacted the business resilience of our valued customers. In order to assist them to weather through financial difficulty, we helped them to restructure their outstanding term loans and industrial hire purchase through tenure extension.

Supporting Smallholders and Outgrowers

To assist smallholders and outgrowers (FFB suppliers) in implementing sustainable practices in their oil palm estates, our plantation division provides support in the form of training and assistance in obtaining sustainability certifications. To date, we have successfully supported seven out of the 11 FFB suppliers to achieve RSPO and/ or MSPO certifications. To ensure a steady supply of sustainable FFB for our palm oil mills, we are working closely with the remaining FFB suppliers. Our focus is on improving their agricultural practices and assisting them in achieving certifications that not only have a positive impact on their income and management practices, but also benefit the local economy.



SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Quality Products & Services

Aligned with one of our corporate missions, the resilience of our businesses is backed by our consistency in providing quality products and excellent services, which differentiates us from others. We are committed to delivering the highest standards of product and service quality by meeting industry and internationally recognised standards. The Group also has an internal audit department to ensure the adequacy of our internal control system and ensure proper standards are followed.

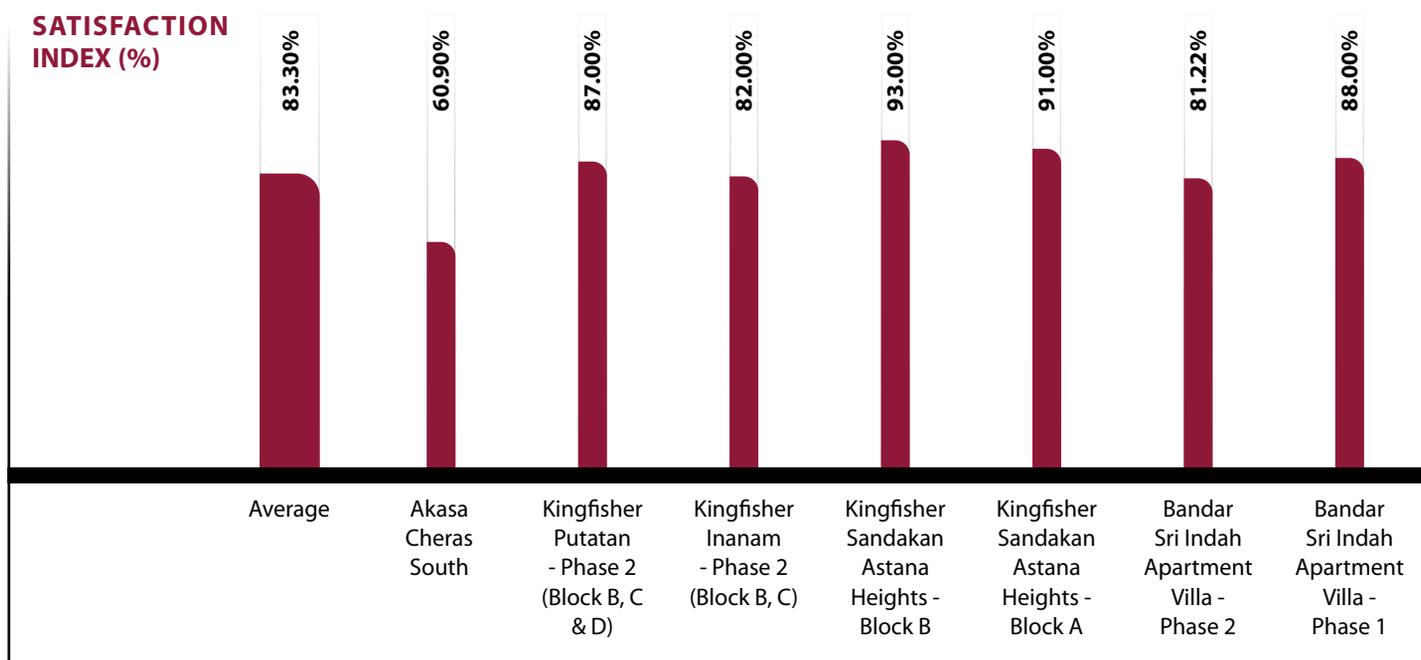
The success of our businesses is highly dependent on our customer experience. As such, we continuously strive to improve the quality of our human capital by providing necessary training. This enables our employees to deliver and fully reflect the value of our products and services to our customers. Proactively engaging and listening to our customers helps us to improve further.

In our plantation division, we regularly engaged with our palm oil buyers to ensure that we meet their ESG requirements. We meet the demand for responsible and sustainably sourced palm oil by sourcing only from suppliers that are able to comply with our Sustainable Agriculture Policy. The palm oil quality that we supply to our buyers consistently meets or exceeds the industry's vital quality parameters. As a result, our plantation division was awarded Best Quality CPO Supplier and Highest Quantity CPO Supplier by one of our major buyers, IOI Edible Oils in FY2022.

Two of our palm oil mills have been equipped with a chloride washing plant as part of our proactive effort to reduce potential traces of 3-monochloro-propanediol esters (3-MCPDE) in our palm oil, which is a type of contaminant commonly formed in heat-processed oil. Our palm oil mills have also obtained food safety and quality certifications such as HACCP, MeSTI, and HALAL. Compliance with food safety requirements and certifications enables us to cater to the stringent requirements of global buyers.

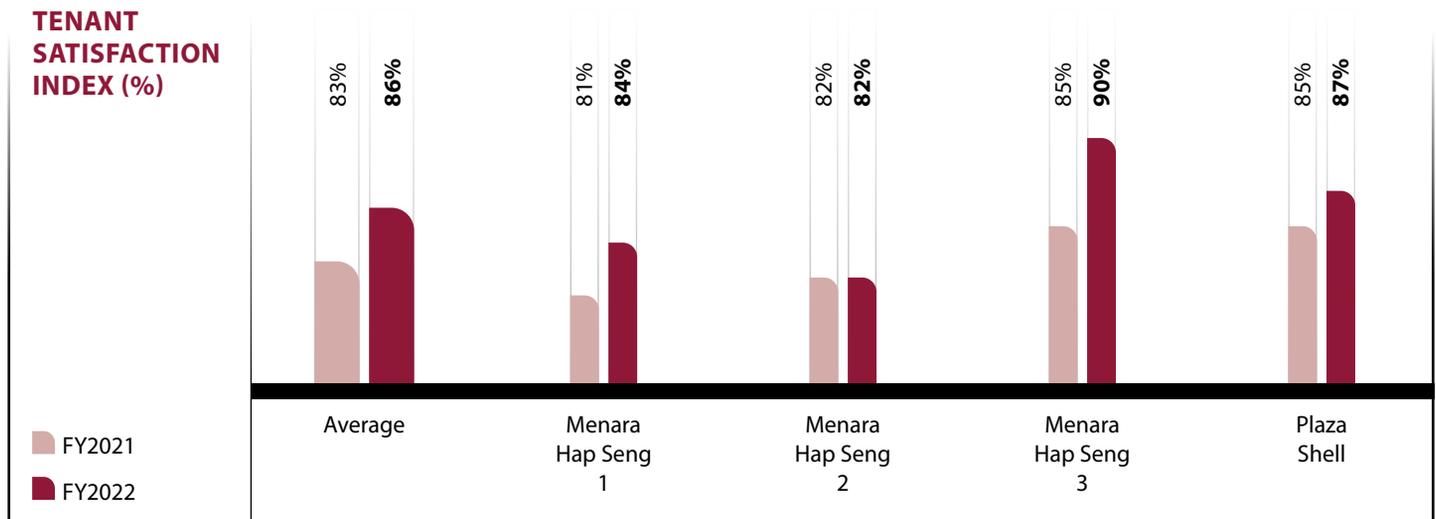
For our property, automotive and trading divisions, the quality of our products and services is monitored through feedback from our customers. We proactively collect feedback on our products and services through customer satisfaction surveys and develop continuous improvement plans to address the feedback.

The quality of our property developments is regulated through the implementation of an internal Quality Management System (QMS). The property division conducts a purchaser satisfaction survey, measuring parameters such as the quality of properties, cleanliness, purchase experience, and overall customer service. In FY2022, we achieved a customer satisfaction score range from 60.9% to 93.0%, with an overall average of 83.30% from our residential properties' buyers. Any complaint or feedback received from customer will be attended to by a specially assigned sales consultant or customer service officer, who will investigate and take appropriate actions within the time frame specified under the QMS.



SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

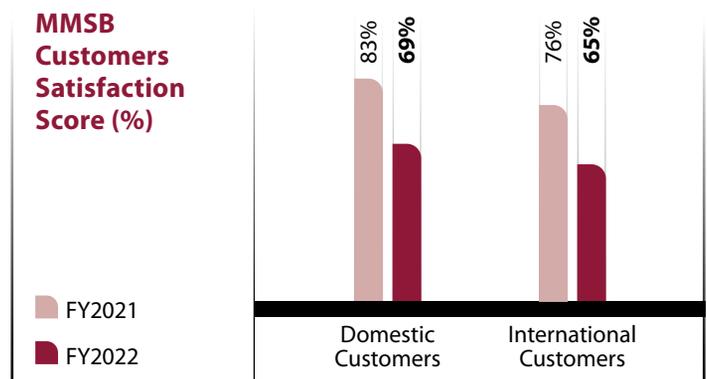
For our investment properties, we proactively engaged with our tenants. Aside from providing continuous customer management support, we conduct a Tenant Satisfaction Survey annually to gather comprehensive feedback. We improved our Tenant Satisfaction Index for our investment properties by maintaining our scoring of more than 80% in FY2022. Quality of the properties developed by us was recognised in the FIABCI Malaysia Property Award 2022, where Menara Hap Seng 3 won the award under the office category. In addition, we also won in the industrial category for the construction of Hap Seng Business Park. The FIABCI Malaysia Property Award is an annual award presented by FIABCI Malaysia, which recognises excellence in various aspects of the real estate industry in Malaysia, including architecture, design, development, and sustainability.



In our automotive division, we send a Customer Satisfaction Index (CSI) survey to customers three days after the vehicle delivery. In addition to vehicle quality, we gather feedback on their overall buying experience, including their experience with the sales executive, showroom, test drive service, vehicle delivery process, and post-delivery follow-up. In FY2022, Hap Seng Star achieved an outstanding CSI score of between 97% to 100% for its Autohaus. Several of our Autohaus also emerged as champions and runners-up in the Service Excellence Award and Dealer of The Year Award Event by Mercedes-Benz Malaysia, recognising the end-to-end premium service experience provided by Hap Seng Star. Please refer to the Achievements & Recognitions section on pages 83 to 84 for more information.



The annual Customer Satisfaction Survey conducted by MMSB revealed a reduction in overall satisfaction scores for tiles buyers from both domestic and international markets. This was mainly due to higher product prices resulting from increased material and production costs, as well as longer product delivery waiting times caused by production backlogs. At MMSB, we manage customer complaints through a digital system under the purview of the Total Quality Management (TQM) Department. The TQM department will launch an investigation when a complaint is received and produces a report within seven working days.



SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

ENVIRONMENTAL PROTECTION

Align to SDG:



Our Approach

As a Group which relies on natural resources, we understand the significance of environmental preservation and minimising the impact of our operations. We believe that responsible management of the environment and natural resources leads to long-term, sustainable growth for our business. We strive to reduce our environmental footprint through transitioning to renewable energy sources, minimising waste through recycling and reusing, and improving water use efficiency by investing in rainwater harvesting systems.

Emissions Management

At Hap Seng, we recognise the potential negative impacts of climate change and are committed to transitioning to a low-carbon operation. For FY2022, we focus on quantifying and reducing emissions from our operations by implementing renewable or more environmentally friendly energy options. During this reporting period, we have accounted for most of the scope 1 and scope 2 GHG emissions and are progressively improving the completeness and accuracy of our GHG emissions calculation while building our capacities to measure scope 3 emissions. In this reporting period, we have initiated calculations for four categories of scope 3 GHG emissions aligning to GHG Protocol standards.

Table below describes Hap Seng’s preliminary approach in managing climate-related risks and opportunities based on the key pillars recommended by Task Force on Climate-related Financial Disclosures (TCFD).

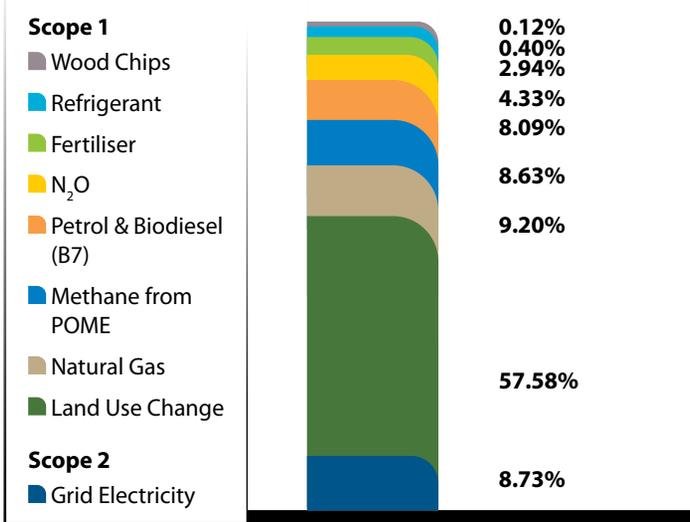
TCFD’s Key Pillar	Our Approach
Governance	We have established our Sustainability Framework and formed the Sustainability Committee to create value and address sustainability matters including climate change. Refer to page 96 for details on Hap Seng’s sustainability governance structure.
Strategy	<p>KPIs and action plans on climate change related parameters will be incorporated to the ESG-related KPIs in future. Progress and implementation towards achieving the KPIs will be identified and monitored by the Sustainability Committee. Sustainability Working Committee from each division to drive the identified initiatives and continuous improvement through change of practices and adoption of available renewable energy technology in minimising GHG emissions within the business division.</p> <p>The Group is actively making transition to renewable energy options such as solar energy and biogas. Any new renewable energy option will be explored in the future to reduce dependency on non-renewable energy whenever practical.</p>
Risk Management	<p>Transition and physical risk assessments in alignment to TCFD requirement will be conducted in near future.</p> <p>Climate-related risks and measures to mitigate the risks will be assessed and discussed by the Sustainability Committee after the assessment has been conducted.</p>
Metrics and Targets	<p>Combined scope 1 and 2 GHG emissions was valued at 357,142 t CO₂-e.</p> <p>Our net scope 1 and 2 GHG emissions after incorporating carbon sequestration and credits from our conservation areas and solar energy was 166,084 t CO₂-e.</p> <p>Our net scope 1 and 2 GHG emissions intensity was valued at 22.15 t CO₂-e/Million RM Revenue.</p> <p>Our scope 3 GHG emissions intensity was valued at 3.4 t CO₂-e/Million RM Revenue.</p> <p>GHG reduction target will be incorporated in the ESG-related KPIs in future.</p>

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

For the plantation division, GHG emissions calculation was based on the latest RSPO PalmGHG calculation methodology. As for the other five business divisions, the calculation methodology followed the GHG Protocol. The emission factors were derived from the Department for Environment, Food & Rural Affairs (United Kingdom), 2022.

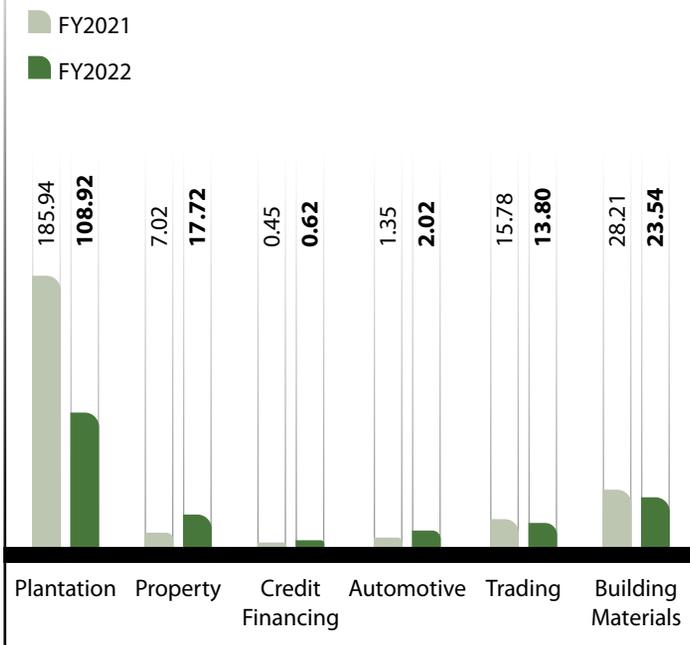
Due to measures taken to mitigate the COVID-19 pandemic, most of our operations had been operating in a leaner environment for the past two years. Therefore, our priority for the current reporting period is to re-establish our emissions data to accurately reflect the GHG emissions in a normal operating condition, which will serve as our baseline for future performance monitoring.

GHG EMISSIONS BY EMISSION SOURCES



Significant proportion of our scope 1 emissions was attributed to historical land use changes that happened during initial oil palm planting activities. Other significant scope 1 emissions were mainly due to natural gas usage, methane emissions from POME, and fossil fuels consumption for energy generation and transportation. Methane emissions from POME have been significantly reduced since the commissioning of two biogas plants, which have been capturing most of the generated methane for renewable energy production. Methane emissions will be further reduced with the commissioning of another biogas plant, which is currently under construction. A potential future focus area for emissions reduction is to reduce reliance on fossil fuels through a gradual transition to energy-efficient machinery and transportation. The opportunity to mitigate emissions from natural gas is low as it is currently considered as one of the most efficient and cleaner energy options compared to other fossil fuels.

GHG EMISSIONS INTENSITY (t CO₂-e/Million RM Revenue)



Electricity consumption from grid is the only emission source contributing to the scope 2 emissions. Reduction in scope 2 emissions is technology dependent and determined by the emissions intensity of the grid electricity supplied, which varies depending on the fuel mix by the electricity provider to generate the electricity. As a Group, we are focusing on reducing our scope 2 emissions through various initiatives, such as utilising renewable energy sources like solar and biogas, gradual transition to energy-efficient equipment, converting to LED lighting, and improving employees' awareness on energy conservation.



SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

The plantation division recorded the highest GHG emissions intensity among the business divisions. However, the emissions recorded in FY2022 were lower than the previous year due to several factors, including the reclassification of more oil palm planted areas as non-forested land, rescheduled fertiliser application, and increased utilisation of POME for biogas generation. As there will be no new development of forested areas for oil palm in the future, emissions from land use change can only gradually reduce going forward.

The building materials and property divisions were identified as the second and third-largest GHG emissions contributors, respectively, primarily attributed to the utilisation of fossil fuels for machinery and transportation. In addition, fugitive emissions resulting from the use of refrigerants for air conditioning systems in our investment properties and Autohaus also partially contributed to the emissions in the property and automotive divisions.

In addition to the gradual transition to renewable energy options, the Group has allocated substantial land area for conservation purposes. In FY2022, the plantation division recorded a carbon offset of 190,915 t CO₂-e through

sequestration from conservation areas and existing oil palm trees. Separately, the automotive division offset 143.74 t CO₂-e by feeding excess electricity generated from solar energy into the grid.

The automotive division has installed 31 electric vehicle chargers at the Autohaus nationwide to provide complimentary charging to customers, thereby promoting the transition to electric vehicles in the community. Going forward, the Group plans to further expand the electric vehicle charging infrastructure across the operations, making it easier for the community to charge their electric vehicles and contributing to the carbon footprint reduction.

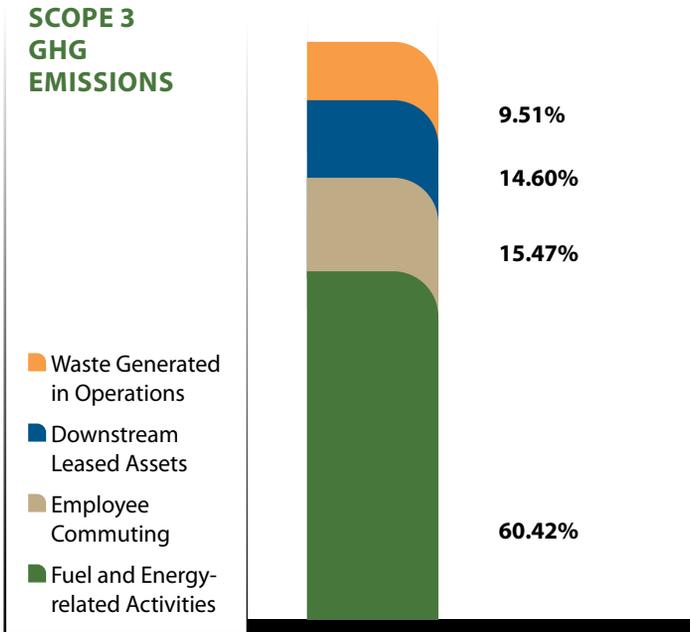
In order to gain a comprehensive understanding of our potential emissions reduction throughout our value chain, we have begun the process of quantifying scope 3 emissions. As a Group with diversified businesses, we recognise that full quantification of scope 3 emissions can be a complex and time-consuming process. Therefore, we plan to disclose our data progressively as we continue to develop our internal capacity to improve data accuracy and reliability.

As of FY2022, we have successfully quantified four categories of scope 3 GHG emissions, which are described below.

Scope 3 Emissions Category	Description	Data Quality
Fuel and Energy-related Activities	Emissions from fuel usage encompassed emissions associated with extraction, refining and transportation of the raw fuel sources prior to combustion.	Fair
	Emissions from electricity usage is associated with transmission and distribution losses with purchased electricity.	
Waste Generated in Operations	Emissions from waste generated is calculated based on the disposal methods (either recycling, reuse or disposal to landfill) of various type of wastes generated from our operations.	Fair
Employee Commuting	Emissions from employee commuting is calculated based on a group-wide survey sent to all the employees for their feedback on mode of transport and their distance workplace commuting distance (back and forth). The calculation is based on the data from 59.6% of the 2,883 employees (graded level and above) surveyed. The resulting emissions were subsequently extrapolated to all employees. The survey did not include the field workers from plantation division as they are staying in the plantation and general transportation is usually provided when necessary.	Fair
Downstream Leased Assets	Emissions from indirect electricity usage from assets not operating by the Group.	Fair

* Subjective evaluation of the data quality of the direct emissions data, activity data, and emission factors. The type of evaluation according to the criteria (Technology, Time, Geography, Completeness, and Reliability) is based on the GHG Protocol Scope 3 standard.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL



Our analysis of scope 3 emissions has revealed that majority of the emissions was attributed to indirect fuel and energy-related activities utilised by our operations. A transition plan towards utilisation of renewable fuel and energy sources is essential to reduce reliance on non-renewable energy, thereby lowering indirect emissions resulting from the production of energy.

Internal combustion cars and motorcycles were responsible for 97% of greenhouse gas emissions from employee commuting for work. Although public transport and energy-efficient vehicles emit significantly lower levels of GHG emissions and are generally more environmentally friendly, their usage among employees is still low. The Group has the opportunity to contribute to the reduction of indirect emissions of this category by promoting the use of public transport or influencing employees to opt for more energy-efficient transportation in future



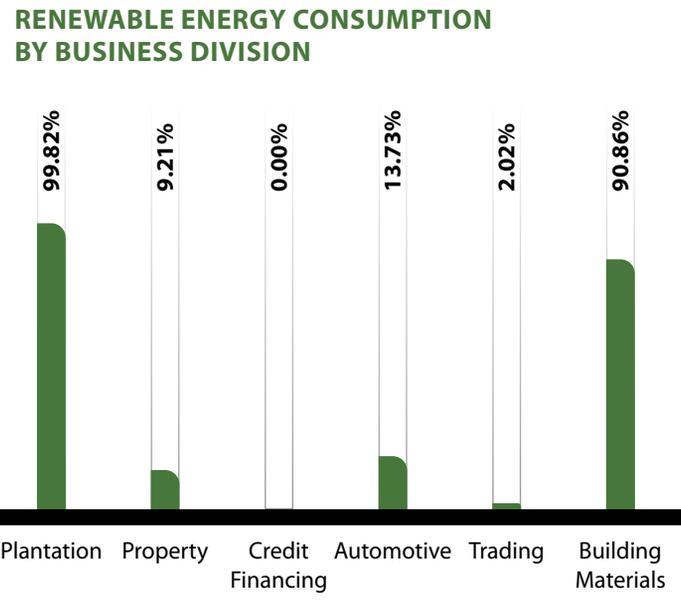
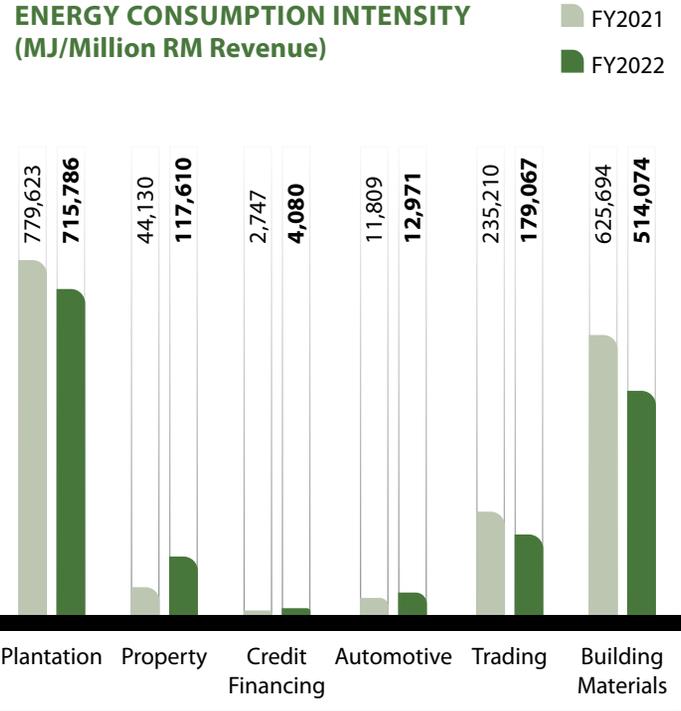
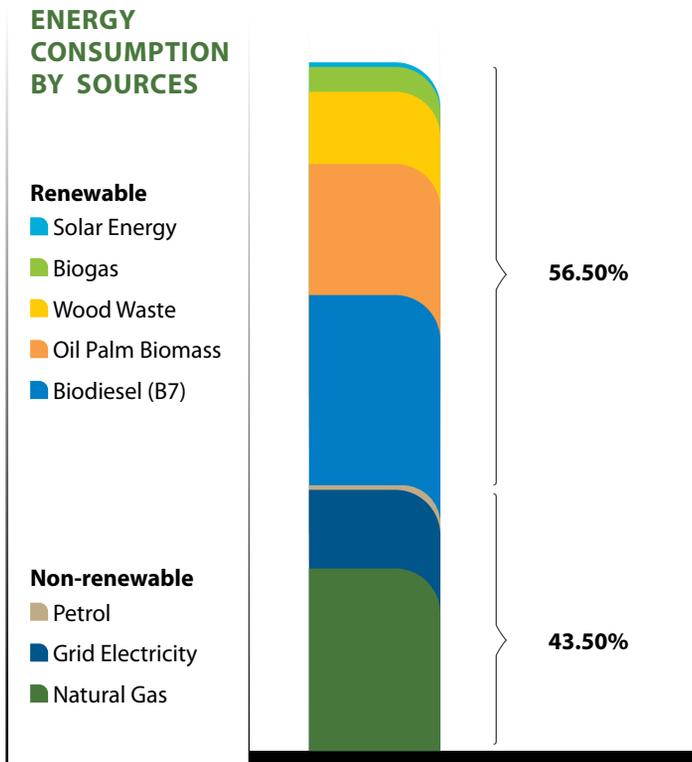
Electricity usage by downstream leased assets was found to be the third-highest source of emissions among the measured scope 3 emissions. In addition to our ongoing group-wide conversion to energy-efficient equipment, we plan to gradually raise awareness of energy-saving measures and collaborate with the tenants of our buildings to promote best practices in energy management.

Our current recycling efforts have partially mitigated emissions from generated waste by reducing the amount of waste sent to landfills. In FY2022, the Group avoided 59,851 t CO₂-e by recycling and reusing about 107,252 tonnes of waste. The majority of recycled waste was generated from oil palm biomass, which includes oil palm fibre and empty fruit bunches. Oil palm fibre was utilised to generate renewable energy in the boiler, while the empty fruit bunches were reused for composting to improve the nutrient content of adjacent oil palm estates. Going forward, our plan is to develop a standardised waste management plan to facilitate efficient waste management and recycling activities.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Energy Management

We acknowledge the potential benefits of reducing our energy costs and consumption through improved energy management practices. In addition to promoting best practices in efficient energy usage, we are actively transitioning to renewable energy sources and exploring ways to reduce the overall energy consumption. In FY2022, the Group consumed a total of 1.65 billion MJ of energy, which was sourced from both renewable and non-renewable sources. Majority of the renewable energy sources were from biofuel and biomass such as oil palm fibre and wood waste. As natural gas and grid electricity contributed majority of the non-renewable energy, there is future opportunity to increase the renewable energy consumption portion through the utilisation of solar energy and other renewable energy options.



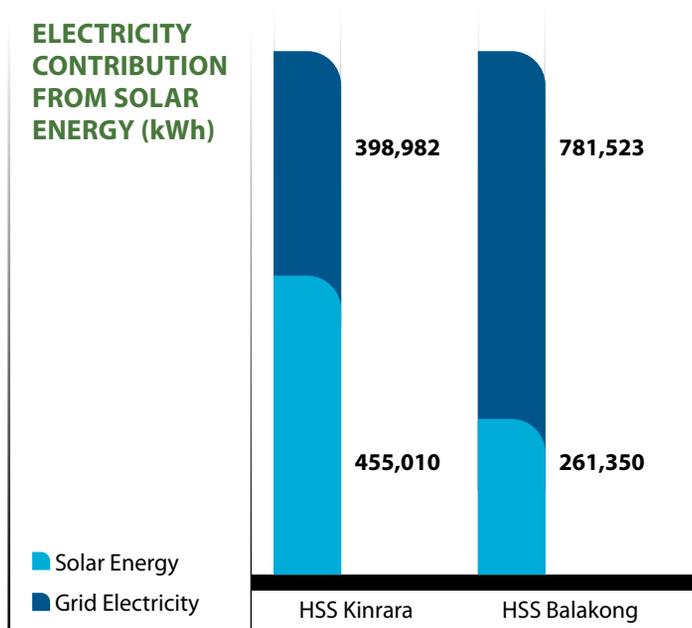
Despite having the highest energy consumption intensity among all divisions due to its operational footprint and high energy demand for transportation and palm oil mills operations, the plantation division utilised almost all of its total energy demand from renewable energy. This was possible due to the availability of biogas plant and oil palm fibre that generates sufficient energy for palm oil processing activities and electricity demand for the housing within the adjacent estates. Almost all of the oil palm fibre generated from processing of FFB are utilised for renewable energy generation in the boiler. Furthermore, three out of four palm oil mills are currently utilising electricity produced from biogas, resulting in minimal reliance on non-renewable energy. The commissioning of another biogas plant at Tomanggong Palm Oil Mill in the near future will further reduce dependency on non-renewable energy.

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High energy consumption intensity by building materials division was due to high fuel demand for transportation, electricity for machineries, and bricks heating. Nevertheless, the division derived 90% of its energy demand from renewable sources. While there is limited opportunity for the division to explore renewable energy to replace its grid electricity consumption which constitutes about 9% of the energy consumption, better electricity conservation practices may contribute to the reduction of grid electricity consumption.

The trading division had high energy consumption intensity due to the high energy demand from tiles manufacturing activity, mainly derived from non-renewable sources such as grid electricity and natural gas. As natural gas is considered one of the most efficient fuel options for heating process, the opportunity to substitute it with more environmentally friendly option is low. Progressive efficiency improvement and energy conservation measures may be the approaches to reduce electricity and natural gas consumption.

Despite the relatively low energy consumption intensity in property, automotive, and credit financing divisions, there are various opportunities to increase utilisation of renewable energy. The property division adopted various green building certification standards, such as GreenRE, GBI and LEED. Four properties with the total built-up area of 173,054 sq.ft. were certified with green building certifications as of FY2022 (refer to the Achievements & Recognitions section on pages 83 to 84). The installation of rooftop solar panels at the Autohaus has also been implemented to reduce dependency of grid electricity. Two Autohaus have been equipped with solar energy, and another three Autohaus are in the process of installation. In FY2022, the solar panels installed at HSS Kinrara were able to generate electricity equivalent to 53% of its consumption needs, while those at HSS Balakong generated enough to meet 25% of its electricity requirements. Additionally, the surplus energy generated by the solar panels, which amounted to 940,860 MJ was supplied back to the national grid as electricity credits, contributing to emission reduction of 143.74 t CO₂-e.



Note: Solar energy system at HSS Balakong was commissioned in July 2022 and only running at 50% capacity.

Recognising the environmental benefits of light-emitting diodes (LEDs) over conventional lighting systems, we are gradually replacing conventional fluorescent lighting in our operations. LED lighting typically lasts longer, reduces energy consumption and reduces the amount of electronic waste generated by our operations. All of our operations are gradually transitioning to energy-saving LED lighting when replacements become necessary.

Groupwide implementation of energy management practices:

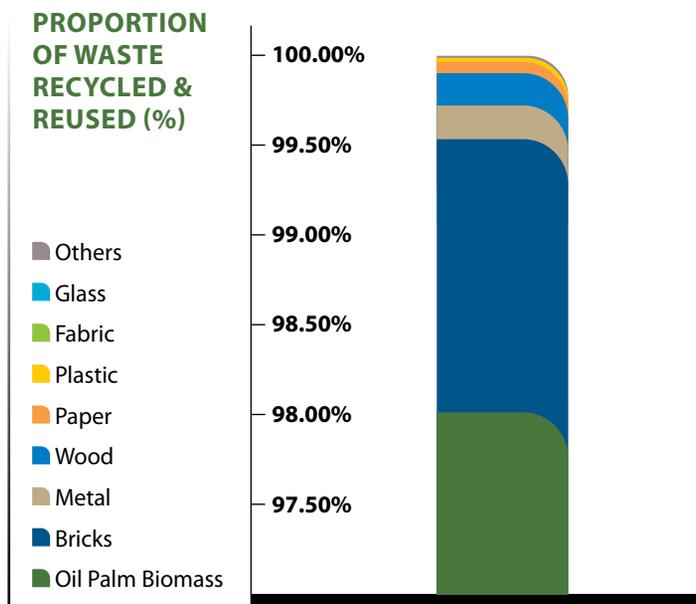
- Auto-adjusted air conditioning system.
- Lights-off during non-office hours and vacant sections.
- Timer and motion sensor-controlled lighting system.
- Progressive replacement of existing conventional lighting to energy saving LED lighting.
- Utilisation of solar energy.
- Utilisation of biomass to generate renewable energy.
- Installation of smart meter for real time monitoring of electricity consumption.

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Waste Management

The Group strives to manage resources in a responsible manner, reducing waste generation through efficient utilisation of resources, reuse, and recycling. Waste and landfills are significant contributor to global greenhouse gas (GHG) emissions, accounting for approximately 3% of the world's GHG emissions (Source: Climate Watch).

Waste Management	Unit	Scheduled Waste	Non-scheduled Waste	Total
Waste Generated		180.64	108,049.73	108,230.37
Waste Recycled & Reused	MT	0	107,260.12	107,260.12
Waste Disposed		180.64	789.61	970.25



We are committed to reducing waste generation through efficient resource utilisation, as well as finding new ways to create value from waste through reuse and recycling. These practices not only minimise waste disposal to landfills but also reduce the overall waste management costs. In FY2022, we generated 108,230 MT of waste, of which 99% of the volume was successfully recycled and reused within the respective business division. Most of the reusable waste in our operations originates from oil palm biomass, which is a byproduct from the production of crude palm oil. Oil palm fibre reused as renewable fuel for the steam boiler, while empty fruit bunches are applied to the estates as compost to improve soil nutrient conditions. We are working to raise awareness of the importance of monitoring non-scheduled waste, which has resulted in more comprehensive reporting of recycled waste in the current reporting period. While we acknowledge that our operations have yet to achieve complete quantification of non-scheduled waste, we are committed to improving our quantification methods and data accuracy in future reports.

Aside from implementing various waste management measures within our businesses, the Group had collaborated with relevant stakeholders to instill the values and raise awareness of recycling and reusing. In FY2022, Hap Seng Property's CSR (WM) Bureau of Green Technology & Initiatives collaborated with Pertubuhan Amal Seri Sinar (P.A.S.S.) in a waste recycling campaign and education among Hap Seng's employees and tenants at Menara Hap Seng. The initiative successfully collected more than 600 kg recyclable waste throughout the reporting period.

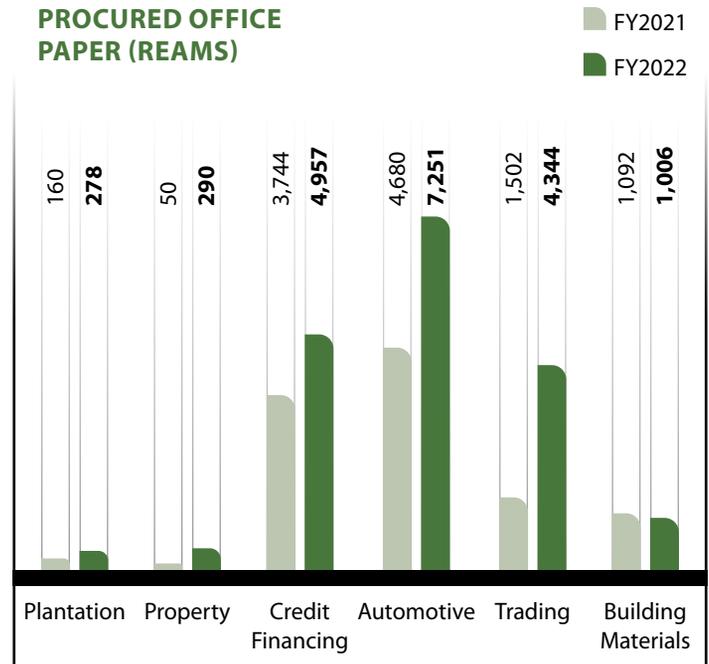
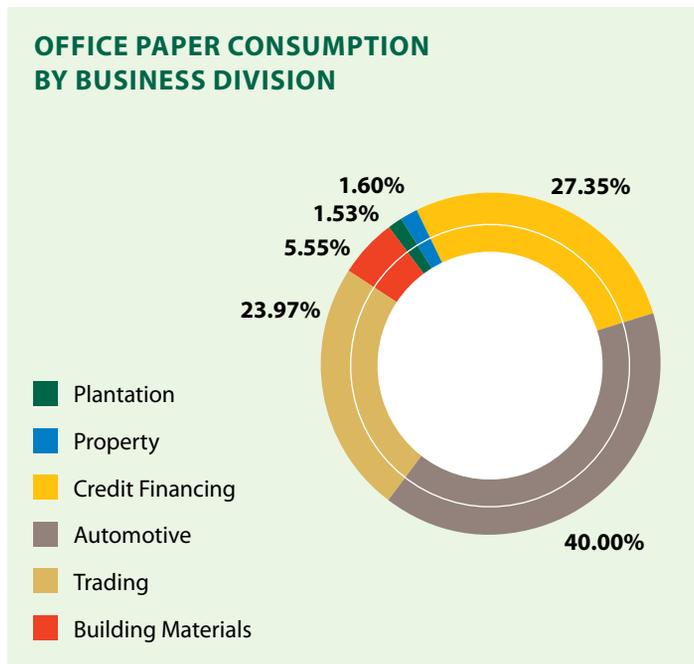
Hap Seng has also teamed up with McDermott Asia Pacific Sdn Bhd and Kloth Cares to launch a Fabric Recycling Campaign at Menara Hap Seng. Kloth Malaysia Sdn. Bhd. is a Malaysian social enterprise committed to keeping fabrics out of landfills by repurposing through a circular economy model. On 18 March 2022, the official launch of the Fabric Recycling Campaign took place with the presence of Hap Seng Land's CSR team and representatives from McDermott. The campaign was well received by Hap Seng staff, tenants and the general public who donated their pre-loved clothes, which were collected by Kloth Cares on a monthly basis. Since the inception of the campaign in FY2022, over 2,500 kg of fabric have been collected.

We also support the use of recycled products by purchasing materials that are made from recycled materials. As an example, 97.5% of the carton boxes used for tile packaging at MMSB were constructed from recycled materials.



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Office paper is a significant resource that we use in our operations. Our business processes have undergone progressive transition towards digitalisation, which has significantly reduced our paper consumption. Within our organisation, we encouraged the use of electronic platforms for document sharing to further reduce paper usage. Our employees were also encouraged to only print when necessary and to print on both sides of paper. In FY2022, our Group purchased 18,126 reams of paper, which is higher than the 11,228 reams purchased in FY2021. Of the paper consumed, 91% was used by our automotive, credit financing, and trading divisions. Paper usage significantly increased as compared to FY2021 due to resumption of normal business activities in FY2022.



Water Management

We recognise that water scarcity is quickly becoming a threat to both businesses and society due to global climate change. Accordingly, we require all of our business divisions to improve their water usage efficiency, minimise wastewater discharge, and utilise alternative natural water sources and implement water recycling initiatives whenever feasible. Our operations typically source water from the local municipal supply, although the plantation and building materials divisions also obtain surface water from sources such as rivers, ponds, and rainwater.

In FY2022, approximately 98% of our total water withdrawal came from surface water sources. Rainwater harvesting systems are usually installed during the construction of our buildings and serve as a permanent feature to collect rainwater. The volume of harvested rainwater could be much higher than reported in FY2022, as the data only represented the volume of rainwater in the plantation division. Data on the volume of harvested rainwater from operating units under the property and automotive divisions will be progressively made available from FY2023 onwards.



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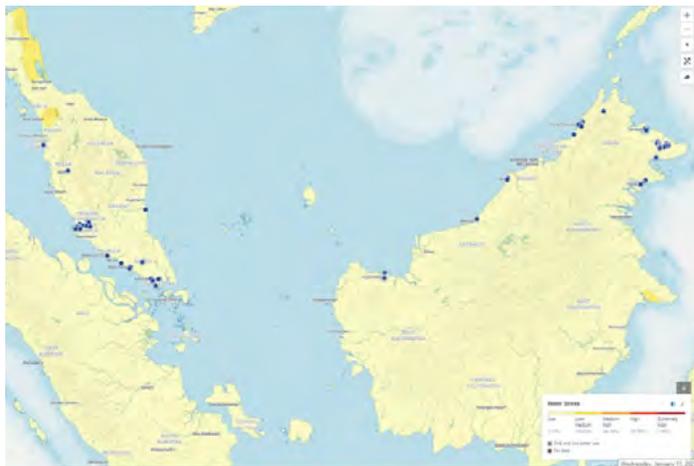
Source of Water Withdrawal	Unit	Freshwater ($\leq 1,000$ mg/l Total Dissolved Solids)	Freshwater ($> 1,000$ mg/l Total Dissolved Solids)
Surface Water	ML	21,952.78	0.00
Groundwater		0.00	0.00
Seawater		0.00	0.00
Third-party Water		483.48	0.00
Total		22,436.26	0.00

* ML: Megalitre

Destination of Water Discharge	Volume (ML)
Surface Water	979.15
Groundwater	0.00
Seawater	0.00
Third-party Water	0.00
Total	979.15

Water Consumption (ML)	Water Consumption Intensity (ML/Million RM Revenue)
21,457.12	2.86

Currently, the Group faces minimal risk of operational disruption due to water stress. Our plantation and building materials divisions, which heavily rely on natural water sources, have installed permanent water reservoirs in the form of ponds to store excess surface water during drought period. Analysis conducted using the World Resources Institute's Aqueduct Tool shows that none of our operating units are located in water-stressed areas. Nevertheless, we continue to install rainwater harvesting facilities at our buildings as a cost-saving measure and to mitigate potential future water stress resulting from climate change. Additionally, using rainwater reduces the need of chemicals for water treatment, especially in the plantation division, which performs its own water treatment for their domestic and operational use.



Description:

Baseline water stress measures the ratio of total water withdrawals to available renewable surface and groundwater supplies. Water withdrawals include domestic, industrial, irrigation, and livestock consumptive and non-consumptive uses. Available renewable water supplies include the impact of upstream consumptive water users and large dams on downstream water availability. Higher values indicate more competition among users.

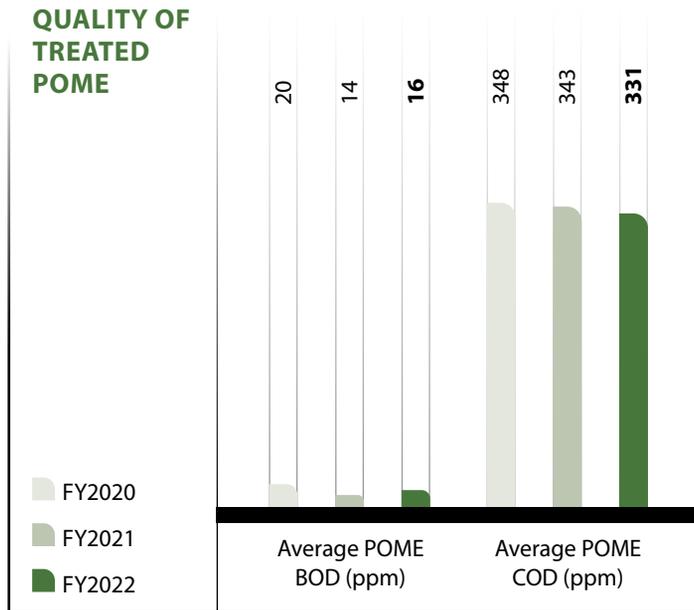
Source: WRI Aqueduct 2019

Aside from improving water security within our operations, we are committed to ensuring that the generated wastewater is treated and discharged in accordance with the Environmental Quality Act 1974. Plantation and trading divisions generated 979.15 ML of wastewater in FY2022. The generated wastewater was eventually diverted to the treatment pond located within the respective operating unit.

Wastewater generated from plantation division is in the form of POME resulted from production of palm oil. Management of POME is governed by strict environmental regulations where it has to be internally treated and conform to the quality standards established by the Department of Environment (DOE), such as ensuring that the Biological Oxygen Demand (BOD) does not surpass 20 ppm, prior to its release for irrigation purposes on the field adjacent to palm oil mills. Although it is not mandated by the authorities, the management team proactively measures the Chemical Oxygen Demand (COD) as well. Treated POME is channeled to the adjacent estate for land irrigation to enhance the soil's nutrient and moisture content for the oil palms. To prevent the risk of pollution,

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the POME irrigation system has been intentionally designed in a way that it is not connected to the existing natural waterways. Additionally, pollution prevention measures are implemented to prevent surface water runoff from the oil palm fields. Riparian buffer is also maintained along the natural waterways throughout the plantation to minimise chemical runoff into streams. Regular monitoring of stream water quality is also performed to ensure that the water quality remains at an acceptable level.



Air Quality Management

We are taking steps to mitigate the impact of air pollutants on the environment by following the Environmental Quality (Clean Air) Regulations 2014 and the Malaysian Ambient Air Quality Standards 2020. Dust and chemical vapours are identified as potential air pollutants in our plantation, automotive, and building materials divisions.

At our palm oil mills, dust emission from boilers is significantly reduced through the use of multi-cyclones that filter out generated dust. All the four palm oil mills have been equipped with Electrostatic Precipitator System to reduce dust emission to less than the permissible emission level at 150 mg/m³.

Sulphur dioxide and paint particles have been identified as air pollutants from vehicle paint spraying activity at the automotive division. Air filters are available in the enclosed vehicle painting booths to ensure air pollutants are confined and filtered within the booths.

At our quarry operations, suspended particulate matter in the form of dust is a common air pollutant. Water sprinklers are placed at strategic locations to minimise particulate matter in the air, and the dust-water mixture is eventually channeled to the enclosed retention pond to prevent pollution of natural waterways. Effectiveness in the air quality management was reflected from the quarterly air quality monitoring which indicated the air particulate matter at our quarries averaged at 21.6 µg/m³, significantly lower than the permissible limit of 260 µg/m³.

Biodiversity Management

As a Group, we are dedicated to preserving, protecting, and promoting biodiversity, as well as promoting urban greenery throughout all of our operations. We place a high priority on allocating resources towards managing biodiversity in our business divisions that may have a significant impact on the environment, such as the plantation division, as some of our estates are located near areas with High Conservation Value (HCV). Due to the nature of our businesses, credit financing, automotive, and trading divisions have negligible impact on biodiversity.

Biodiversity management is particularly crucial for our plantation division, which manages a 39,103 hectares plantation in Sabah, one of Malaysia's most biodiverse states. Plantation division is committed to not cutting down forests or planting in peatlands, and these commitments are outlined in the Sustainable Agriculture Policy and Biodiversity Policy. All of the new FFB suppliers are required to undergo extensive screening to ensure that their FFB is legally and responsibly sourced. We have implemented various measures to ensure that our suppliers comply with the highest industry standards. In FY2022, our FFB is fully traceable to the FFB sources. By having a fully traceable FFB supply chain, we will be able to offer low-risk palm oil to our customers.

As part of the commitment to ensure legality of our FFB sourcing, we conduct monthly monitoring for potential deforestation activity on all our internal and external FFB suppliers. This monitoring was done through Global Forest Watch's deforestation alerts, which indicated that no deforestation was detected on our own concessions or the 11 smallholders and outgrowers supplying FFB to our mills in FY2022.

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We have identified and conserved HCV areas within our plantation and set aside areas for natural rehabilitation. Additionally, the riparian zones along waterways have been preserved to maintain the riverine ecosystem and serve as wildlife corridors. Hunting, logging, possession, and trafficking of wildlife, including species categorised as rare, threatened, and endangered on the IUCN Red List, are strictly prohibited in our plantation. We have installed 45 motion cameras at our estate boundaries to monitor for potential illegal encroachment activity.

To ensure the conservation areas are well protected, we conduct regular boundary patrolling and monitoring to detect any instances of encroachment. Our management team also maintains close communication and collaborates with the local Wildlife Department and Forestry Department when necessary. For further details on our biodiversity management initiatives at the plantation, please refer to Hap Seng Plantations Holdings Sustainability Report.

Type of Conservation Area	Area (Hectares)
HCV	1,401.98
Riparian Buffer	1,056.74

The impact of fire incidents on biodiversity and ecosystems can be significant. At our large-scale plantation division, we employed satellite imaging technologies such as the Global Forest Watch Fire Portal to detect fires within and surrounding our estates in a timely manner. Our strong commitment to preserving the environment is reflected in our routine monitoring of fire hotspots, which we make publicly available through monthly updates on our website¹ and our internal Emergency Response Team is prepared to respond promptly in the event of a fire. No fire hotspots were detected in our concessions during FY2022.

The impact from development projects by our property division on biodiversity is minimal as all of the developments are located in urban areas which are far from forested landscapes and not classified as protected or HCV areas. Potential risks to biodiversity were assessed at the planning stage through site-specific assessments of factors such as flora and fauna, waste management, topography, and hydrology. Pollution of waterways are avoided by preventing land erosion and minimising sedimentation. During the construction phase, all waste, including domestic waste and sewage, were managed according

to our waste management plan. We also prioritise the reuse and recycling of materials such as wood, steel, and aluminum to reduce waste. The ecological capacity of the development area was enhanced by creating new habitats for existing flora and fauna, such as the 27,000 individual pots of 10 different plant species planted on the 91.55-meter-high indoor green wall in Menara Hap Seng 3. Similar initiatives may be extended to other suitable high-rise buildings in the future.

Extraction of natural resources, such as quarrying, can potentially impact the surrounding environment and biodiversity if not properly managed. Therefore, potential environmental risks at the quarries were thoroughly assessed through Environmental Impact Assessment (EIA) prior to development. Quarrying activities can only be commissioned after the EIA has been approved by the DOE and potential environmental risks have been adequately controlled or mitigated. We periodically submit environmental quality monitoring reports to the DOE to ensure ongoing compliance. We are required to rehabilitate decommissioned quarry sites to expedite regeneration of natural vegetation and restore ecological functions to support biodiversity.



¹ <https://www.hapsengplantations.com.my/environmental-sustainability.html>

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

PEOPLE AND COMMUNITY DEVELOPMENT

Align to SDG:



Our Approach

Creating value to our employees and local communities remains the priority agenda in our sustainability journey. In Hap Seng, we strongly believe our employees and local communities play an instrumental role in maintaining a sustainable business that eventually contribute to the socio-economic development. Throughout FY2022, none of our business divisions violated any regulatory requirement in relation to human rights.

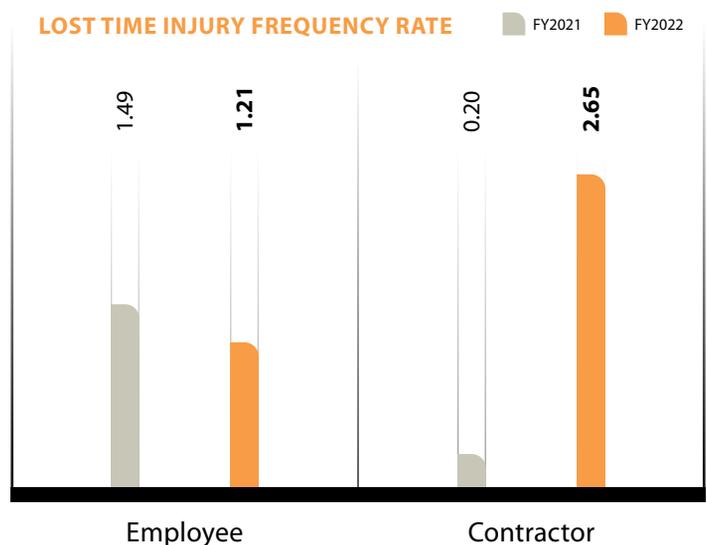
Health and Safety

Creating a healthy and safe working environment across our businesses has always been our priority, with the ultimate aim of ensuring zero fatality. We have established Safety and Health Committees within the business divisions. These committees involve participation from both management and employee representatives to collaboratively minimise health and safety risks from the operations. Employee representatives are tasked to gather feedback and concerns regarding workplace health and safety matters from their fellow colleagues to deliberated during the committee meeting.

Potential health and safety related risks from operations are reviewed through Hazard Identification, Risk Assessment and Risk Control (HIRARC). The review is conducted when there are changes in process or activities which may affect the risk level at the workplace. Chemical Health Risk Assessment (CHRA) is also conducted if chemical handling is required in the operation. Preventive measures and controls to mitigate potential identified risks will be communicated, implemented and monitored at each individual business division. Regular training on health and safety practices based on training needs analysis are provided to the employees and contractors to improve their awareness of relevant best practices.

In order to ensure that our health and safety measures extends to our contractors, we require our contractors to commit to the health and safety requirements as stipulated in their contract agreement. Generally, contractors working within our operations are required to adhere to the similar health and safety standards as practiced by our employees.

Health and Safety Performance	Unit	Employee	Contractor
Work-related Injury			
Fatality case	No. of case	0	0
High-consequence injury	No. of case	0	0
Other work-related injury	No. of case	28	10
Fatality rate	No. of case/ Million hours worked	0.00	0.00
High-consequence injury rate	No. of case/ Million hours worked	0.00	0.00
Lost time injury frequency rate	No. of case/ Million hours worked	1.21	2.65
Work-related Ill Health			
Fatality case	No. of case	0	0
Work-related ill health	No. of case	0	0



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The Group recorded zero work-related fatalities and 38 work-related injuries in FY2022, resulting in lost time injury rates of 1.21 and 2.65 per million hours worked for our employees and contractors respectively. The significant increase in the lost time injury frequency rate for contractor can be partially attributed to the increased monitoring of contractor injury cases, which was not fully documented in previous reporting. The reported injuries mainly involved incidents such as cuts, falls from height, fractures, vehicle accidents and minor burns which required medical attention and resulted in one or more lost of workday. No injury cases were recorded at the property, credit financing, and automotive divisions during the reporting period. Furthermore, no work-related ill health case was reported.

Noise-induced hearing loss is a potential work-related health risk at the quarry. We have implemented noise management measures to protect our employees from excessive noise exposure. These measures include conducting noise risk assessments, requiring the use of personal protective equipment such as ear plugs or ear muffs, and conducting baseline and regular audiometric tests to regularly monitor employees' hearing functions. Additionally, engineering controls have been implemented to suppress excessive noise by adopting relevant industry best practices and technology. For example, 3-dimensional laser technology is utilised in quarry operations to precisely determine the amount of explosive energy required and reduce unnecessary blasting error, which is a major source of noise. Results from quarterly ambient noise emission monitoring in FY2022 at the quarries indicated an average noise emission level of 56.3 dB, which is lower than the permissible limit of 65 dB.

Mobile sirens are available at quarry sites located near communities' settlement to provide early notification before stone blasting work takes place. Additionally, the adjacent communities have been informed of the proper channels for raising grievances to the management. It is worth noting that there were no complaints received from the adjacent communities regarding quarry operations during FY2022.

Diversity

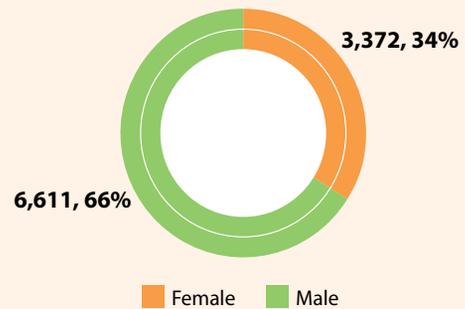
At Hap Seng, we firmly believe that our employees play a crucial role in driving the success of our businesses. An inclusive workforce with diverse backgrounds and perspectives gives us a competitive edge, especially in industries where human involvement is crucial. We are dedicated to promoting diversity and inclusivity in the workplace by offering equal opportunities and fair compensation, regardless of personal characteristics such

as race, religion, gender, age, sexual orientation, disability, and nationality.

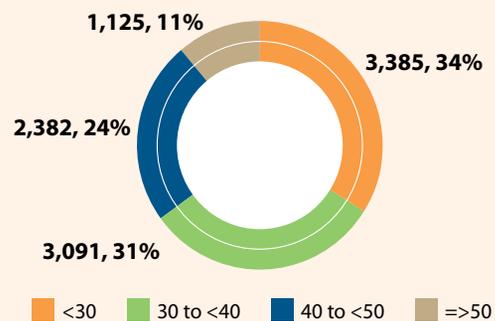
34% of our employees are represented by female where 4% of the female employees are in managerial positions. Underrepresentation of female employees can be partly attributed to the job nature of the plantation industry which is generally more labour intensive and physically demanding. We receive less applications from female, particularly for field work. Gender committee was established in our plantation to promote women empowerment at the workplace and as a platform to discuss on any women related matters.

As at 31 December 2022, our overall workforce consists of 9,983 employees with operations in Sabah and Sarawak accounting for 85% of the workforce, mostly from our plantation operations. Our Group values a diverse age range among our employees, with 65% of our workforce below the age of 40. We recognise the advantages of having a young workforce in terms of adaptability, flexibility, innovation, and creativity. However, we also appreciate the benefits that come with the experience, knowledge, and wisdom of older employees, and strive to maintain a balance of age diversity in our workplace.

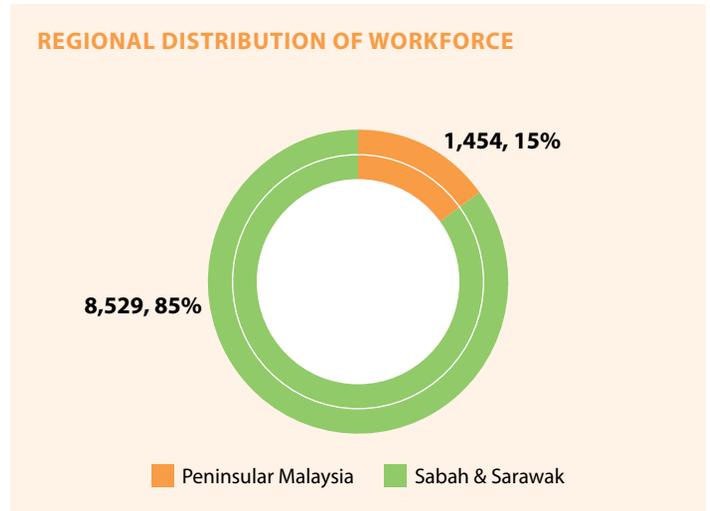
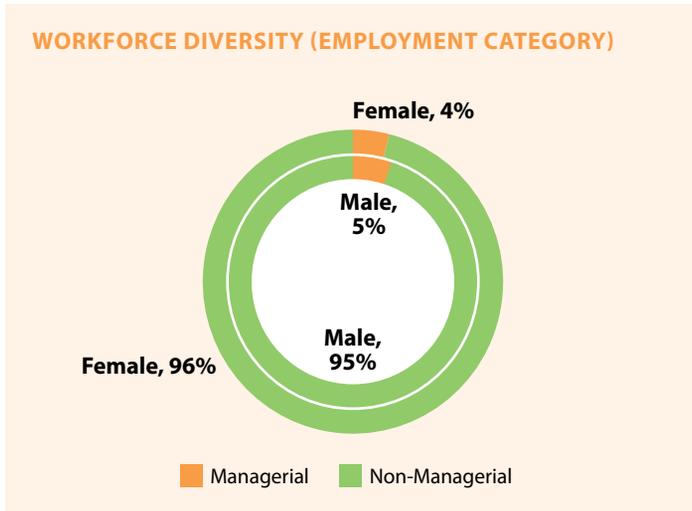
WORKFORCE DIVERSITY (GENDER)



WORKFORCE DIVERSITY (AGE GROUP)



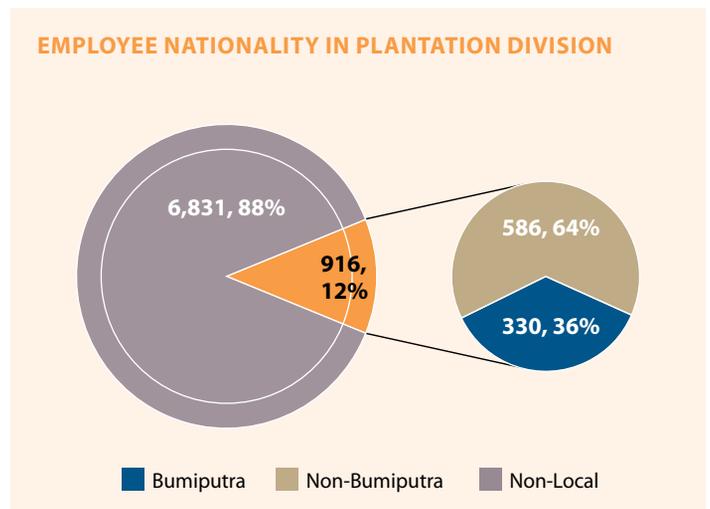
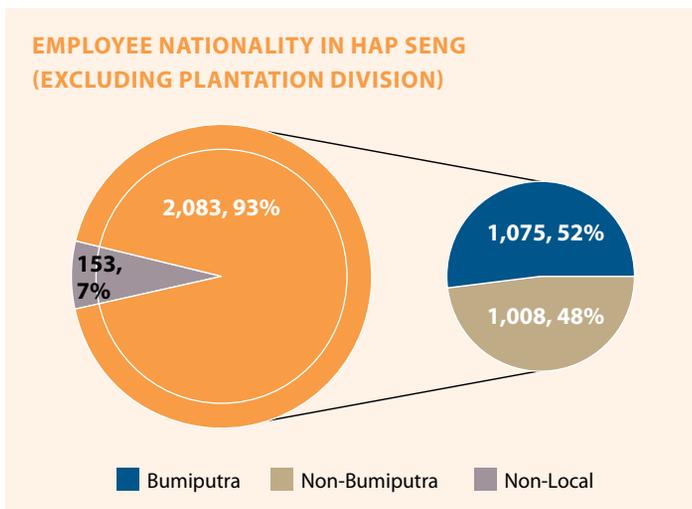
SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL



Labour Practices and Standards

As part of our responsibility to contribute to local socio-economy development, we prioritise in attracting and retaining local talents across our businesses. As at 31 December 2022, 93% of our employees (exclude plantation division) are locals, a decrease of 3% from FY2021. Only 12% of the employees in the plantation division consist of locals. Various efforts are being taken by management and through the Malaysian Palm Oil Association to attract more locals to work in the plantation industry. The plantation division is also implementing automation such as drone technology to reduce reliance on human resources and achieve higher productivity. Drones are utilised in physical demanding and time intensive tasks such as field surveys and large-scale spraying activity. Using drone, we were able to reduce the number of workers needed for the spraying activity by 86% and spraying cost per seedling by 26% in FY2022.

Non-local workers for our plantation division are being recruited directly through referral from our existing workers. Direct recruitment without going through recruitment agents will eliminate the risk of human trafficking and forced labour, which are the issues of concern affecting non-local workers. Costs incurred from the recruitment process are borne by the company to eliminate the risk of debt bondage by the third-party. The management does not retain workers' passports, except for cases where the passports are needed for renewal of work permits or other legal requirements.

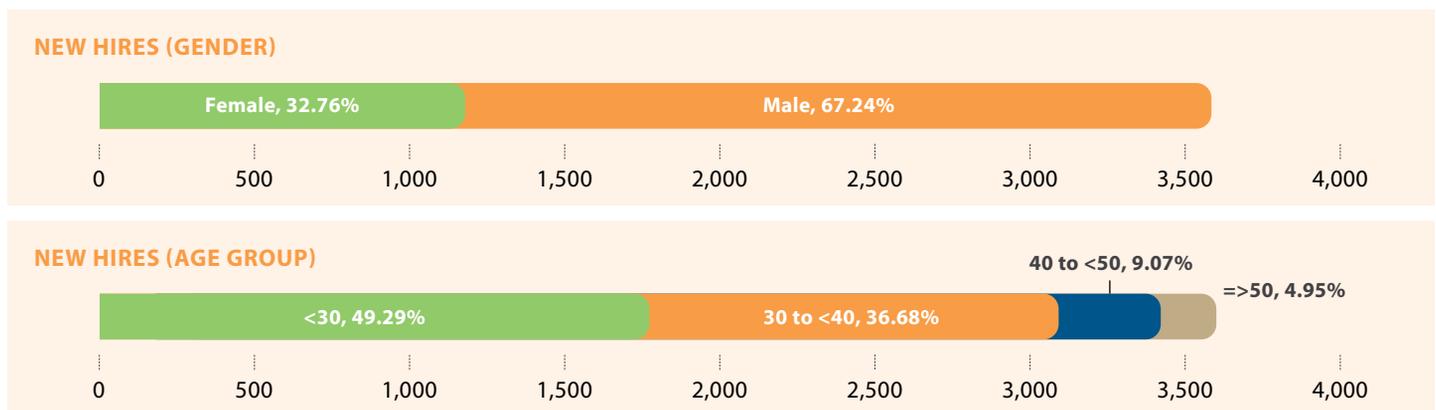


Note: Bumiputra is a term used in Malaysia to describe Malays, the Orang Asli of Peninsular Malaysia, and various indigenous peoples of East Malaysia.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Our recruitment practice is free-from-bias where the applicant’s qualifications, merits and personal characters are the main determining factors in the selection process. Terms and conditions of employment are transparently communicated to potential employees prior to signing the employment agreement. Induction training will be provided to ensure new employees are able to promptly adapt to their new working environment and culture. A copy of the Employment Handbook detailing all the employment fringe benefits is made available within the company’s intranet. In FY2022, the Group hired 3,593 new employees. Male constitute major proportion of new hires due to majority of the hiring happened in the plantation division, which is male dominated.

Over 85% of our recent hires in FY2022 were under the age of 40, which aligns with the age profile of our existing employees within the Group.



We recognise and provide fair salary and remuneration based on employees’ responsibilities and performance by conducting an annual performance appraisal. We regularly review our remuneration packages by benchmarking against our peers. All employees receive salary that meet or exceed the minimum amount determined by local regulation. Aside from evaluating the employees’ achievements and contribution, KPI is also used in assessing future career development and identification of relevant capacity development training for our employees. All of our employees were assessed for KPI in FY2022.

Employee Remuneration and Entitlement

Fringe Benefits	
<ul style="list-style-type: none"> Medical and hospitalisation benefits Groups personal accident insurance Long service/retirement awards 	<ul style="list-style-type: none"> Outstation meal, accommodation and travel allowances Education assistance Membership in professional association

Leave Entitlement	
<ul style="list-style-type: none"> Annual leave Examination leave Medical leave Marriage leave 	<ul style="list-style-type: none"> Compassionate leave Maternity leave Paternity leave Prolonged illness leave

We strive to attract and retain our employees by adopting a work-life balance working environment. In order to ensure the interest of our employees are well protected, we recognise their rights to collective bargaining and freedom to join recognised trade union or association of their choice.

Hap Seng is committed to maintaining a secure, healthy, and harassment-free workplace for all its employees. The Group values the respect and dignity of every employee and will not tolerate any form of harassment, including sexual harassment. Any individual within the organisation found guilty of sexual harassment will face termination. Guidelines for addressing harassment, including sexual harassment, are provided to employees through the employee handbook and posted on notice boards at each operating unit.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Our commitment to uphold the rights of our employees is clearly stated in the Sustainability Framework through the following commitments.

- Ensuring a safe and healthy working environment.
- Encouraging healthy work-life balance and well-being.
- Respecting the fundamental rights in the core conventions of the International Labour Organisation.
- Preventing forced and child labour through responsible recruitment.
- Resolving complaints and conflicts through a transparent grievance mechanism.
- Adhering to the statutory minimum wage requirement and overtime compensation.
- Striving to create a work environment that is free from harassment, where employees are treated with respect and dignity.
- According equal opportunity in employment and remuneration regardless of race, religion, gender, age, sexual orientation, disability and nationality.
- Recognising employees' right to collective bargaining and freedom of association.

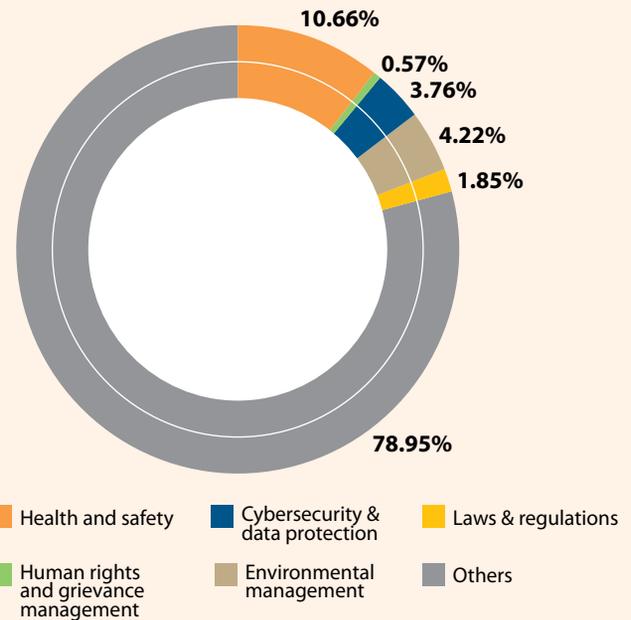
Capacity Building

Recognising the compounding benefits in developing skills and capacities of our employees, we encourage our employees to stay abreast with the necessary knowledge and skills to expedite their career advancement. Training recommendation on specific skill set will be identified by the respective Head of Department during the annual performance review. Employees are also encouraged to propose any training that may add value to their career development. Our Talent Management Team under the Group Human Resources Department is responsible in identifying new talents to add value to the company and supporting the existing employees in acquiring additional skills and capacities for future challenges. Education assistance covering course fee and examination fee is provided to the eligible employee to encourage and assist employees to further enhance their academic knowledge and technical skills. Overall, the Group had recorded 24,239 hours of training in FY2022, which averaged to 8.19 hours of training per employee. Majority of the training focuses on skill improvement, health and safety, environmental management, cybersecurity & data protection and laws & regulations. The average training hours for female employees were lower compared to their male counterparts, primarily due to the fact that most of the training provided focused on physical operational skills and workplace safety & health, which are typically more relevant for the male-dominated roles.

TOTAL TRAINING HOURS PER TYPE OF TRAINING IN FY2022

Health and Safety	Human Rights and Grievance Management	Laws & Regulations
2,583	138	448
Environmental Management	Cybersecurity & Data Protection	Others
1,022	912	19,136

ALLOCATION OF TRAINING HOUR ON ESG MATTERS



AVERAGE TRAINING HOUR IN FY2022

Per Employee	Per Top Management	Per Graded Employee
8.19	8.05	7.66
Per Female Employee	Per Senior & Mid Management	
5.83	9.57	
Per Male Employee	Per Executive & Supervisory Employee	
9.64	8.21	

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Cybercrime Awareness Campaign

The Bureau of Safety & Health at Hap Seng Property's CSR (West Malaysia) partnered with Malaysian Communications and Multimedia Commission (MCMC) to organise an online webinar on Cybercrime Awareness in August 2022, as a response to the growing issue of cybercrime. The webinar was held in line with the MCMC's "KLIK DENGAN BIJAK" campaign and aimed to educate the public on internet safety and security. Encik Ts. Md Tahir Musa, Deputy Director of MCMC Community Programme, shared standard guidelines on being a smart online user and explained different types of cybercrime attacks, such as phishing, pretexting, hacking, and theft of personal/financial information. The one-hour session covered online risks and the positive use of the internet, as well as law enforcement against cybercrime.

Occupational Safety and Health Awareness Programme by NIOSH Tawau

In August 2022, Employees of Hap Seng Building Materials attended an Occupational Safety and Health training hosted by NIOSH Tawau as part of SOCSO's grant for non-local workers. The goal of the training was to provide basic knowledge on workplace accident prevention, educate non-local workers on their responsibilities and obligations according to national laws and regulations, and reduce the incidence of accidents and occupational diseases among non-local workers. A safe and healthy work environment has numerous benefits including increased worker morale, productivity, and well-being, reduced risk of lost work time due to injury or illness, and compliance with legal requirements and reduced liability in the event of workplace accidents or injuries.



Community & Society

At Hap Seng, our focus is on making a positive impact in the communities where we operate. As a diversified conglomerate with a broad reach, we continuously strive to empower local communities through various initiatives that bring value to the social and economic landscape.

As a Group, we made a total contribution of more than RM1.94 million in various children's education and social responsibility programmes in FY2022. The programmes had benefitted more than 3,500 participants that consist of various stakeholders. More than 66% of our contributions are allocated to empowering children's education as we strongly believe that investing in learning and development is crucial for creating a better future for individuals and society as a whole. The Group made a contribution of more than RM650,000 for various society development and engagement programmes. We also invest in infrastructure that directly and indirectly benefits the local communities, including free medical care at our estate clinics, maintenance of roads for accessibility, development of facilities and organised various social activities.

We encourage our employees to take part and contribute in the community programmes as we believe that it is not only beneficial for the community but also helps our employees develop their skills, build relationships, and gain a sense of purpose and fulfillment. We had recorded at least 1,617 employees' man-hour spent in various volunteering programmes which involved 109 employees in FY2022.

Category	Programmes	Monetary Contribution (RM)	%	No. of Beneficiaries
Education	Expenditure for HUMANA	497,644.19	66.18%	824
	HSG EXPLORE! 2022	416,744.00		500
	HSG Ignite Digital Maker 3.0	320,000.00		400
	Malaysian Collective Impact Initiative	50,000.00		500
Social Responsibility	CSR and Social Contributions	596,501.28	33.82%	1,289
	Bandar Sri Indah KRT Engagement	60,000.00		50
Total		1,940,889.47		3,563

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Empowering Humana

Recognising the role of Humana Child Aid Society in their mission of providing education for children in our estates, the Group had contributed more than RM490,000 for their cost of expenditure and maintenance of the schools in FY2022. Humana Child Aid Society is a Malaysian registered NGO that was created to provide education to children unable to access Malaysian schools for various reasons. We are currently supporting 11 Humana schools accommodating 803 students and 21 teachers in our plantation.

HSG EXPLORE! 2022



At Hap Seng, we are dedicated to nurturing the next generation of leaders in collaboration with MAD (Make a difference) Movement. To that end, we had invested more than RM416,000 in the youth leadership programme in Sabah, which was centered around the theme of "EXPLORE!" Our aim is to equip young people with essential leadership skills that will help them achieve their full potential and make a positive impact in their communities.

The programme included a range of interactive activities, such as the School Holiday Academy Programme Experience (SHAPE), parent engagement sessions, teacher training, and more, to help students develop the skills and confidence they need to become effective leaders in their communities and future careers.

On 17-18 December 2022, the leadership programme concluded with a closing ceremony, held at the BSI Sports Complex in Bandar Sri Indah, Tawau. Over 250 students, teachers, and parents participated, and the event was officiated by the Assistant Minister to Sabah Chief Minister. In his speech, he expressed pride in seeing students as young as nine years old participating in the programme, and gratitude that Hap Seng continues to invest in education and capacity-building for students.

The convention culminated in the presentation of the "Make A Difference" projects by the participants from Sabah and Johor. These projects showcased the practical and tangible application of the knowledge and skills learned during the programme and their positive impact on the Malaysian community.

HSG Ignite Digital Maker 3.0



The Digital Maker programme was introduced to the Lahad Datu District schools following its success in various districts throughout Sabah. The programme was part of a larger strategy aimed at promoting science, technology, engineering and mathematics (STEM) education and improving digital literacy. Recognising the benefits of this programme to the students and teachers, Hap Seng contributed RM320,000 to this programme in FY2022.

To achieve the intended goal, the programme offered a comprehensive training programme consisting of bootcamps and workshops designed to teach 20 primary school teachers from different schools on digital conceptualisation, creativity, and innovation. These skills were then imparted to students through collaborative team projects. By training teachers and empowering students with digital skills, the programme aimed to make a lasting impact on the education landscape in Sabah and increase access to digital literacy for all members of the community.



SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Malaysian Collective Impact Initiative

In FY2022, Hap Seng had contributed RM50,000 to The Malaysian Collective Impact Initiative (MCII). Hap Seng has been in collaboration with MCII as the steering committee member since its inception with the objectives to assist in education needs and create a collective impact for urban underprivileged students. MCII is an organisation that focuses on improving education in Malaysia through collaboration among diverse stakeholders, including the government, private sector, civil society organisations, and academic institutions. The collaboration aims to address challenges in the education sector, such as improving access to quality education and enhancing the quality of teaching and learning for sustainable and inclusive education in Malaysia.

Book Donation Drive

The Bureau of Community Services, Hap Seng Property's CSR (West Malaysia) launched a book donation campaign for Sekolah Jenis Kebangsaan (Tamil) Ladang Jalan Acob, an underprivileged school in Kapar, Klang with mostly students from low-income families. The school was heavily damaged by floods from a three-day heavy rain in December 2021 and the aim of the donation drive was to revive their library with quality books. With contributions mainly from employees and tenants at Menara Hap Seng, the donation drive collected 360 books for the school. The donation drive not only extends the life of the books and promotes sustainability within the community, it also aligns with Hap Seng's efforts to reduce greenhouse gas emissions by avoiding disposal of unwanted books.

Love Our Elders Programme



As part of the 2022 Employee Engagement CSR activities, Plaza Shell organised a charity event to support the Holy Family Residence for senior citizens in Kg Purak, Papar. The residence provides a peaceful sanctuary for seniors and relies on donations to operate. On 17th December, representatives from Hap Seng Properties Development and Hap Seng Realty delivered food, condiments, toiletries, and clothing donated by Plaza Shell's tenants and Hap Seng employees. The head caretaker expressed gratitude for the generosity of the donors.

Town Hall Session with Bandar Seri Indah KRT Council



In June 2022, the Group CSR and Hap Seng Property Development successfully held the first town hall session with Bandar Seri Indah Kawasan Rukun Tetangga (KRT) Council Members. 15 representatives from Phases 1 to 5 of the Bandar Seri Indah KRT council participated and joined by other representatives from Hap Seng Property Development Tawau. The goal of the quarterly event was to provide a platform for residents and Hap Seng Property to address and resolve issues, improve communication, and strengthen the relationship between the developer and residents.

Work-life Balance through Indoor Sports



The Bureau of Recreation & Employees Welfare at Hap Seng Property's CSR (West Malaysia) resumed its sports recreation activities in August 2022 to promote work-life balance among employees. Four indoor sports (badminton, table tennis, darts, and carrom) were arranged for the employees at weekly basis. The first badminton friendly match was held with Bursa Malaysia in October and a second friendly match was organised with Bomba Kuala Lumpur in November, followed by the table tennis friendly match which was held in December. The initiative was proven to be a success, as it encouraged employees to maintain a healthy work-life balance, while also promoting networking among members from different organisations.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Empowering Graduates and School Leavers

As part of the effort to provide working exposure to graduates, we accepted 29 graduate students into our internship programme in FY2022. Hap Seng Star continues to sponsor 25 school leavers for the Advanced Modern Apprenticeship programme to develop qualified and competent technicians for our permanent workforce. As a result, 10 of these apprentices have joined Hap Seng Star as permanent junior technicians. In addition, Hap Seng Star continues to collaborate with Dream Catcher Academy Sdn. Bhd. to provide a TVET programme to school leavers, particularly those from underprivileged backgrounds. The TVET programme provides students with a Sijil Kemahiran Malaysia (SKM) Level 2 certification. The eight-month programme from April to December 2022 involves a combination of theoretical and practical training aimed at developing industry-ready students in automotive service and repair skills. In FY2022, 14 students successfully graduated and obtained their SKM certification. One of the students graduated from TVET programme eventually joined Hap Seng Star as a junior technician.

Tawau Emergency Mutual Aid

Tawau Emergency Mutual Aid (TEMA) was officially launched by the Sabah Assistant Minister for Youth and Sports in June 2022. TEMA was formed with the purpose of supporting the Sabah Fire and Rescue Department Malaysia (JBPM) during times of emergency or fire incidents. Aside from Hap Seng, other participating members include large-scale companies involve in logistics, warehouse, refinery, building materials and oil & gas.

Mutual aid agreements are agreements between parties where one offers resources such as individuals, teams, facilities, equipment, and supplies to the other party when emergency response is needed. This is important during high-demand disaster situations as JBPM may face insufficient resources.

TEMA enables authorities to collaborate with partners by identifying potential weaknesses and capability gaps through planning and simulations. The mutual aid network, which is a nationwide network of mutual assistance systems, helps improve the overall preparedness and readiness. It enables authorities and organisations to efficiently mobilise outside resources for emergency response.



Affordable Housing & Sustainable Development

The Group regularly include affordable housing project in its business plan as part of its responsibility to promote inclusivity and ensure that houses are affordable to the communities.

As of December 2022, the Group has 1,138 units of affordable home for sale, mainly situated at developing areas in Tawau and Sandakan. The houses consist of terrace, apartment and condominium which were constructed with affordability in mind while providing satisfactory amenities, connectivity and future value appreciation potential.

The Group prioritises sustainable development in its new projects, as demonstrated by Menara Hap Seng 3 (MHS3) in Kuala Lumpur. MHS3, a 26-story Grade-A office building with green building certifications such as LEED Gold, GBI, and MSC status, features a 20-story indoor green wall that has earned recognition in the Malaysia Book of Records. The indoor green wall feature provides indirect natural light, visual comfort, and air quality with the help of an automatic irrigation system and efficient maintenance techniques. MHS3's façade, made of insulated aluminum panels and energy-saving glass, allows for natural light while minimising energy consumption. The building is designed to be highly sustainable with energy conservation measures, including a highly efficient chiller plant and indoor air quality that meets ASHRAE 62.1 standards¹. The lift and escalator systems also feature energy-saving modes. These green features align with the Hap Seng Group's commitment to the environment.

Future Plans

Hap Seng recognises the importance of sustainability management and its contribution towards a better future. In this regard, we will continuously align our report with the sustainability reporting requirements from Bursa Malaysia to ensure that we meet the highest standards of transparency and accountability. We will also strive to strengthen our disclosures by ensuring that they are complete and accurate, providing stakeholders with the information they need to make informed decisions about our business practices. Additionally, we are committed to establishing plans with our business divisions on the ESG-related KPIs that will be tied to the remuneration of our Executive Directors and senior management. This will create a strong incentive for our management to prioritise sustainability and embed it into our business strategy. We believe that this approach will not only benefit our business but also contribute to a more sustainable future for all stakeholders.

¹ Recognised standards for ventilation system design and acceptable indoor air quality (IAQ).

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APPENDICES

Energy Consumption

Energy Consumption	Unit	Plantation	Property	Credit Financing	Automotive	Trading	Building Materials	Total
Non-renewable Energy ⁽ⁱ⁾	MJ	1,027,692.46	55,949,976.36	986,173.20	19,566,627.05	607,708,240.98	33,147,282.26	718,385,992.30
Renewable Energy ⁽ⁱⁱ⁾		582,018,301.07	5,676,282.65	0.00	3,114,458.94	12,544,565.54	329,552,789.33	932,906,397.53
Excess Energy Feed to Grid		0.00	0.00	0.00	940,860.00	0.00	0.00	940,860.00
Total Energy Consumption		583,045,993.53	61,626,259.01	986,173.20	22,681,085.99	620,252,806.52	362,700,071.59	1,651,292,389.83
Energy Consumption Intensity	MJ/Million RM Revenue	715,785.56	117,610.06	4,080.14	12,970.57	179,067.10	514,074.43	

(i) Non-renewable energy refers to energy generated from petrol, grid electricity and natural gas.

(ii) Renewable energy refers to energy generated from solar, biogas, wood waste, oil palm biomass and biodiesel.

Scope 1 & Scope 2 GHG Emissions

GHG Emissions	Unit	Plantation	Property	Credit Financing	Automotive	Trading	Building Materials	Total
Scope 1 Emissions	t CO ₂ -e	279,551.47	734.91	0.00	1,478.48	33,181.22	11,541.50	326,487.59
Scope 2 Emissions		85.38	8,547.91	150.67	2,196.93	14,609.82	5,064.17	30,654.88
Gross GHG Emissions		279,636.85	9,282.82	150.67	3,675.41	47,791.04	16,605.67	357,142.46
GHG Sequestration & Credit ⁽ⁱ⁾		190,915.00	0.00	0.00	143.74	0.00	0.00	191,058.74
Net GHG Emissions		88,721.85	9,282.82	150.67	3,531.67	47,791.04	16,605.67	166,083.72
GHG Emissions Intensity	t CO ₂ -e/Million RM Revenue	108.92	17.72	0.62	2.02	13.80	23.54	

(i) GHG sequestration and credits refer to the reduction of greenhouse gas emissions achieved through various methods, such as conservation of natural areas, carbon absorption by planted oil palms, and emissions credits from solar energy when excess electricity is fed back into the grid.

Notes: • Emissions were calculated according to GHG Protocol for all five business divisions, except for the Plantation division.

- Emissions for Plantation was based on the output of the RSPO PalmGHG calculator and mapped into scope 1 and scope 2 categories. Scope 2 emissions for Plantation only involve grid electricity consumption, with an emission factor of 0.550 KgCO₂-e/kWh (source: Tenaga Nasional Berhad's Sustainability Report 2021).

Scope 3 GHG Emissions

Scope 3 Emission Categories	Unit	Plantation	Property	Credit Financing	Automotive	Trading	Building Materials	Total	
Fuel and Energy-related Activities	t CO ₂ -e	4,740.14	585.50	8.72	238.35	6,519.57	3,300.01	15,392.29	
Waste Generated in Operations		2,130.69	200.41	0.00	37.41	49.17	4.59	2,422.27	
Employee Commuting		3,942.34							3,942.34
Downstream Leased Assets				3,718.88					3,718.88

Water Withdrawal

Business Division	Source of Water Withdrawal (ML)							
	Surface Water		Groundwater		Seawater		Third-party Water	
	Freshwater (≤1,000 mg/l Total Dissolved Solids)	Freshwater (>1,000 mg/l Total Dissolved Solids)	Freshwater (≤1,000 mg/l Total Dissolved Solids)	Freshwater (>1,000 mg/l Total Dissolved Solids)	Freshwater (≤1,000 mg/l Total Dissolved Solids)	Freshwater (>1,000 mg/l Total Dissolved Solids)	Freshwater (≤1,000 mg/l Total Dissolved Solids)	Freshwater (>1,000 mg/l Total Dissolved Solids)
Plantation	21,787.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Property	0.10	0.00	0.00	0.00	0.00	0.00	296.10	0.00
Credit Financing	0.00	0.00	0.00	0.00	0.00	0.00	0.69	0.00
Automotive	0.00	0.00	0.00	0.00	0.00	0.00	57.65	0.00
Trading	0.00	0.00	0.00	0.00	0.00	0.00	97.30	0.00
Building Materials	165.32	0.00	0.00	0.00	0.00	0.00	31.75	0.00
Total	21,952.78	0.00	0.00	0.00	0.00	0.00	483.48	0.00
	22,436.26							

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Water Discharge

Business Division	Destination of Water Discharge (ML)				Total Water Recycled/Reused (ML)	Total Water Consumed (ML)
	Surface Water ⁽ⁱ⁾	Groundwater ⁽ⁱⁱ⁾	Seawater ⁽ⁱⁱⁱ⁾	Third-party Water ^(iv)		
Plantation	888.09	0.00	0.00	0.00	888.09	20,899.28
Property	0.00	0.00	0.00	0.00	0.00	296.20
Credit Financing	0.00	0.00	0.00	0.00	0.00	0.69
Automotive	0.00	0.00	0.00	0.00	0.00	57.65
Trading	91.06	0.00	0.00	0.00	91.06	6.24
Building Materials	0.00	0.00	0.00	0.00	0.00	197.07
Total	979.15	0.00	0.00	0.00	979.15	21,457.12
	979.15					

(i) Surface water: Collected or harvested rainwater.

(ii) Groundwater: Water that is being held in, and that can be recovered from, an underground formation.

(iii) Seawater: Water in a sea or in an ocean.

(iv) Third-party water: Municipal water

Note: ML refers to Megalitre.

Water Consumption

Business Division	Total Water Consumed (ML)	Water Usage Intensity (ML/Million RM Revenue)
Plantation	20,899.28	25.657
Property	296.20	0.565
Credit Financing	0.69	0.003
Automotive	57.65	0.033
Trading	6.24	0.002
Building Materials	197.07	0.279
Total	21,457.12	2.862

Note: ML refers to Megalitre.

Waste Generation and Recycling

Business Division	Scheduled Wastes ⁽ⁱ⁾ Generated (MT)	Non-scheduled Wastes Recycled & Reused (MT)										Non-scheduled Wastes Disposed (MT)	Total Wastes Generated (MT)
		Paper	Metal	Fabric	Plastic	Wood	Glass	Bricks	Oil Palm Biomass ⁽ⁱⁱ⁾	Others	Total		
Plantation	75.31	0.11	2.5	0.00	1.41	0.00	0.07	0.00	105,127.31	0.26	105,131.65	288.24	105,495.20
Property	0.40	0.71	121.25	2.50	0.00	95.16	0.00	0.00	0.00	0.00	219.62	418.84	638.86
Credit Financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Automotive	85.90	5.90	26.93	0.00	0.93	0.00	0.00	0.00	0.00	0.00	33.76	0.00	119.66
Trading	12.69	57.23	68.40	0.00	16.14	79.34	0.00	0.00	0.00	0.00	221.11	82.53	316.33
Building Materials	6.34	0.00	0.00	0.00	0.00	0.00	0.00	1,653.97	0.00	0.00	1,653.97	0.00	1,660.31
Total	180.64	63.96	219.08	2.50	18.48	174.50	0.07	1,653.97	105,127.31	0.26	107,260.12	789.61	108,230.37

(i) Scheduled waste refers to potentially hazardous waste materials listed in a schedule under the laws and regulations of a particular region, and requires strict handling, storage, transportation, and disposal to minimise harm to health and the environment. E.g. lubricant, battery, chemical container, medical waste.

(ii) Oil palm biomass refers to the by-product from palm oil mill such as oil palm fibre and empty fruit bunches.

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SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

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DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company are responsible for ensuring that the annual audited financial statements of the Group and of the Company are prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

- (a) used appropriate accounting policies and applied them on a consistent basis;
- (b) made judgements and estimates that are reasonable and prudent; and
- (c) prepared the audited financial statements on going concern basis.

The Directors are also responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Companies Act 2016 and take reasonable steps to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities and other information relating to the subsidiaries, associates and joint ventures are disclosed in Notes 6, 7 and 8 to the financial statements, respectively.

RESULTS

The results of the Group and of the Company for the financial year ended 31 December 2022 are as follows:

	Group RM'000	Company RM'000
Profit before tax	1,330,460	858,935
Tax expense	(267,577)	(830)
Profit for the year	1,062,883	858,105
Attributable to:		
Owners of the Company	950,655	858,105
Non-controlling interests	112,228	-
Profit for the year	1,062,883	858,105

In the opinion of the directors, 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, other than as disclosed in the financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS' REPORT

ISSUE OF SHARES

There were no changes in the issued share capital of the Company during the financial year.

TREASURY SHARES

At the annual general meeting of the Company held on 26 May 2022, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares.

During the financial year, the Company did not purchase any of its own shares. As at 31 December 2022, the Company held total of 12,000 ordinary shares as treasury shares.

MATERIAL LITIGATIONS

Details of material litigations are disclosed in Note 39 to the financial statements.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events are disclosed in Note 44 to the financial statements.

SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 45 to the financial statements.

DIVIDENDS

During the financial year, the following dividends were declared by the Company:

	RM'000
In respect of the financial year ended 31 December 2022:	
- First interim dividend of 10 sen per ordinary share under the single tier system approved by the Board of Directors on 27 May 2022 and paid on 23 June 2022	248,967
- Second interim dividend of 20 sen per ordinary share under the single tier system approved by the Board of Directors on 24 November 2022 and paid on 21 December 2022	497,934
	746,901

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2022.

No dividend is payable for treasury shares held or cancelled.

DIRECTORS' REPORT

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Thomas Karl Rapp
Datuk Edward Lee Ming Foo, JP **
Lee Wee Yong **
Cheah Yee Leng **
Datuk Simon Shim Kong Yip, JP **
Leow Ming Fong @ Leow Min Fong
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah
Tan Boon Peng
Wong Yoke Nyen
Lt Gen (R) Datuk Abdul Aziz Bin Hasan (Retired on 26 May 2022)

** These directors are also directors of the Company's subsidiaries.

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Andrew John Barber
Andrew Talling
Au Yong Siew Fah
Cheong Shan Shi
Chong Kwea Seng
Choy Khai Choon
Dato' John Chee Shi Tong
Dato' Mohammed Bin Haji Che Hussein
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP
Datuk Hamisa Binti Samat
Datuk Yong Foo San
David Wan Young Yin
Eugene Lee Chin Jin
Foo Yong How
Harald Uwe Behrend
Joanne Wendy Chung
Khor Soo Beng
Lim Hin Soon
Low Kok Ann
Low See Ching
Ng Hock Hooi
Ong Beng Chye
Paul Gregory Betar
Puan Chen Keck
Rosmin Bin Wan Mohamed
Sheikh Mohd Faliq Bin Sheikh Mohamad Nasimuddin Kamal
Stanley Chee Tze Yuan

DIRECTORS' REPORT

DIRECTORS (CONTINUED)

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are: (continued)

Tan Sri Amirsham Bin A Aziz	
Tay Eng Kiat Jackson	
Terrance Tan Kong Hwa	
Thai Chong Yim	
Tong Chin Hen	
Voon Thau Vui	
Yap Chai Soon	
Yong Teak Jan @ Yong Teck Jan	
Ng Yuen Tok	(Appointed 20 September 2022)
Su WeiTao	(Appointed 20 September 2022)
Ng Boon Kong	(Ceased on 26 December 2022)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors of the Company in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			As at 31.12.2022
	As at 1.1.2022	Acquired	Sold	
Hap Seng Plantations Holdings Berhad, a listed subsidiary				
Cheah Yee Leng	41,200	-	(41,200)	-
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000

None of the other directors of the Company in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown below) by reason of a contract made by the Company or a related corporation with any 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, other than as disclosed in Note 43 to the financial statements.

DIRECTORS' REPORT

DIRECTORS' BENEFITS (CONTINUED)

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Fees	1,251	941
Other emoluments	9,200	7,836
Benefits-in-kind	112	112
	10,563	8,889

INDEMNITY AND INSURANCE COSTS

The directors and officers of the Company are covered by Directors and Officers Liability Insurance which is maintained on a group basis by the Company in respect of liabilities arising from acts committed in their respective capacity as, inter alia, directors and officers of the Group subject to the terms of the policy. The total amount of Directors and Officers Liability Insurance effected for the directors and officers of the Group during the year was RM100 million whilst the total amount of premium paid was RM140,000.

HOLDING COMPANY

The immediate and ultimate holding company is Gek Poh (Holdings) Sdn Bhd, a company incorporated in Malaysia.

OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position, statements of profit or loss and statements of comprehensive income of the Group and of the Company were made out, 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 for doubtful debts had been made for trade and other receivables; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances 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

OTHER STATUTORY INFORMATION (CONTINUED)

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

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

The auditors' remuneration for the Group and the Company for the current financial year are RM1,041,000 and RM180,000 respectively.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 April 2023.

DATUK EDWARD LEE MING FOO, JP

LEE WEE YONG

STATEMENT BY DIRECTORS

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

We, **DATUK EDWARD LEE MING FOO, JP** and **LEE WEE YONG**, being two of the directors of **HAP SENG CONSOLIDATED BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 146 to 293 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 April 2023.

DATUK EDWARD LEE MING FOO, JP

LEE WEE YONG

STATUTORY DECLARATION

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

I, **LEE WEE YONG**, being the director primarily responsible for the financial management of **HAP SENG CONSOLIDATED BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 146 to 293 are in my opinion 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.

Subscribed and solemnly declared by the
abovementioned **LEE WEE YONG**, MIA CA 7492
at Kuala Lumpur in the Federal Territory
on 19 April 2023.

LEE WEE YONG

Before me,
AMIR BIN ISMAIL
(W 800)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAP SENG CONSOLIDATED BERHAD (INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hap Seng Consolidated Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 146 to 293.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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 audit 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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 year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HAP SENG CONSOLIDATED BERHAD
 (INCORPORATED IN MALAYSIA)

Key audit matters (continued)

Key audit matters in respect of the financial statements of the Group

(a) Valuation of investment properties

As at 31 December 2022, the carrying amount of investment properties of the Group is approximately RM2.2 billion, which represented 19% of the total non-current assets of the Group. The Group carries its investment properties at fair value as disclosed in Note 5 to the financial statements. The management uses independent valuers to support its determination of the fair value of the investment properties annually.

We identified the valuation of the investment properties as an area of audit focus as such valuation involves significant judgement and estimates that are highly subjective.

Investment properties are stated at fair value and any gain or loss arising from changes in the fair value are included in profit or loss in the year which they arise. The Group has appointed independent professional valuers to perform valuations on its investment properties. The valuations are based on assumptions, amongst others, comparable historical transactions and adjustments factors to comparable transactions including location, size, condition, accessibility and design and market knowledge, estimated rental value per square foot, expected market rental growth, yield rate, outgoings rate, void rate, reversion rate and discount rate.

The Group recognised a net loss from changes in fair value of approximately RM19.6 million for the financial year ended 31 December 2022 as disclosed in Note 5 to the financial statements.

In addressing this area of focus, we performed, amongst others, the following procedures:

- We assessed the valuers' independence, competency and objectivity;
- We obtained an understanding of the valuation methodologies used by the valuers in determining the fair values of investment properties and assessed whether the valuation methodology is consistent with those used in prior year and whether it is commonly used for the type of investment property being valued;
- We had discussions with the independent valuers to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental income data and yield rate;
- We assessed the reasonableness of the property related data by corroborating those data used in the valuation to available market data;
- We tested the accuracy of rental income data applied in the valuation by comparing them with lease agreements and challenged the yield rate by comparing them with available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and held further discussions with the valuers; and
- We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar risk profile.

In addition, we also evaluated the adequacy of the disclosures of each key judgement and estimate to which the fair value is most sensitive, as disclosed in Note 5 to the financial statements.

The notes relating to investment properties are disclosed in Notes 2.9, 3.2(c), 5 and 40(b) to the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAP SENG CONSOLIDATED BERHAD (INCORPORATED IN MALAYSIA)

Key audit matters (continued)

Key audit matters in respect of the financial statements of the Group (continued)

(b) Expected credit losses on hire purchase receivables and loan receivables

The carrying amount of hire purchase receivables and loan receivables arising from the credit financing segment of the Group as at reporting date were approximately RM1.1 billion and RM1.2 billion respectively. MFRS 9 Financial Instruments requires the Group's impairment losses for trade receivables to be based on expected credit loss ("ECL") model which takes into account reasonable and supportable forward-looking information rather than an incurred loss model. The Group has put in place controls over the estimation of ECL for these trade receivables.

The assessment of ECL on hire purchase receivables and loan receivables is an area of audit focus as the assessment involved significant judgement and estimates and the uncertainty inherent in the estimation process.

The key management-determined judgement and estimates used in the calculation of the ECL are:

- criteria to determine a significant increase in credit risk ("SICR");
- techniques used in determining the probability of defaults ("PD") and loss given default ("LGD"); and
- forward looking assumptions.

There is also an added layer of complexity in the judgement and estimates as the use of hindsight by management is not permitted, which can be difficult to apply in practice. Furthermore, there is a significant increase in the data used in the estimates in the ECL impairment model which increases the risk that the data used is not complete or accurate.

As at 31 December 2022, the Group has recognised approximately RM89.9 million in allowance for expected credit losses for hire purchase receivables and loan receivables.

We have reviewed the following procedures performed by the component auditors in respect of the assessment of ECL for hire purchase receivables and loan receivables:

- evaluation of the controls over the implementation of the requirements of MFRS 9;
- evaluation on the methodologies, inputs and assumptions used by management in the calculation of the ECL model;
- evaluation on the appropriateness of the determination of SICR in accordance with the standard and the resultant basis for classification of various exposures into various stages;
- evaluation on the techniques used in the calculation of PD and LGD; and
- assessment on whether the financial statements disclosures appropriately reflect the Group's exposure to credit risk.

The notes relating to the ECL for hire purchase receivables and loan receivables are disclosed in Notes 2.16, 3.2(e), 11 and 41(d)(i) to the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAP SENG CONSOLIDATED BERHAD (INCORPORATED IN MALAYSIA)

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 information included in the annual 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.

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 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 HAP SENG CONSOLIDATED BERHAD (INCORPORATED IN MALAYSIA)

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:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HAP SENG CONSOLIDATED BERHAD
(INCORPORATED IN MALAYSIA)

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 6 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.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ng Kim Ling
No. 03236/04/2024 J
Chartered Accountant

Kuala Lumpur, Malaysia
19 April 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current assets					
Property, plant and equipment	4	4,761,399	4,050,333	359	586
Investment properties	5	2,239,728	2,171,695	-	-
Investment in subsidiaries	6	-	-	5,812,045	5,793,432
Investment in associates	7	488,213	477,634	65,789	68,503
Investment in joint ventures	8	9,295	8,652	-	-
Land held for property development	9	2,458,233	1,398,923	-	-
Intangible assets	10	37,834	37,936	-	-
Trade and other receivables	11	1,661,169	1,719,638	-	-
Other financial assets	12	48,118	17,995	-	-
Deferred tax assets	24	54,620	73,865	-	-
		11,758,609	9,956,671	5,878,193	5,862,521
Current assets					
Inventories	13	1,955,393	2,014,558	-	-
Property development costs	14	178,691	325,534	-	-
Biological assets	15	28,508	57,721	-	-
Trade and other receivables	11	1,718,239	1,949,777	1,007	605
Contract assets	16	22,420	26,814	-	-
Tax recoverable		125,710	56,274	3,209	5,875
Other financial assets	12	10,749	189	-	-
Money market deposits	17	1,423,946	1,867,729	713,151	76,810
Cash and bank balances	18	1,431,980	1,225,957	161,770	129,957
		6,895,636	7,524,553	879,137	213,247
Total assets		18,654,245	17,481,224	6,757,330	6,075,768

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Equity attributable to owners of the Company					
Share capital	25	3,519,554	3,519,554	3,519,554	3,519,554
Reserves	26	4,154,220	3,987,950	2,299,638	2,188,434
		7,673,774	7,507,504	5,819,192	5,707,988
Less: Treasury shares	25	(113)	(113)	(113)	(113)
		7,673,661	7,507,391	5,819,079	5,707,875
Non-controlling interests	6(a)	1,320,562	1,197,368	-	-
Total equity		8,994,223	8,704,759	5,819,079	5,707,875
Non-current liabilities					
Trade and other payables	19	191,970	183,672	931,500	-
Contract liabilities	16	55,323	82,788	-	-
Employee benefits	21	3,122	2,691	-	-
Borrowings	22	4,547,235	3,955,643	-	-
Lease liabilities	23	117,515	112,976	-	-
Other financial liabilities	12	-	4,268	-	-
Deferred tax liabilities	24	494,110	491,206	8	10
		5,409,275	4,833,244	931,508	10
Current liabilities					
Trade and other payables	19	1,235,811	1,099,245	6,734	367,874
Contract liabilities	16	85,932	36,947	-	-
Provisions	20	318,166	318,121	-	-
Tax payable		47,616	92,413	-	-
Borrowings	22	2,521,765	2,360,674	-	-
Lease liabilities	23	22,301	29,336	9	9
Other financial liabilities	12	19,156	6,485	-	-
		4,250,747	3,943,221	6,743	367,883
Total liabilities		9,660,022	8,776,465	938,251	367,893
Total equity and liabilities		18,654,245	17,481,224	6,757,330	6,075,768

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	27	7,110,496	6,012,754	796,622	921,195
Cost of sales	27	(5,450,558)	(3,851,153)	-	-
Gross profit		1,659,938	2,161,601	796,622	921,195
Other operating income		164,879	150,200	30,093	16,328
Distribution costs		(295,723)	(242,474)	-	-
Administrative expenses		(320,962)	(332,932)	(26,557)	(26,598)
Other operating expenses		(163,713)	(145,195)	(254)	(380)
		1,044,419	1,591,200	799,904	910,545
Finance costs	28	(155,872)	(176,108)	(16,073)	(6,048)
Other gain items	29	425,099	9,097	77,818	44,627
Other loss items	29	(10,590)	-	(2,714)	(79)
Share of results of associates	7	26,208	24,602	-	-
Share of results of joint ventures	8	1,196	1,107	-	-
Profit before tax	30	1,330,460	1,449,898	858,935	949,045
Tax expense	33	(267,577)	(444,554)	(830)	(117)
Profit for the year		1,062,883	1,005,344	858,105	948,928
Profit attributable to:					
Owners of the Company		950,655	900,433	858,105	948,928
Non-controlling interests	6(a)	112,228	104,911	-	-
		1,062,883	1,005,344	858,105	948,928
Earnings per share (sen)					
Basic	34	38.18	36.17		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit for the year	1,062,883	1,005,344	858,105	948,928
Other comprehensive (expense)/income, net of tax:				
<i>Items that will be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operations	(34,458)	14,676	-	-
Share of foreign currency translation differences of associates	3,005	(4,902)	-	-
Share of foreign currency translation differences of joint ventures	(122)	561	-	-
Foreign currency translation differences for foreign operations reclassified to profit or loss	(14,898)	(22)	-	-
Change in fair value of cash flow hedge	3,686	(6,891)	-	-
	(42,787)	3,422	-	-
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Revaluation of property, plant and equipment upon transfer of properties to investment properties	10,983	-	-	-
Remeasurement gain on defined benefit liabilities	-	87	-	-
	10,983	87	-	-
Total other comprehensive (loss)/income for the year, net of tax	(31,804)	3,509	-	-
Total comprehensive income for the year, net of tax	1,031,079	1,008,853	858,105	948,928
Total comprehensive income attributable to:				
Owners of the Company	910,935	901,138	858,105	948,928
Non-controlling interests	120,144	107,715	-	-
	1,031,079	1,008,853	858,105	948,928

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	← Attributable to owners of the Company →							Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Non-distributable RM'000	← Reserves →		Treasury shares RM'000	Total RM'000	Distributable Retained profits RM'000		
Total RM'000			Total RM'000						
Group									
At 1 January 2021	3,519,554	157,756	3,807,131	3,964,887	(113)	7,484,328	1,173,265	8,657,593	
Profit for the year	-	-	900,433	900,433	-	900,433	104,911	1,005,344	
Foreign currency translation differences for foreign operations	-	12,048	-	12,048	-	12,048	2,628	14,676	
Share of foreign currency translation differences of associates	-	(6,098)	-	(6,098)	-	(6,098)	1,196	(4,902)	
Share of foreign currency translation differences of joint ventures	-	285	-	285	-	285	276	561	
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	(22)	-	(22)	-	(22)	-	(22)	
Change in fair value of cash flow hedge	-	(5,595)	-	(5,595)	-	(5,595)	(1,296)	(6,891)	
Remeasurement loss on defined benefit liabilities	-	-	87	87	-	87	-	87	
Total other comprehensive income for the year	-	618	87	705	-	705	2,804	3,509	
Total comprehensive income for the year	-	618	900,520	901,138	-	901,138	107,715	1,008,853	
Changes in ownership interest in subsidiaries (Note 6(c))	-	-	(6,691)	(6,691)	-	(6,691)	(31,950)	(38,641)	
Dividends (Note 35)	-	-	(871,384)	(871,384)	-	(871,384)	-	(871,384)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	(51,662)	(51,662)	
At 31 December 2021	3,519,554	158,374	3,829,576	3,987,950	(113)	7,507,391	1,197,368	8,704,759	
	Note 25			Note 26	Note 25				

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	← Attributable to owners of the Company →							
	Share capital RM'000	Non-distributable RM'000	← Reserves →		Treasury shares RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Distributable Retained profits RM'000			Total RM'000					
Group (continued)								
At 1 January 2022	3,519,554	158,374	3,829,576	3,987,950	(113)	7,507,391	1,197,368	8,704,759
Profit for the year	-	-	950,655	950,655	-	950,655	112,228	1,062,883
Foreign currency translation differences for foreign operations	-	(41,541)	-	(41,541)	-	(41,541)	7,083	(34,458)
Share of foreign currency translation differences of associates	-	2,382	-	2,382	-	2,382	623	3,005
Share of foreign currency translation differences of joint ventures	-	(62)	-	(62)	-	(62)	(60)	(122)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	(14,898)	-	(14,898)	-	(14,898)	-	(14,898)
Change in fair value of cash flow hedge	-	3,416	-	3,416	-	3,416	270	3,686
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	10,983	-	10,983	-	10,983	-	10,983
Total other comprehensive income for the year	-	(39,720)	-	(39,720)	-	(39,720)	7,916	(31,804)
Total comprehensive income for the year	-	(39,720)	950,655	910,935	-	910,935	120,144	1,031,079
Changes in ownership interest in subsidiaries (Note 6(c))	-	-	2,236	2,236	-	2,236	78,569	80,805
Dividends (Note 35)	-	-	(746,901)	(746,901)	-	(746,901)	-	(746,901)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(75,519)	(75,519)
At 31 December 2022	3,519,554	118,654	4,035,566	4,154,220	(113)	7,673,661	1,320,562	8,994,223
	Note 25			Note 26	Note 25			

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital RM'000	Reserves Distributable Retained profits RM'000	Treasury shares RM'000	Total equity RM'000
Company				
At 1 January 2021	3,519,554	2,110,890	(113)	5,630,331
Profit for the year	-	948,928	-	948,928
Dividends (Note 35)	-	(871,384)	-	(871,384)
At 31 December 2021/1 January 2022	3,519,554	2,188,434	(113)	5,707,875
Profit for the year	-	858,105	-	858,105
Dividends (Note 35)	-	(746,901)	-	(746,901)
At 31 December 2022	3,519,554	2,299,638	(113)	5,819,079
	Note 25	Note 26	Note 25	

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities				
Profit before tax	1,330,460	1,449,898	858,935	949,045
Adjustments for:				
Depreciation of property, plant and equipment	195,278	189,369	254	336
Amortisation of intangible assets	102	102	-	-
Property, plant and equipment written off	3,700	1,034	-	-
Investment properties written off	18	1,544	-	-
Biological assets written off	-	71	-	-
Bad debts written off	90	142	-	-
Employee benefits	577	75	-	-
(Gain)/Loss on equity investment at fair value through profit or loss	(706)	647	-	-
Net loss from fair value adjustments of investment properties	19,601	37,270	-	-
Net loss/(gain) from fair value adjustments of biological assets	29,213	(23,832)	-	-
(Gain)/Loss on money market deposits at fair value	(30,057)	535	(6,864)	44
Impairment loss on investment in associates	10,590	-	2,714	-
Impairment loss on property, plant and equipment	4,563	2,567	-	-
Impairment loss on trade receivables	10,470	40,193	-	-
Impairment loss on net investment in lease	1,004	2,430	-	-
Net inventories written down	11,016	36,913	-	-
Reversal of provisions	(4,037)	(8,459)	-	-
Reversal of impairment loss on investment in associates	-	(6,105)	-	(226)
Reversal of impairment loss on investment in subsidiaries	-	-	(33,479)	(41,409)
Reversal of impairment loss on trade receivables	(4,142)	(6,720)	-	-
Gain on disposal of a subsidiary	(425,099)	-	-	-
Gain on disposal of property, plant and equipment	(5,390)	(1,490)	-	(80)
Gain on disposal of warrants in an associate	-	(2,992)	-	(2,992)
Gain on change in stake	-	(3)	-	-
Gain on dissolution of a subsidiary	-	(22)	-	-
(Gain)/Loss on disposal of equity interest in a subsidiary	-	-	(44,339)	79
Interest expense	155,872	176,108	16,073	6,048
Interest income	(30,965)	(16,002)	(3,479)	(1,134)
Dividend income	(3,364)	(43,898)	(797,345)	(934,279)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities (continued)				
Share of results of associates	(26,208)	(24,602)	-	-
Share of results of joint ventures	(1,196)	(1,107)	-	-
Unrealised foreign exchange loss/(gain)	7,588	(2,061)	11,466	335
Operating profit/(loss) before changes in working capital	1,248,978	1,801,605	3,936	(24,233)
Changes in working capital:				
Inventories	266,099	(241,327)	-	-
Property development costs	16,670	3,060	-	-
Loan receivables	295,418	293,939	-	-
Receivables	(226,156)	281,006	(1,124)	84,475
Contract assets	4,394	86,924	-	-
Payables	111,176	210,241	568,969	179,515
Contract liabilities	21,520	85,681	-	-
Provisions	3,900	74,554	-	-
Cash flows generated from operations	1,741,999	2,595,683	571,781	239,757
Income tax paid	(377,210)	(482,629)	(468)	(505)
Income tax refunded	14,513	6,557	2,302	-
Interest paid	(223,222)	(190,501)	(14,682)	(5,691)
Interest received	26,914	12,143	4,201	1,356
Net changes in land held for property development	(1,268,910)	(92,716)	-	-
Net cash flows (used in)/generated from operating activities	(85,916)	1,848,537	563,134	234,917
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	15,356	5,106	-	80
Proceeds from disposal of equity investment at fair value through profit or loss	722	71,429	-	-
Proceeds from disposal of interest in a subsidiary (Note 6(c))	128,348	2,084	128,348	2,084
Proceeds from issuance of shares to non-controlling interests	-	229,075	-	-
Proceeds from disposal of warrants in an associate	-	2,992	-	2,992
Disposal of a subsidiary (Note 6(b))	627,442	-	-	-
Dividends received from subsidiaries	-	-	791,973	916,906
Dividends received from associates	8,044	10,789	4,649	4,289
Dividends received from a joint venture	431	1,082	-	-
Dividends received from equity investment at fair value through other comprehensive income	1,350	-	-	-

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from investing activities (continued)				
Dividends received from equity investment at fair value through profit or loss	-	1,347	-	-
Dividends received from money market deposits	2,614	40,122	723	13,084
Profit guarantee shortfall received from holding company	-	179,901	-	179,901
Purchase of property, plant and equipment	(632,240)	(580,104)	(12)	(357)
Acquisition of shares from non-controlling interests (Note 6(c))	(47,543)	(269,800)	-	-
Additions to investment properties	(97,958)	(288,579)	-	-
Decrease/(increase) in money market deposits	454,373	155,784	(648,944)	1,014,616
Investment in associate	-	(600)	-	-
Increase in investment in subsidiaries	-	-	(328,430)	(1,413,392)
Capital reduction in a subsidiary (Note 6(d))	-	-	259,287	-
Net cash flows generated from/(used in) investing activities	460,939	(439,372)	207,594	720,203
Cash flows from financing activities				
Dividends paid	(746,901)	(871,384)	(746,901)	(871,384)
Dividends paid to non-controlling interests	(78,218)	(48,963)	-	-
Net drawdown/(repayment) of borrowings (Note 22)	679,791	(200,883)	-	-
Payment of lease liabilities	(27,633)	(31,008)	(15)	(15)
Net cash flows used in financing activities	(172,961)	(1,152,238)	(746,916)	(871,399)
Net increase in cash and cash equivalents	202,062	256,927	23,812	83,721
Effects on exchange rate changes on cash and cash equivalents	3,961	8,158	8,001	668
Cash and cash equivalents as at 1 January	1,225,957	960,872	129,957	45,568
Cash and cash equivalents as at 31 December (Note 18)	1,431,980	1,225,957	161,770	129,957

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

1. CORPORATE INFORMATION

The Company is an investment holding company.

The principal activities of the subsidiaries, associates and joint ventures are disclosed in Notes 6, 7 and 8, respectively. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia.

The immediate and ultimate holding company is Gek Poh (Holdings) Sdn Bhd which is incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 April 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ["RM"] and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Effects of adopting new and amended Malaysian Financial Reporting Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the changes arising from the adoption of the following MFRS and amendments that are mandatory for annual periods beginning on or after 1 January 2022.

Effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to MFRS 3, Business Combinations – Reference to the Conceptual Framework
- Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to Illustrative Examples accompanying MFRS 16, Leases (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to MFRS 116, Property, Plant and Equipment – Proceeds before Intended Use

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.2 Effects of adopting new and amended Malaysian Financial Reporting Standards (continued)*****Effective for annual periods beginning on or after 1 January 2022 (continued)***

- Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018–2020)

The adoption of the above amendments have no significant impact to the financial statements of the Group and of the Company.

2.3 Standards issued but not yet effective

The following are accounting standards and amendments that have been issued by the MASB but have not been adopted by the Group and the Company:

Standards/Amendments	Effective date
MFRS 17, Insurance Contracts	1 January 2023
Amendments to MFRS 17, Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies	1 January 2023
Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to MFRS 16, Leases – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101, Presentation of Financial Statements – Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Asset between an Investor and its Associates or Joint Venture	Yet to be confirmed

The Group and the Company plan to adopt the abovementioned accounting standards or amendments when they become effective in the respective financial periods. The Group and the Company do not expect material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Group controls an investee if and only if the Group has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

- (i) The contractual arrangement(s) with the other vote holders of the investee;
- (ii) Rights arising from other contractual arrangements; and
- (iii) The Group's voting rights and potential voting rights.

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full. Intra-group losses may indicate an impairment that requires recognition in the consolidated financial statements. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.4 Basis of consolidation (continued)****Business combinations**

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.13(a).

2.5 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable directly or indirectly to owners of the Company, are presented separately in consolidated statement of profit or loss, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates [“the functional currency”]. The consolidated financial statements are presented in RM, which is also the Company’s functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange difference arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.7 Property, plant and equipment**

All items of property, plant and equipment are initially recorded at cost. 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 cost of property, plant and equipment comprises their purchase price and any directly attributable costs including interest costs capitalised in bringing the property, plant and equipment to working condition. When a major inspection is performed, its cost is recognised in the carrying amount of the assets as a replacement if the recognition criteria are satisfied and the carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Oil palms are classified as bearer plants. Expenditure that are directly related to the planting and upkeep of oil palms are capitalised until the palms reach maturity. Upon maturity, maintenance and upkeep of oil palms are expensed to profit or loss. Depreciation for bearer plants commence when oil palms reach maturity.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

The carrying amount of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation

Freehold land is not depreciated. Depreciation commences when bearer plants mature and when assets under construction are ready for their intended use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, except for quarry infrastructure which is depreciated based on the production volume method. The estimated useful lives are:

Buildings	10 to 50 years
Roads and infrastructure (except quarry infrastructure)	10 to 100 years
Plant and equipment	
- Plant and machinery	4 to 30 years
- Office equipment, furniture, fixtures and fittings	3 to 10 years
- Motor vehicles	4 to 7 years
Bearer plants	22 years

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (continued)

Disposal of property, plant and equipment

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the revaluation surplus included in the revaluation reserve in respect of the asset is transferred directly to retained profits.

2.8 Biological assets

Biological assets comprised produce growing on bearer plants. Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised net in profit or loss. Fair value is determined based on the present value of expected net cash flows from the biological assets. The expected net cash flows are estimated using the expected output method and the estimated market price of the biological assets.

Biological assets are classified as current assets for produce growing on bearer plants that are expected to be harvested on a date not more than 12 months after the reporting.

2.9 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is determined based on valuations performed by registered independent valuers. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Subsequent expenditure is included in the investment property's carrying amount 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. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.9 Investment properties (continued)****Reclassification to/from investment property**

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or inventories, the property's deemed cost for subsequent accounting is the fair value at the date of change in use.

For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use. Where the fair value of the property is higher than its carrying amount, the increase will be recognised in profit or loss to the extent that it reverses a previous impairment loss. Any remaining part of the increase is recognised in other comprehensive income and increases the revaluation surplus within equity. On subsequent disposal of the investment property, the revaluation surplus included in equity may be transferred to retained profits. The transfer from revaluation surplus to retained profits is not made through profit or loss.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

Investment property under construction ["IPUC"]

IPUC is measured at fair value when the fair value is reliably determinable. The fair values of IPUC were determined based on the valuation performed by registered independent valuer. IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

2.10 Investment in subsidiaries

A subsidiary is an entity over which the Company has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment in associates and joint ventures

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or a joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment and is not tested for impairment individually. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture. Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.11 Investment in associates and joint ventures (continued)**

When the Group ceases to have significant influence over an associate or joint control over the joint venture, any retained interest in the former associate or joint venture at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate or a joint venture decreases but does not result in a loss of significant influence or joint control, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.12 Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at lower of cost and net realisable value.

Land held for property development is reclassified as property development costs (classified within current assets) when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Land held for property development comprises costs associated with the acquisition of land and all costs incurred subsequent to the acquisition but prior to the transfer to property development costs on activities necessary to prepare the land for its intended use.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where the Group had previously recorded the land at revalued amount, it continues to retain this amount as its surrogate cost as allowed by MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment at each reporting date and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

(b) Customer relationship

Customer relationship being the cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, it is carried at cost less accumulated amortisation and any accumulated impairment losses.

The amortisation period and the amortisation method are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Amortisation is recognised in profit or loss on a straight-line basis over its estimated useful lives of five years.

(c) Distributor rights

Distributor rights being the cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, it is carried at cost less accumulated amortisation and any accumulated impairment losses.

The amortisation period and the amortisation method are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Amortisation is recognised in profit or loss on a straight-line basis over its estimated useful lives of fifteen years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.14 Impairment of non-financial assets**

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ["CGU"]).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.15 Financial assets**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15 (refer to the accounting policies in Note 2.23 revenue from contracts with customers).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ["SPPI"] on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- (i) Financial assets at amortised cost (debt instruments)
- (ii) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- (iii) Financial assets at fair value through profit and loss

Financial assets at amortised cost (debt instruments)

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- (i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ["EIR"] method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include receivables (excluding prepayments and advances paid to the suppliers), deposits and cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.15 Financial assets (continued)****Subsequent measurement (continued)*****Financial assets designated at fair value through OCI [“FVOCI”]***

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

This category includes derivative instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above. Debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s or the Company’s statement of financial position) when:

- (i) The rights to receive cash flows from the asset have expired; or
- (ii) The Group and the Company have transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group or the Company has transferred substantially all the risks and rewards of the asset, or (b) the Group or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (continued)

Derecognition (continued)

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a passthrough arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

2.16 Impairment of financial assets

For trade receivables, the Group applies a simplified approach in calculating expected credit losses ["ECL"]. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Definition of default and credit-impaired financial assets

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(ii) Individual assessment

Trade and other receivables that are in default or credit impaired are assessed individually.

Further disclosures relating to impairment of financial assets are also provided in the following notes:

(i) Disclosures for significant assumptions in Note 3

(ii) Trade receivables in Note 11

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.17 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined principally as follows:

Properties held for sale	-	specific identification method
Raw materials	-	weighted average cost method
Produce inventories	-	weighted average cost method
Work-in-progress	-	weighted average cost method
Finished goods		
- vehicle and equipment	-	specific identification method
- others	-	weighted average cost method

Properties held for sale include costs of land, construction and appropriate development overheads.

Cost of produce inventories includes estate production costs, processing and transport charges.

Costs of work-in-progress and finished goods produced by the Group include costs of direct materials, labour and a proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sales.

2.18 Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as contract assets in relation to property development and the excess of billings to purchasers over revenue recognised in profit or loss is classified as contract liabilities in relation to property development.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Contract assets and contract liabilities

A contract asset is the right of the Group to consideration in exchange for goods or services that it has transferred to the customer when that right is conditional upon future performance but not through the passage of time. If the Group has performed its obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised and presented net of any amounts that has been recognised as receivables. Contract asset is presented as the excess of cumulative revenue earned or recognised in profit or loss over the billings to date to the customer. Contract assets are subject to impairment assessment in accordance of MFRS 9: Financial Instruments.

A contract liability is the obligation of the Group to transfer goods and services to a customer for which it has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional before it transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs its obligation under the contract. Contract liability is the excess of the billings to date to the customer over the cumulative revenue earned or recognised in profit or loss. Contract liabilities include advance payment and down payments received from customers and other amounts where the Group has billed before the goods are delivered or services are provided to the customers.

2.20 Money market deposits

Money market deposits are placements made in financial institutions which are designated upon initial recognition as financial assets at fair value through profit or loss.

2.21 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and deposits with licensed banks with maturity of three months or less which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's and the Company's cash management.

2.22 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.23 Revenue and other income****Revenue from contracts with customers**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services. The Group and the Company have generally concluded that it is the principal in its revenue arrangements (unless otherwise stated below) because it typically controls the goods or services before transferring them to the customer.

The Group and the Company consider whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, non-cash consideration and consideration payable to the customer, if any). Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at the point in time or over time.

If the consideration in a contract includes a variable amount, the Group and the Company estimate the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts relating to property development allow for customers to deduct as liquidated damages from the consideration payable to the Group, in the event of delays in the supply of goods. Liquidated damages give rise to variable consideration.

Generally, if the Group and the Company receive short term advances from its customers. Using the practical expedient in MFRS 15, the Group and the Company do not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(a) Sale of plantation produce

Revenue from sale of plantation produce are derived from sales of crude palm oil, palm kernel and fresh fruit bunches. Revenue from sale of plantation produce is recognised at a point in time when control of the goods is transferred to the customer.

(b) Sale of goods and services

The Group or the Company transfers control of a goods or service at a point in time unless one of the following overtime criteria is met:

- (i) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (ii) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (iii) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue and other income (continued)

Revenue from contracts with customers (continued)

(c) Sale of properties under development

Revenue from sale of properties under development is accounted for by the stage of completion method as described in Note 2.18.

(d) Sale of land and completed properties

Revenue from sale of land and completed properties held for resale is recognised in profit or loss when the significant control has been transferred to the buyer.

Revenue from other sources

(a) Dividend income

Dividend income is recognised when the right to receive payment is established.

(b) Hire purchase, finance lease and loan receivables

Income on hire purchase and finance leases is recognised using the effective interest rate method. Interest income on term loans is accounted for on an accrual basis by reference to rest periods as stipulated in the loan agreements, which are either daily or monthly. Where the repayment of an account is in arrears for three months or more, the uncollected interest from that account is suspended until it is realised on a cash basis.

(c) Rental income

Rental income is accounted for on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

Interest income

Interest income is recognised using the effective interest method.

2.24 Government grant

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. A grant in recognition of specific expenses is recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis. A grant related to depreciable assets is allocated to income over the period in which such assets are used in the project subsidised by the grant. A government grant related to assets, including non-monetary grants at fair value, is presented in the statement of financial position by setting up the grant as deferred income.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.25 Employee benefits****(a) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by the employees of the Group and the Company. Short term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefits plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Employee benefits (continued)

(d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after reporting date are discounted to present value.

2.26 Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Company are lessee, they have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.26 Leases (continued)****(ii) Recognition and initial measurement****(a) As a lessee**

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to terminate early.

The Group and the Company exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it 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. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group recognises assets held under a finance lease in its statements of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (continued)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land	59 to 999 years
Prepaid lease payments	12 to 87 years
Rented land	2 to 60 years
Buildings	2 to 10 years
Plant and equipment	
- Office equipment, furniture, fixtures and fittings	3 to 6 years
- Motor vehicles	1 to 5 years
Roads and infrastructure	3 to 10 years

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company change their assessment of whether they will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

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

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate the finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.27 Income tax****(a) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Income tax (continued)

(b) Deferred tax (continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2.9, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amount at the reporting date unless the property is depreciable and is held within the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.28 Financial liabilities

Initial recognition and subsequent measurement

The categories of financial liabilities at initial recognition are as follows:

(a) Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- (i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- (iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.28 Financial liabilities (continued)****Initial recognition and subsequent measurement (continued)****(a) Financial liabilities at fair value through profit or loss (continued)**

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss.

Derecognition

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

2.29 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. Capitalisation of borrowing costs shall cease when substantially all the activities to prepare the asset for its intended use or sale are completed.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Derivative financial instrument and hedge accounting

The Group uses derivatives to manage its exposure to foreign exchange risk and interest rate risk and applies hedge accounting for certain hedging relationships which qualify for hedge accounting. Such derivatives including forward currency contracts and cross currency interest rate swaps, are initially recognised at fair value on the date of which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- (i) Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- (ii) Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- (i) There is 'an economic relationship' between the hedged item and the hedging instrument.
- (ii) The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- (iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.30 Derivative financial instrument and hedge accounting (continued)**

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate ["EIR"] method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group hedges its exposure to foreign currency risk and/or interest rate risk arising from firm borrowings. Refer to Note 12 for more details.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.32 Treasury shares

When issued shares of the Company are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares that have not been cancelled are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in reserves.

2.33 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.34 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

2.35 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.36 Current versus non-current classification**

The Group and the Company present assets and liabilities in statements of financial position based on current/non-current classification.

An asset is current when it is:

- (i) expected to be realised or intended to be sold or consumed in normal operating cycle;
- (ii) held primarily for the purpose of trading;
- (iii) expected to be realised within twelve months after the reporting period; or
- (iv) cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- (i) it is expected to be settled in normal operating cycle;
- (ii) it is held primarily for the purpose of trading;
- (iii) it is due to be settled within twelve months after the reporting period; or
- (iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.37 Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- (i) Disclosures for valuation methods, significant estimates and assumptions - Note 3.2(c), Note 5 and Note 12
- (ii) Financial instruments (including those carried at amortised cost) - Note 40(a)
- (iii) Quantitative disclosures of fair value measurement hierarchy - Note 40(b)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.37 Fair value measurement (continued)

The principal or the most advantageous market must be accessible to by the Group and the fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Material litigations

The Group determines whether a present obligation in relation to a material litigation exists at the reporting date by taking into account all available evidence, including the opinion of its solicitors and subsequent events after the reporting date. On the basis of such evidence, the Group evaluates if a provision needs to be recognised in the financial statements. Further details of the material litigations involving the Group are disclosed in Note 39.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ["DCF"] model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)**3.2 Key sources of estimation uncertainty (continued)****(a) Impairment of non-financial assets (continued)****(i) Property, plant and equipment**

During the financial year, the Group recognised an impairment loss on property, plant and equipment of RM4,563,000 (2021: RM2,567,000). The key assumptions used to determine the recoverable amount for the different CGUs, including sensitivity analysis, are disclosed in Note 4.

(ii) Investment in subsidiaries

During the financial year, the Company recognised a reversal of impairment loss on investment in subsidiaries of RM33,479,000 (2021: RM41,409,000) as disclosed in Note 6(f).

(b) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate [“IBR”] to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

(c) Fair value on investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged independent valuation specialist to assess fair value for investment properties. Fair value is arrived at using comparison method, cost method or investment method and the key assumptions used to determine the fair value of the properties and sensitivity analysis are disclosed in Note 5.

(d) Property development

The Group recognises property development revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(d) Property development (continued)

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the property development costs. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. The carrying amounts of assets and liabilities of the Group arising from property development activities are disclosed in Note 14.

(e) Provision of expected credit loss of trade and other receivables

The Group and the Company assess the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition on an individual basis. To determine whether there is a significant increase in credit risk, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is significant increase in credit risk, the Group and the Company determine the lifetime expected credit loss by considering the loss given default and the probability of default assigned to each counterparty customer. The financial assets are written off either partially or full when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-offs.

The carrying amounts of the trade and other receivables are disclosed in Note 11.

(f) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount of timing of future taxable income. Given the variety of businesses in various countries, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As of 31 December 2022, the Group has recognised deferred tax assets of RM54,620,000 (2021: RM73,865,000).

NOTES TO THE FINANCIAL STATEMENTS

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4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Buildings RM'000	Roads and infrastructure RM'000	Plant and equipment RM'000	Assets under construction RM'000	Bearer plants RM'000	Right- of-use assets RM'000	Total RM'000
Group								
At cost								
At 1 January 2021	172,335	1,209,276	355,198	1,254,391	76,568	573,571	1,727,285	5,368,624
Additions	-	267,374	3,417	50,010	136,325	27,480	151,685	636,291
Reclassifications	-	3,209	25,518	12,441	(41,168)	-	-	-
Transfer (to)/from:								
- investment properties (Note 5)	(4,013)	1,853	-	-	-	-	966	(1,194)
- land held for property development (Note 9)	-	-	-	-	-	-	7,724	7,724
- property development costs (Note 14)	126,583	-	-	-	90,197	-	-	216,780
Modifications	-	-	-	-	-	-	(15,124)	(15,124)
Derecognition	-	-	-	-	(80)	-	(31,990)	(32,070)
Disposals	-	(95)	-	(35,388)	-	-	-	(35,483)
Written off	-	(434)	(474)	(12,409)	-	(793)	-	(14,110)
Exchange differences	-	5,305	-	1,096	-	-	4,823	11,224
At 31 December 2021/ 1 January 2022	294,905	1,486,488	383,659	1,270,141	261,842	600,258	1,845,369	6,142,662
Disposal of a subsidiary	-	-	-	(100)	-	-	-	(100)
Additions	-	202,827	4,179	76,346	127,425	38,897	224,532	674,206
Reclassifications	-	144,074	15,065	39,770	(198,909)	-	-	-
Revaluation of properties prior to being transferred out to investment properties	-	4,828	-	-	-	-	9,623	14,451
Transfer from/(to):								
- investment properties (Note 5)	68,556	100,932	-	-	-	-	(14,563)	154,925
- land held for property development (Note 9)	43,553	(7,513)	(1,588)	(3,482)	58,148	(2,740)	(70,459)	15,919
Modifications	-	-	-	-	-	-	(2,293)	(2,293)
Derecognition	-	-	-	-	-	-	(46,528)	(46,528)
Disposals	-	(1,116)	(842)	(225,750)	-	-	-	(227,708)
Written off	-	(3,426)	-	(10,342)	-	-	-	(13,768)
Exchange differences	-	21,471	-	4,138	-	-	22,292	47,901
At 31 December 2022	407,014	1,948,565	400,473	1,150,721	248,506	636,415	1,967,973	6,759,667

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Roads and infrastructure RM'000	Plant and equipment RM'000	Assets under construction RM'000	Bearer plants RM'000	Right- of-use assets RM'000	Total RM'000
Group (continued)								
Accumulated depreciation/ impairment loss								
At 1 January 2021	-	323,338	143,424	908,928	-	329,556	278,258	1,983,504
Depreciation for the year (Note 30)	-	38,140	14,620	60,958	-	18,719	56,932	189,369
Impairment loss for the year	-	-	-	1,951	-	-	616	2,567
Modifications	-	-	-	-	-	-	(9,401)	(9,401)
Derecognition	-	-	-	-	-	-	(31,990)	(31,990)
Disposals	-	(90)	-	(31,777)	-	-	-	(31,867)
Written off	-	(232)	(474)	(12,020)	-	(350)	-	(13,076)
Exchange differences	-	1,237	-	667	-	-	1,319	3,223
At 31 December 2021/ 1 January 2022	-	362,393	157,570	928,707	-	347,925	295,734	2,092,329
Disposal of a subsidiary	-	-	-	(69)	-	-	-	(69)
Depreciation for the year (Note 30)	-	42,773	17,537	62,093	-	18,961	53,914	195,278
Reclassifications	-	(33)	33	-	-	-	-	-
(Reversal of impairment loss)/ Impairment loss for the year	-	(466)	-	5,029	-	-	-	4,563
Transfer (to)/from:								
- investment properties (Note 5)	-	(9,111)	-	-	-	-	(1,680)	(10,791)
- land held for property development (Note 9)	-	(4,999)	(529)	(2,713)	-	(2,491)	(8,949)	(19,681)
Modifications	-	-	-	-	-	-	(2,139)	(2,139)
Derecognition	-	-	-	-	-	-	(46,528)	(46,528)
Disposals	-	(1,116)	(531)	(216,095)	-	-	-	(217,742)
Written off	-	(1,270)	-	(8,798)	-	-	-	(10,068)
Exchange differences	-	5,074	-	2,604	-	-	5,438	13,116
At 31 December 2022	-	393,245	174,080	770,758	-	364,395	295,790	1,998,268
Net carrying amount								
At 31 December 2021								
- Own use	294,529	1,123,248	226,089	338,481	261,842	252,333	1,549,635	4,046,157
- Held under operating lease	376	847	-	2,953	-	-	-	4,176
	294,905	1,124,095	226,089	341,434	261,842	252,333	1,549,635	4,050,333
At 31 December 2022								
- Own use	406,638	1,554,540	226,393	379,252	248,506	272,020	1,672,183	4,759,532
- Held under operating lease	376	780	-	711	-	-	-	1,867
	407,014	1,555,320	226,393	379,963	248,506	272,020	1,672,183	4,761,399

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**Group (continued)**

- (a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM674,206,000 (2021: RM636,291,000) which are satisfied by the following:

	Group	
	2022	2021
	RM'000	RM'000
Cash payments on purchase of property, plant and equipment	632,240	580,104
Additions of right-of-use assets by way of lease commitment	23,418	53,656
Interest expense capitalised	18,548	2,531
	674,206	636,291

- (b) During the financial year, certain subsidiaries that engaged in operation of stone quarry and asphalt plants, manufacture and trading of bricks, manufacturing of clay products, manufacture and sale of porcelain and ceramic tiles carried out reviews of the recoverable amounts of their property, plant and equipment. The recoverable amounts of these property, plant and equipment were arrived at based on the higher of fair value less cost to sale ["FVLCS"] and value-in-use ["VIU"] method.

Based on the impairment assessment, the Group recorded total impairment loss of RM4,563,000 (2021: RM2,567,000) on the basis that the carrying amounts exceeded recoverable amounts based on the FVLCS method.

The changes in fair value would have resulted in an additional higher or lower impairment for the corresponding amount.

- (c) Buildings amounting to RM282,412,000 (2021: RM249,229,000) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

(d) Right-of-use assets

	Leasehold land RM'000	Prepaid lease payments RM'000	Rented land RM'000	Buildings RM'000	Roads and infrastructure RM'000	Plant and equipment RM'000	Total RM'000
Group							
1 January 2021	1,179,696	163,112	68,130	26,714	189	11,186	1,449,027
Additions	-	98,029	13,395	40,102	44	115	151,685
Depreciation for the year	(18,250)	(8,541)	(5,986)	(18,433)	(67)	(5,655)	(56,932)
Impairment loss for the year	-	-	-	(598)	-	(18)	(616)
Reclassifications	-	-	-	(470)	-	470	-
Transfer from:							
- investment properties	966	-	-	-	-	-	966
- land held for property development	7,724	-	-	-	-	-	7,724
Modifications	-	-	(2,036)	(3,638)	-	(49)	(5,723)
Exchange differences	-	3,015	430	60	-	(1)	3,504
At 31 December 2021/ 1 January 2022	1,170,136	255,615	73,933	43,737	166	6,048	1,549,635
Additions	600	200,514	7,095	16,204	33	86	224,532
Depreciation for the year	(16,767)	(9,287)	(5,420)	(19,319)	(69)	(3,052)	(53,914)
Revaluation of properties prior to being transferred out to investment properties	2,768	6,855	-	-	-	-	9,623
Reclassifications	-	-	-	674	-	(674)	-
Transfer to:							
- investment properties	(3,603)	(9,280)	-	-	-	-	(12,883)
- land held for property development	(61,510)	-	-	-	-	-	(61,510)
Modifications	-	-	(5)	(148)	-	(1)	(154)
Exchange differences	-	14,463	2,367	21	-	3	16,854
At 31 December 2022	1,091,624	458,880	77,970	41,169	130	2,410	1,672,183

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**Group (continued)**

(d) Right-of-use assets (continued)

- (i) The title of the Group's leasehold land with carrying amount of RM28,840,000 (2021: RM28,702,000) stipulated that not less than 30% of the undivided share of the said land or not less than 30% of the equity of the subsidiary being the registered owner of the said land, shall be transferred to/held by/registered in the name of native(s) ["Native Condition"]. During the financial year, the Land and Survey Department in Kota Kinabalu had granted further extension up to July 2027 to comply with the Native Condition.
- (ii) Private caveat was entered by third parties on the Group's leasehold land with carrying amount of RM65,703,000 (2021: RM66,573,000) as disclosed in Note 39(a).
- (iii) Prepaid lease payments amounting to RM377,391,000 (2021: RM170,261,000) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 22.

(e) Property, plant and equipment held under operating lease

The Group leases some of its property, plant and equipment to third parties and a joint venture. Subsequent renewals are negotiated with the lessee.

The following are recognised in profit or loss:

	Group	
	2022	2021
	RM'000	RM'000
Lease income	2,952	4,524
Variable lease income that do not depend on an index or a rate	1,845	1,700

The operating lease payments to be received are as follows:

	Group	
	2022	2021
	RM'000	RM'000
Less than one year	1,512	990
One to two years	5,160	-
Total undiscounted lease payments	6,672	990

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RM'000	Plant and equipment RM'000	Right-of- use assets - buildings RM'000	Total RM'000
Company				
At cost				
At 1 January 2021	187	3,390	30	3,607
Additions	-	357	-	357
Disposals	-	(557)	-	(557)
At 31 December 2021/1 January 2022	187	3,190	30	3,407
Additions	-	12	15	27
At 31 December 2022	187	3,202	45	3,434
Accumulated depreciation				
At 1 January 2021	187	2,849	6	3,042
Depreciation for the year (Note 30)	-	321	15	336
Disposals	-	(557)	-	(557)
At 31 December 2021/1 January 2022	187	2,613	21	2,821
Depreciation for the year (Note 30)	-	239	15	254
At 31 December 2022	187	2,852	36	3,075
Net carrying amount				
At 31 December 2021	-	577	9	586
At 31 December 2022	-	350	9	359

During the financial year, the Company acquired property, plant and equipment with an aggregate cost of RM27,000 (2021: RM357,000) which are satisfied by the following:

	Company	
	2022 RM'000	2021 RM'000
Cash payments on purchase of property, plant and equipment	12	357
Additions of right-of-use assets by way of lease commitment	15	-
	27	357

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

5. INVESTMENT PROPERTIES

Investment properties owned by the Group comprise completed investment properties and IPUC. Completed investment properties include land that are held for a currently undetermined future use or held for long term capital appreciation.

	Completed investment properties RM'000	IPUC RM'000	Total RM'000
Group			
At 1 January 2021	1,866,967	45,626	1,912,593
Additions from acquisition	205,250	-	205,250
Additions from subsequent expenditure	8,583	74,746	83,329
Transfer from:			
- property, plant and equipment (Note 4)	1,194	-	1,194
- land held for property development (Note 9)	7,942	-	7,942
Net loss from fair value adjustments recognised in profit or loss (Note 30)	(37,270)	-	(37,270)
Written off	(1,544)	-	(1,544)
Reclassification	62,622	(62,622)	-
Exchange differences	201	-	201
At 31 December 2021/1 January 2022	2,113,945	57,750	2,171,695
Additions from acquisition	31,342	-	31,342
Additions from subsequent expenditure	9,042	62,597	71,639
Transfer (to)/from:			
- property, plant and equipment (Note 4)	(165,716)	-	(165,716)
- land held for property development (Note 9)	-	149,570	149,570
Net loss from fair value adjustments recognised in profit or loss (Note 30)	(19,601)	-	(19,601)
Written off	(18)	-	(18)
Reclassification	49,800	(49,800)	-
Exchange differences	817	-	817
At 31 December 2022	2,019,611	220,117	2,239,728

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

5. INVESTMENT PROPERTIES (CONTINUED)

	2022 RM'000	2021 RM'000
Represented by:		
Freehold land and buildings	1,418,695	1,416,191
Right-of-use assets – Long term leasehold land and buildings	821,033	755,504
	2,239,728	2,171,695

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Investment properties amounting to RM58,531,000 (2021: RM13,191,000) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 22.

Rental and direct operating expenses arising from investment properties are disclosed in Note 27 and Note 30 respectively.

Included in additions was interest expense capitalised of RM5,023,000 (2021: Nil).

The fair value of investment properties was determined based on valuations performed by registered independent valuers using the following methods:

(a) Comparison method

Fair value is arrived at by reference to market evidence of transaction prices for similar properties with adjustments made to account for factors such as differences in location, age, size and type of property.

An upward/(downward) change in the adjustments for factors such as differences in location, age, size and type of property will result in a higher/(lower) fair value of the investment properties.

(b) Cost method

Fair value is arrived at based on the estimated cost of construction and prevailing building costs of building of the same type and design and making allowance for depreciation, age and obsolescence of design, if any.

An upward/(downward) change in the estimated cost of construction, prevailing building cost of building of the same type and design and allowance for depreciation, age and obsolescence of design will result in a higher/(lower) fair value of the investment properties.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

5. INVESTMENT PROPERTIES (CONTINUED)

The fair value of investment properties was determined based on valuations performed by registered independent valuers using the following methods: (continued)

(c) Investment method

This method considers the present value of net rental income to be generated from the property, taking into account the expected rental growth rate, occupancy rate and lease incentive. This net rental income is discounted at a risk-adjusted discount rate to arrive at its present value. The key inputs to valuation of investment properties are as follows:

Significant unobservable inputs	Range	
	2022	2021
Estimated rental value per square foot per month	RM1 - RM25	RM1 - RM25
Discount rate	4.50% - 10%	5% - 10%
Reversionary rate	5.75% - 10%	5.75% - 10%

An increase/(decrease) in estimated rental value in isolation would result in a higher/(lower) fair value of the properties. An increase/(decrease) in the discount rate and reversionary rate in isolation would result in a lower/(higher) fair value.

During the financial year, the Group recognised a net loss on fair value adjustments amounting to RM19,601,000 (2021: RM37,270,000).

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2022 RM'000	2021 RM'000
Quoted shares in Malaysia, at cost	1,089,246	1,173,255
Unquoted shares, at cost		
- In Malaysia	4,854,875	4,787,286
- Outside Malaysia	89,962	88,408
	4,944,837	4,875,694
	6,034,083	6,048,949
Less: Impairment losses – unquoted shares	(222,038)	(255,517)
	5,812,045	5,793,432
Market value of quoted shares	1,078,656	1,179,812

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries as of 31 December 2022 are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2022	2021
Held by the Company:				
* Hap Seng Plantations Holdings Berhad ["HSP"]	Investment holding	Malaysia	69.53	74.89
Hap Seng Land Sdn Bhd	Property development and investment holding	Malaysia	100	100
* Hap Seng Credit Sdn Bhd	Provision of financial services	Malaysia	80	80
HSC International Limited	Investment holding	Labuan, Malaysia	100	100
* Sunrise Addition Sdn Bhd	Investment holding	Malaysia	100	100
* Hap Seng Auto Sdn Bhd	Investment holding	Malaysia	100	100
Hap Seng Fertilizers Sdn Bhd	Trading and distribution of fertilizers and agro-chemicals	Malaysia	100	100
Macro Arch (M) Sdn Bhd	Investment holding	Malaysia	100	100
Palms Edge (M) Sdn Bhd	Investment holding	Malaysia	100	100
+ Sasco Company Ltd	Investment holding	British Virgin Islands	100	100
Hap Seng Trading Holdings Sdn Bhd	Investment holding	Malaysia	100	100
* Malaysian Mosaics Sdn Bhd ["MMSB"]	Investment holding, manufacture and sale of porcelain and ceramic tiles	Malaysia	100	100
Hap Seng Building Materials Holdings Sdn Bhd	Investment holding	Malaysia	100	100
# Hap Seng Investment Holdings Pte Ltd	Investment holding	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2022	2021
Held by the Company: (continued)				
Hap Seng Equity Sdn Bhd	Trading of marketable securities	Malaysia	100	100
Hap Seng Management Sdn Bhd	Centralised treasury management function	Malaysia	100	100
Hap Seng Management Services Sdn Bhd	Provision of management services	Malaysia	100	100
Held by HSP:				
* Hap Seng Plantations (River Estates) Sdn Bhd	Cultivation of oil palm, processing of fresh fruit bunches and investment holding	Malaysia	100	100
* Jeroco Plantations Sdn Bhd	Cultivation of oil palm and processing of fresh fruit bunches	Malaysia	100	100
* Hap Seng Plantations (Kota Marudu) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
* Pelipikan Plantation Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
* Hap Seng Edible Oils Sdn Bhd	Livestock farming (ceased operations)	Malaysia	100	100
Held by Hap Seng Plantations (River Estates) Sdn Bhd:				
* Hap Seng Plantations (Ladang Kawa) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
* Hap Seng Plantations (Tampilit) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
* Hap Seng Plantations (Wecan) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2022	2021
Held by Hap Seng Land Sdn Bhd:				
* Hap Seng Hospitality Sdn Bhd	Investment holding	Malaysia	100	100
* Hap Seng Land Development Sdn Bhd	Investment holding	Malaysia	100	100
Hap Seng Land Services Sdn Bhd	Provision of management services	Malaysia	100	100
Hap Seng Realty Sdn Bhd	Property investment and investment holding	Malaysia	100	100
Held by Hap Seng Hospitality Sdn Bhd:				
* Sunrise Spring Sdn Bhd	Operating hotel	Malaysia	100	100
* Trio Sunrise Sdn Bhd	Operating hotel	Malaysia	100	100
Richmore Development Sdn Bhd (99.01% (2021: Nil) equity interest is held by Hap Seng Hospitality Sdn Bhd whilst the other 0.99% (2021: 100%) is held by Hap Seng Land Development Sdn Bhd)	Operating hotel	Malaysia	100	-
* Sunhill Ventures Sdn Bhd (67% (2021: Nil) equity interest is held by Hap Seng Hospitality Sdn Bhd whilst the other 33% (2021: 100%) is held by Hap Seng Realty Sdn Bhd)	Operating hotel	Malaysia	100	-
Held by Hap Seng Land Development Sdn Bhd:				
Euro-Asia Brand Holding Company Sdn Bhd	Property development	Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2022	2021
Held by Hap Seng Land Development Sdn Bhd: (continued)				
* Future Golden Development Sdn Bhd	Property development	Malaysia	100	100
* Hap Seng Land Development (Jesselton Hill) Sdn Bhd	Property development	Malaysia	100	100
* Hap Seng Land Development (Kluang) Sdn Bhd	Property development	Malaysia	100	100
* Hap Seng Land Development (PJ) Sdn Bhd	Property development	Malaysia	100	100
Hap Seng Land Development (Puchong) Sdn Bhd	Property development and construction	Malaysia	100	100
* Hap Seng Properties Development Sdn Bhd	Property development and investment holding	Malaysia	100	100
Positive Sunland Sdn Bhd	Property development	Malaysia	100	100
Sierra Positive Sdn Bhd	Property development	Malaysia	100	100
Sunpoint Resources Sdn Bhd	Property development	Malaysia	100	100
Hap Seng Land Development (Balakong) Sdn Bhd	Property development	Malaysia	100	80
Hap Seng Land Development (JTR 2) Sdn Bhd (60.02% (2021: 40.02%) equity interest is held by Hap Seng Land Development Sdn Bhd whilst the other 39.98% (2021: 39.98%) is held by the Company)	Property development	Malaysia	100	80
Suria Kapital Development Sdn Bhd	Property development	Malaysia	80	80
KL Midtown Sdn Bhd	Property development	Malaysia	70	70

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2022	2021
Held by Hap Seng Land Development Sdn Bhd: (continued)				
Hap Seng Land Development and JCA Sdn Bhd	Property development	Malaysia	60	60
Hap Seng Construction Sdn Bhd	Construction activities	Malaysia	100	100
Positive Tropical Sdn Bhd	Construction activities	Malaysia	100	100
* Hap Seng Properties Services (Sabah) Sdn Bhd	Property management and property maintenance	Malaysia	100	100
Pacific Emerald Properties Sdn Bhd	Provision of management services	Malaysia	100	100
Positive Harmony Sdn Bhd	Operating grocery stores and food and beverage business	Malaysia	100	100
* Sierra Ventures Sdn Bhd	Carrying out food and beverage business	Malaysia	80	80
Hap Seng Land Development (JTR) Sdn Bhd	In liquidation	Malaysia	100	100
Hap Seng Land Development (Bangsar) Sdn Bhd	In liquidation	Malaysia	80	80
Richmore Development Sdn Bhd	Operating hotel	Malaysia	-	100
Held by Hap Seng Properties Development Sdn Bhd:				
* Hap Seng Commercial Development Sdn Bhd	Property development	Malaysia	100	100
* Hap Seng Land Development (KK) Sdn Bhd	Property development	Malaysia	100	100

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6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2022	2021
Held by KL Midtown Sdn Bhd:				
Eden Sunrise Sdn Bhd	Property investment in retail mall and car park	Malaysia	100	100
Sunrise Gardencity Sdn Bhd	Operating hotel	Malaysia	100	100
Held by Hap Seng Realty Sdn Bhd:				
Caliber Suncity Sdn Bhd	Property investment	Malaysia	100	100
Desa Alam Mewah Sdn Bhd	Property investment	Malaysia	100	100
Hap Seng Property Investment Sdn Bhd	Property investment	Malaysia	100	100
Hap Seng Realty (Auto) Sdn Bhd	Property investment	Malaysia	100	100
Hap Seng Realty (Autohaus) Sdn Bhd	Property investment	Malaysia	100	100
Hap Seng Realty (KK I) Sdn Bhd	Property investment	Malaysia	100	100
Lakaran Warisan Sdn Bhd	Property investment	Malaysia	100	100
Menara Hap Seng Sdn Bhd	Property investment	Malaysia	100	100
My Universal Properties Sdn Bhd	Property investment	Malaysia	100	100
Prosperity Projections Sdn Bhd	Property investment	Malaysia	100	100
Prosperity Sunland Sdn Bhd	Property investment	Malaysia	100	100
* Trio Empireland Sdn Bhd	Property investment	Malaysia	100	100
Hap Seng Realty (KL City) Sdn Bhd	Investment holding	Malaysia	100	100

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6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2022	2021
Held by Hap Seng Realty Sdn Bhd: (continued)				
* Hap Seng Leisure Sdn Bhd	Providing recreational facilities and services	Malaysia	100	100
* Sunhill Ventures Sdn Bhd	Operating hotel	Malaysia	-	100
Held by HSC International Limited:				
HSC Birmingham Holding Limited	Investment holding	Labuan, Malaysia	100	100
* HSC Brisbane Holding Pte Ltd	Investment holding	Singapore	100	100
* HSC Bristol Holding Pte Ltd	Investment holding	Singapore	100	100
* HSC Leeds Holding Pte Ltd	Investment holding	Singapore	100	100
* HSC London Holding Pte Ltd	Investment holding	Singapore	100	100
* HSC Manchester Holding Pte Ltd	Investment holding	Singapore	100	100
* HSC Melbourne Holding Pte Ltd	Investment holding	Singapore	100	100
* HSC Nottingham Holding Pte Ltd	Investment holding	Singapore	100	100
Held by HSC Birmingham Holding Limited:				
* HS Credit (Birmingham) Ltd	Provision of financial services	United Kingdom	-	100
Held by HSC Brisbane Holding Pte Ltd:				
+ HS Credit (Brisbane) Pty Ltd	Dormant	Australia	100	100

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6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2022	2021
Held by HSC Bristol Holding Pte Ltd:				
+ HS Credit (Bristol) Ltd	Dormant	United Kingdom	100	100
Held by HSC Leeds Holding Pte Ltd:				
+ HS Credit (Leeds) Ltd	Dormant	United Kingdom	100	100
Held by HSC London Holding Pte Ltd:				
+ HS Credit (London) Ltd	Dormant	United Kingdom	100	100
Held by HSC Manchester Holding Pte Ltd:				
* HS Credit (Manchester) Ltd	Provision of financial services	United Kingdom	100	100
Held by HSC Nottingham Holding Pte Ltd:				
+ HS Credit (Nottingham) Ltd	Dormant	United Kingdom	100	100
Held by Sunrise Addition Sdn Bhd:				
* Hap Seng Automotive Acceptance Sdn Bhd	Provision of financial services and operating leasing of vehicles	Malaysia	100	100
Held by Hap Seng Auto Sdn Bhd:				
* Hap Seng Body & Paint Sdn Bhd	Providing services and parts for repairing, painting and servicing of motor vehicles	Malaysia	100	100
* Hap Seng CarFleet Sdn Bhd	Rental and trading of motor vehicles	Malaysia	100	100
* Hap Seng Star Sdn Bhd	Trading in motor vehicles, spare parts and servicing of motor vehicles	Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2022	2021
Held by Hap Seng Auto Sdn Bhd: (continued)				
* Hap Seng Trucks Sdn Bhd	Dealing in commercial vehicles, spare parts and servicing of commercial vehicles	Malaysia	100	100
* Hap Seng Trucks Distribution Sdn Bhd	Wholesale, distribution of trucks and vans and sales of respective spare parts including importation and assembly	Malaysia	100	100
* SKI Segar Sdn Bhd	Trading in motor vehicles	Malaysia	100	100
Held by Hap Seng Fertilizers Sdn Bhd:				
Hap Seng Chemicals Sdn Bhd	Manufacture and sale of agro-chemicals	Malaysia	70	70
Held by Macro Arch (M) Sdn Bhd:				
# PT. Sasco Indonesia (90% (2021: 90%) equity interest is held by Macro Arch (M) Sdn Bhd whilst the remaining 10% (2021: 10%) is held by Palms Edge (M) Sdn Bhd)	Trading and distribution of fertilizers	Indonesia	100	100
Held by Sasco Company Ltd:				
* Sasco (China) Co., Ltd	Trading of plywood and wholesale, import and export of fertilizers	People's Republic of China	100	100

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2022	2021
Held by Hap Seng Trading Holdings Sdn Bhd:				
Hap Seng Trading (M) Sdn Bhd <i>(formerly known as Hap Seng (Oil & Transport) Sdn Bhd)</i>	Trading in petroleum products	Malaysia	100	100
Hap Seng Trading (BM) Sdn Bhd	Trading in building materials	Malaysia	100	100
Held by MMSB:				
* MML Marketing Pte Ltd	Trading and distribution of porcelain and ceramic tiles	Singapore	100	100
* MML (Shanghai) Trading Co., Ltd	Trading and distribution of porcelain and ceramic tiles and fertilizers	People's Republic of China	100	100
* MML Marketing Sdn Bhd ["MMLM"]	Trading and distribution of mosaic and ceramic tiles (ceased operations)	Malaysia	100	100
* PT. MML Ceramic Indonesia (98.75% (2021: 98.75%) equity interest is held by MMSB whilst the remaining 1.25% (2021: 1.25%) is held by MMLM)	Liquidated	Indonesia	100	100
Held by Hap Seng Building Materials Holdings Sdn Bhd:				
Hap Seng Building Materials Sdn Bhd	Manufacture and trading of bricks, operating of stone quarries and asphalt plants	Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2022	2021
Held by Hap Seng Building Materials Holdings Sdn Bhd: (continued)				
# Hap Seng Building Materials Marketing Pte Ltd	Trading in building materials	Singapore	100	100
Hap Seng Clay Products Sdn Bhd	Manufacture and trading of clay products (ceased operations)	Malaysia	100	100
Hap Seng Seri Alam Sdn Bhd	Operation of stone quarry (ceased operations)	Malaysia	100	100
Held by Hap Seng Clay Products Sdn Bhd:				
Kao Fu Bricks Sdn Bhd	In liquidation	Malaysia	100	100
Held by Hap Seng Investment Holdings Pte Ltd:				
* Hafary Holdings Limited ["Hafary"]	Investment holding	Singapore	50.82	50.82
Held by Hafary:				
* Hafary Pte Ltd	Importer and dealer of building materials	Singapore	100	100
Held by Hafary Pte Ltd:				
* Surface Project Pte Ltd	Distribution and wholesale of building materials	Singapore	70	70
* Surface Stone Pte Ltd	Dealer of stones for home furnishing	Singapore	90	90
* Wood Culture Pte Ltd	Dealer of wood for home furnishing	Singapore	100	100
* Hafary Centre Pte Ltd	Investment holding	Singapore	100	100

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6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2022	2021
Held by Hafary Pte Ltd: (continued)				
* Hafary Vietnam Pte Ltd	Investment holding	Singapore	100	100
* Hafary International Pte Ltd	Importing and distribution of building materials	Singapore	100	100
* Hafary Trademarks Pte Ltd	Intellectual property holding and management	Singapore	100	100
* Marble Trends Pte Ltd	Dealer of stones for home furnishing	Singapore	100	100
* World Furnishing Hub Pte Ltd	Investment holding	Singapore	81	51
* Hafary Balestier Showroom Pte Ltd	Investment holding	Singapore	51	51
* Gres Universal Pte Ltd	Distribution and wholesale of building materials	Singapore	56	56
* Hafary Building Materials Pte Ltd	Investment holding	Singapore	100	100
* Hafary W+S Pte Ltd	Storage and warehousing of furniture and related products	Singapore	100	100
* Hafary Trading Sdn Bhd	Trading and distribution of building materials	Malaysia	100	100
* Hafary Crescent Pte Ltd	Cutting, shaping and finishing of stone and investment holding	Singapore	100	100
* Hafary Element Pte Ltd	Investment holding	Singapore	85.71	-
* Hafary Flagship Store Pte Ltd	Investment holding	Singapore	100	-

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2022	2021
Held by Hafary International Pte Ltd:				
* Foshan Hafary Trading Co., Limited	Importing, exporting and distribution of building materials	People's Republic of China	100	100
Held by Hafary Element Pte Ltd:				
* International Ceramic Manufacturing Hub Pte Ltd ["ICMHPL"]	Investment holding	Singapore	70	-
Held by ICMHPL:				
* International Ceramic Manufacturing Hub Sdn Bhd	Manufacture and sales of porcelain and ceramic tiles	Malaysia	100	-

* Audited by firms other than Ernst & Young PLT

Audited by member firms of Ernst & Young Global in the respective countries

+ There is no statutory requirement for the financial statements to be audited

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT IN SUBSIDIARIES (CONTINUED)**(a) Non-controlling interests in subsidiaries**

The Group's subsidiaries that have material non-controlling interests ["NCI"] are as follows:

	HSP and its subsidiaries RM'000	Hafary and its subsidiaries RM'000	Hap Seng Credit Sdn Bhd RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
2022					
NCI percentage of ownership interest and voting interest	30.47%	49.18%	20.00%		
Carrying amount of NCI	575,567	195,524	573,241	(23,770)	1,320,562
Profit/(Loss) attributable to NCI	50,768	47,902	23,366	(9,808)	112,228

**Summarised financial information
before intra-group elimination:**

As at 31 December:

Non-current assets	1,732,233	906,505	1,638,413		
Current assets	688,296	417,873	2,203,595		
Non-current liabilities	(419,904)	(614,669)	(276,233)		
Current liabilities	(71,374)	(394,595)	(699,571)		
Net assets	1,929,251	315,114	2,866,204		
NCI	-	(11,294)	-		
Net assets attributable to owners of subsidiaries	1,929,251	303,820	2,866,204		
Less: Adjustments on net assets upon consolidation	(40,289)	70,783	-		
Adjusted net assets	1,888,962	374,603	2,866,204		

Year ended 31 December:

Revenue	814,554	540,955	211,864		
Profit for the year	210,315	98,668	116,831		
Total comprehensive income	210,315	93,137	118,183		

Net cash flows from:

- operating activities	246,079	90,337	764,394		
- investing activities	(27,251)	(276,110)	(817)		
- financing activities	(173,532)	203,202	(670,851)		

Net increase/ (decrease) in cash and cash equivalents	45,296	17,429	92,726		
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Dividends paid to NCI	(47,381)	(13,067)	(14,771)		
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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests in subsidiaries (continued)

The Group's subsidiaries that have material non-controlling interests ["NCI"] are as follows: (continued)

	HSP and its subsidiaries RM'000	Hafary and its subsidiaries RM'000	Hap Seng Credit Sdn Bhd RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
2021					
NCI percentage of ownership interest and voting interest	25.11%	49.18%	20.00%		
Carrying amount of NCI	470,912	155,814	564,376	6,266	1,197,368
Profit/(Loss) attributable to NCI	72,415	17,252	24,038	(8,794)	104,911

**Summarised financial information
before intra-group elimination:**

As at 31 December:

Non-current assets	1,710,570	589,908	2,086,143		
Current assets	658,732	292,615	2,277,601		
Non-current liabilities	(422,074)	(389,909)	(601,732)		
Current liabilities	(64,357)	(253,775)	(940,135)		
Net assets	1,882,871	238,839	2,821,877		
NCI	-	(5,958)	-		
Net assets attributable to owners of subsidiaries	1,882,871	232,881	2,821,877		
Less: Adjustments on net assets upon consolidation	(7,475)	71,828	-		
Adjusted net assets	1,875,396	304,709	2,821,877		

Year ended 31 December:

Revenue	670,851	389,280	263,712		
Profit for the year	224,023	38,037	120,192		
Total comprehensive income	224,023	41,448	113,712		
Net cash flows from:					
- operating activities	277,490	78,775	(709,769)		
- investing activities	(154,208)	(185,541)	1,124,658		
- financing activities	(65,897)	109,330	(429,993)		
Net increase/ (decrease) in cash and cash equivalents	57,385	2,564	(15,104)		
Dividends paid to NCI	(20,643)	(13,549)	(14,771)		

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT IN SUBSIDIARIES (CONTINUED)**(b) Disposal of a subsidiary**

During the financial year, the Group disposed of entire equity interest in HS Credit (Birmingham) Ltd for total cash consideration of GBP127.80 million, equivalent to RM693,979,000 as disclosed in Note 44(f).

The disposal has the following effects on the financial position and results of the Group:

	2022 RM'000
Group	
Property, plant and equipment	(31)
Trade and other receivables	(219,984)
Cash and bank balances	(65,424)
Trade and other payables	651
Tax payable	2,123
Net assets	(282,665)
Transfer from foreign exchange reserve	14,898
	(267,767)
Cash consideration	693,979
Net assets disposed	(267,767)
Expenses on disposal	(1,113)
Gain on disposal to the Group	425,099
Cash inflow arising from disposals:	
Cash consideration	693,979
Expenses on disposal	(1,113)
Cash and cash equivalents of subsidiary disposed	(65,424)
Net cash inflow on disposal	627,442

(c) Acquisitions and disposals of equity interest in subsidiaries without losing control

- (i) During the financial year, the Company disposed of a total of 42,881,400 (2021: 1,139,700) ordinary shares representing approximately 5.36% (2021: 0.14%) of equity interest in HSP as disclosed in Note 44(l). In the previous financial year, the Company acquired additional 119,978,000 ordinary shares representing approximately 15% of equity interest in HSP.

The Company's shareholding in HSP stood at 69.53% (2021: 74.89%) at the end of the financial year after the aforesaid disposal of HSP shares.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisitions and disposals of equity interest in subsidiaries without losing control (continued)

(ii) During the financial year, the Group acquired equity interest from non-controlling interests as follows:

- 30% (2021: 5%) shareholding in World Furnishing Hub Pte Ltd ["WFHPL"] for total cash consideration of SGD3,020,000 (2021: SGD1,850,000), equivalent to RM9,321,000 (2021: RM5,707,000) as disclosed in Note 44(c).
- remaining 10,050,000 ordinary shares representing 20% of the issued share capital of Hap Seng Land Development (Balakong) Sdn Bhd ["HSLD (Balakong)"] for total cash consideration of RM21,357,000 as disclosed in Note 44(d).
- remaining 10,250,000 ordinary shares representing 20% of the issued share capital of Hap Seng Land Development (JTR 2) Sdn Bhd ["HSLD (JTR 2)"] for total cash consideration of RM16,865,000 as disclosed in Note 44(e).

The difference between the consideration and the carrying amount of the equity interest acquired/disposed of RM2,236,000 (2021: RM6,691,000) and RM44,339,000 (2021: RM79,000) at the Group and at the Company respectively is reflected in the statement of changes in equity and profit or loss as summarised below:

	← Acquisition →			Total RM'000	Disposal HSP RM'000	Net RM'000
	WFHPL RM'000	HSLD (Balakong) RM'000	HSLD (JTR 2) RM'000			
Group						
2022						
Carrying amount of equity interest acquired/(disposed)	2,771	9,947	9,981	22,699	(101,268)	(78,569)
Consideration (paid)/received	(9,321)	(21,357)	(16,865)	(47,543)	128,348	80,805
Recognised in equity	(6,550)	(11,410)	(6,884)	(24,844)	27,080	2,236
	← Acquisition →			Total RM'000	Disposal HSP RM'000	Net RM'000
	HSP RM'000	WFHPL RM'000				
2021						
Carrying amount of equity interest acquired/(disposed)		260,964	2,429	263,393	(2,368)	261,025
Consideration (paid)/received		(264,093)	(5,707)	(269,800)	2,084	(267,716)
Recognised in equity		(3,129)	(3,278)	(6,407)	(284)	(6,691)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisitions and disposals of equity interest in subsidiaries without losing control (continued)

Company	2022	2021		Net
	Disposal	← HSP	→ HSP	
	HSP	Acquisition	Disposal	Net
	RM'000	RM'000	RM'000	RM'000
Carrying amount of equity interest (disposed)/acquired	(84,009)	264,093	(2,163)	261,930
Consideration received/(paid)	128,348	(264,093)	2,084	(262,009)
Recognised in profit or loss	44,339	-	(79)	(79)

During the financial year, the Company also increased its investment in Hap Seng Land Sdn Bhd ["HS Land"], Hap Seng Investment Holdings Pte Ltd and HSC International Limited ["HSCIL"] by RM50 million, RM1.5 million and RM276.9 million respectively. In the previous financial year, the Company increased its investment in HS Land, Hap Seng Credit Sdn Bhd and Hap Seng Auto Sdn Bhd by RM190.8 million, RM905.5 million and RM53 million respectively. No changes to equity attributable to owners of the Company arising from the aforesaid additional investment in subsidiaries.

(d) Capital reduction in a subsidiary

During the financial year, HSCIL reduced its issued share capital by 50,379,999 ordinary shares and returned to the Company RM259.3 million, being share capital in excess of its needs.

(e) Issuance of shares by subsidiaries to non-controlling interests which resulted in reduction of the Group's equity interest in subsidiary without losing control

In the previous financial year, Suria Kapital Development Sdn Bhd ["Suria Kapital"] enlarged its share capital with the issuance of shares to non-controlling interests which resulted in reduction of the Group's equity interest in Suria Kapital without losing control. No changes to equity attributable to owners of the Company arising from the aforesaid changes in equity interest in subsidiary.

(f) Impairment loss on investment in subsidiaries

The Company conducted impairment assessment of its investment in certain subsidiaries by comparing their carrying amounts with their recoverable amounts. The recoverable amounts were arrived at based on the FVLCS method which represents the Company's share of the adjusted net assets in these subsidiaries.

The Company recognised a reversal of impairment loss on investment in subsidiaries of RM33,479,000 (2021: RM41,409,000) on the basis that the recoverable amounts exceeded carrying amounts.

The changes in fair value would have resulted in an additional higher or lower impairment for the corresponding amount.

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7. INVESTMENT IN ASSOCIATES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Quoted shares, at cost				
- In Malaysia	49,711	49,711	49,711	49,711
- Outside Malaysia	31,622	31,622	26,030	26,030
	81,333	81,333	75,741	75,741
Unquoted shares, at cost				
- In Malaysia	274,608	274,608	28,000	28,000
- Outside Malaysia	11,908	11,908	-	-
	286,516	286,516	28,000	28,000
	367,849	367,849	103,741	103,741
Share of post-acquisition reserves	165,173	147,009	-	-
	533,022	514,858	103,741	103,741
Exchange differences	14,660	11,655	-	-
	547,682	526,513	103,741	103,741
Less: Accumulated impairment losses				
- quoted shares	(59,469)	(48,879)	(37,952)	(35,238)
	488,213	477,634	65,789	68,503
Market value of quoted shares	113,111	119,763	113,111	119,763

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN ASSOCIATES (CONTINUED)

Details of associates as of 31 December 2022 are as follows:

Name of associates	Principal activities	Country of incorporation	Financial year end	Equity interest held (%)	
				2022	2021
Held by the Company:					
* Paos Holdings Berhad	Investment holding	Malaysia	31 May	24.96	24.96
# Lam Soon (Thailand) Public Company Limited ["LST"]	Manufacture and distribution of palm oil	Thailand	31 December	20.00	20.00
GLM Emerald (Sepang) Sdn Bhd	Property development and operation of oil palm estate	Malaysia	30 June	20.00	20.00
Held by Hap Seng Land Development (Balakong) Sdn Bhd:					
Sunrise Strategy Sdn Bhd	Property investment	Malaysia	31 December	30.00	30.00
Held by Hap Seng Realty (KL City) Sdn Bhd:					
* Inverfin Sdn Bhd ["Inverfin"]	Property investment, office and food court management	Malaysia	31 December	49.99	49.99
Held by Hafary Vietnam Pte Ltd:					
* Viet Ceramics International Joint Stock Company	Importer and dealer of building materials	Socialist Republic of Vietnam	31 December	49.00	49.00

* Audited by firms other than Ernst & Young PLT

Audited by member firm of Ernst & Young Global in the respective countries

The financial statements of the above associates are coterminous with those of the Group, except for Paos Holdings Berhad and GLM Emerald (Sepang) Sdn Bhd whose financial year end are 31 May and 30 June respectively which are coterminous with their respective holding companies' financial year end. For the purpose of applying the equity method of accounting, the latest available financial information have been used and appropriate adjustments have been made for the effects of significant transactions between the dates of the latest available financial information and 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN ASSOCIATES (CONTINUED)

The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates.

	Inverfin RM'000	LST RM'000	Other individually immaterial associates RM'000	Total RM'000
2022				
(i) Summary of financial information				
<i>As at 31 December:</i>				
Non-current assets	700,086	378,706	303,720	1,382,512
Current assets	54,968	526,339	248,290	829,597
Non-current liabilities	(206,277)	(36,602)	(445)	(243,324)
Current liabilities	(13,101)	(253,450)	(77,153)	(343,704)
Net assets	535,676	614,993	474,412	1,625,081
NCI	-	(57,094)	-	(57,094)
Net assets attributable to owner of associates	535,676	557,899	474,412	1,567,987
<i>Year ended 31 December:</i>				
Revenue	41,894	1,459,040	785,249	2,286,183
Profit for the year	13,553	48,054	16,727	78,334
(ii) Reconciliation of net assets to carrying amount as at 31 December				
Group's share of net assets	267,837	111,579	139,208	518,624
Goodwill	954	318	27,786	29,058
Impairment losses	-	(10,545)	(48,924)	(59,469)
Carrying amount in statement of financial position	268,791	101,352	118,070	488,213
(iii) Group's share of results of associates	6,777	9,610	9,821	26,208
(iv) Dividends received from associates	-	4,649	3,395	8,044

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. INVESTMENT IN ASSOCIATES (CONTINUED)

	Inverfin RM'000	LST RM'000	Other individually immaterial associates RM'000	Total RM'000
2021				
(i) Summary of financial information				
<i>As at 31 December:</i>				
Non-current assets	700,101	368,617	407,209	1,475,927
Current assets	42,042	460,004	234,589	736,635
Non-current liabilities	(207,199)	(38,292)	(28,267)	(273,758)
Current liabilities	(12,821)	(217,652)	(157,112)	(387,585)
Net assets	522,123	572,677	456,419	1,551,219
NCI	-	(48,284)	-	(48,284)
Net assets attributable to owner of associates	522,123	524,393	456,419	1,502,935
<i>Year ended 31 December:</i>				
Revenue	39,533	1,088,497	556,414	1,684,444
Profit for the year	13,074	73,298	6,540	92,912
(ii) Reconciliation of net assets to carrying amount as at 31 December				
Group's share of net assets	261,060	104,879	131,516	497,455
Goodwill	954	318	27,786	29,058
Impairment losses	-	-	(48,879)	(48,879)
Carrying amount in statement of financial position	262,014	105,197	110,423	477,634
(iii) Group's share of results of associates	6,537	14,660	3,405	24,602
(iv) Dividends received from associates	6,500	4,289	-	10,789

The Group and the Company conducted review of the recoverable amounts on certain investment in associates and an impairment loss amounting to RM10,590,000 for the Group and RM2,714,000 for the Company have been recognised in the profit or loss as disclosed in Note 29(b). In the previous financial year, a reversal of RM6,105,000 for the Group and RM226,000 for the Company were recognised in the profit or loss as disclosed in Note 29(a). The recoverable amounts are determined based on the observable market prices.

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8. INVESTMENT IN JOINT VENTURES

	Group	
	2022 RM'000	2021 RM'000
Unquoted shares, at cost		
- In Malaysia	1,900	1,900
- Outside Malaysia	9,880	9,880
	11,780	11,780
Share of post-acquisition reserves	(2,793)	(3,558)
Exchange differences	308	430
At 31 December	9,295	8,652

Details of the joint ventures as of 31 December 2022 are as follows:

Name of joint ventures	Principal activities	Country of incorporation	Financial year end	Equity interest held (%)	
				2022	2021
Held by Hafary Pte Ltd:					
* Melmer Stoneworks Pte Ltd	Cutting, shaping and finishing of stone	Singapore	31 December	50.00	50.00
* Hafary Myanmar Investment Pte Ltd	Investment holding	Singapore	31 December	33.33	33.33
Held by Hafary Building Materials Pte Ltd:					
* Guangdong ITA Element Building Materials Co., Limited	Production and distribution of tiles	People's Republic of China	31 December	50.00	50.00
Held by MMSB:					
* Sino Ceramics Sdn Bhd	In liquidation	Malaysia	31 March	19.00	19.00
* Audited by a firm other than Ernst & Young PLT					

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8. INVESTMENT IN JOINT VENTURES (CONTINUED)

The financial statements of the above joint ventures are coterminous with those of the Group, except for Sino Ceramics Sdn Bhd whose financial year end is 31 March. For the purpose of applying the equity method of accounting, the latest available financial information have been used and appropriate adjustments have been made for the effects of significant transactions between the dates of the latest available financial information and 31 December 2022.

The following table summarises the information of the Group's joint ventures, which are individually immaterial.

	Group	
	2022 RM'000	2021 RM'000
(i) Summary of financial information		
<i>As at 31 December:</i>		
Non-current assets	11,963	22,384
Current assets	68,992	59,561
Non-current liabilities	(15,901)	(16,949)
Current liabilities	(46,806)	(48,501)
Net assets	18,248	16,495
<i>Year ended 31 December:</i>		
Revenue	83,489	81,010
Profit for the year	2,739	4,758
(ii) Group's share of net assets/carrying amount in statement of financial position	9,295	8,652
(iii) Group's share of results of joint ventures	1,196	1,107
(iv) Dividends received from a joint venture	431	1,082

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9. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	2022	2021
	RM'000	RM'000
Cost:		
At 1 January	1,398,923	1,304,291
Additions	1,328,749	262,059
Transfer to:		
- property, plant and equipment (Note 4)	(35,600)	(7,724)
- investment properties (Note 5)	(149,570)	(7,942)
- property development costs (Note 14)	(79,492)	-
Costs charged to profit or loss	(4,777)	(151,761)
At 31 December	2,458,233	1,398,923
Represented by:		
Freehold land	1,621,816	184,097
Right-of-use assets – Leasehold land	502,039	755,410
Land development expenditure	334,378	459,416
	2,458,233	1,398,923

Included in additions was interest expense capitalised of RM55,062,000 (2021: RM17,582,000).

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10. INTANGIBLE ASSETS

	Goodwill RM'000	Customer relationship RM'000	Distributor rights RM'000	Total RM'000
Group				
At cost				
At 1 January 2021/31 December 2021/ 1 January 2022/31 December 2022	105,163	44,594	1,523	151,280
Accumulated amortisation/impairment loss				
At 1 January 2021	68,427	44,594	221	113,242
Amortisation	-	-	102	102
At 31 December 2021/1 January 2022	68,427	44,594	323	113,344
Amortisation	-	-	102	102
At 31 December 2022	68,427	44,594	425	113,446
Net carrying amount				
At 31 December 2021	36,736	-	1,200	37,936
At 31 December 2022	36,736	-	1,098	37,834

(a) Goodwill

Goodwill has been allocated to the Group's CGUs identified according to business segments and tested for impairment at each of the reporting period.

	Group	
	2022 RM'000	2021 RM'000
Plantation	36,736	36,736

The recoverable amount of the plantation CGU has been determined based on the FVLCS method.

(b) Customer relationship

The cost of customer relationship with definite useful life is amortised over a period of 5 years.

(c) Distributor rights

The cost of distributor rights with definite useful life is amortised over a period of 15 years.

NOTES TO THE FINANCIAL STATEMENTS

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11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current				
Trade receivables				
Hire purchase receivables	671,528	600,229	-	-
Loan receivables	1,035,895	1,135,356	-	-
Amounts due from an associate	54,939	82,088	-	-
	1,762,362	1,817,673	-	-
Less: Allowance for impairment	(56,309)	(56,833)	-	-
Advances received	(52,702)	(50,303)	-	-
	1,653,351	1,710,537	-	-
Non-trade receivables				
Net investment in lease	7,818	9,101	-	-
	1,661,169	1,719,638	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current				
Trade receivables				
Third parties	1,041,818	899,415	-	-
Lease receivables	141	282	-	-
Hire purchase receivables	440,899	408,409	-	-
Loan receivables	195,307	614,580	-	-
Amounts due from other related companies	162	398	-	-
Amounts due from associates	35,258	9,214	-	-
Amounts due from joint ventures	2,865	2,609	-	-
	1,716,450	1,934,907	-	-
Less: Allowance for impairment	(76,503)	(75,577)	-	-
Interest in suspense	(55,448)	(40,177)	-	-
Advances received	(31,710)	(30,722)	-	-
	1,552,789	1,788,431	-	-
Non-trade receivables				
Other receivables	105,845	101,879	991	590
Prepayments	47,085	44,195	16	15
Goods and Services Tax ("GST") recoverable	-	58	-	-
Net investment in lease	278	251	-	-
Amounts due from associates	240	4,215	-	-
Amounts due from joint ventures	12,002	10,748	-	-
	165,450	161,346	1,007	605
	1,718,239	1,949,777	1,007	605
Total trade and other receivables (current and non-current)	3,379,408	3,669,415	1,007	605
Less: Prepayments	(47,085)	(44,195)	(16)	(15)
GST recoverable	-	(58)	-	-
Add: Cash and bank balances (Note 18)	1,431,980	1,225,957	161,770	129,957
Total financial assets at amortised cost	4,764,303	4,851,119	162,761	130,547

NOTES TO THE FINANCIAL STATEMENTS

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11. TRADE AND OTHER RECEIVABLES (CONTINUED)**(a) Trade receivables****(i) Third parties**

These amounts are non-interest bearing. The Group's normal trade credit term ranges from 30 to 90 days (2021: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

(ii) Lease receivables and hire purchase receivables

Lease receivables and hire purchase receivables consist of the following:

	Gross receivables RM'000	Unearned interest RM'000	Net receivables RM'000
Group			
2022			
Less than 1 year	499,420	(58,380)	441,040
Between 1 and 5 years	724,499	(55,682)	668,817
After 5 years	6,241	(3,530)	2,711
	1,230,160	(117,592)	1,112,568
2021			
Less than 1 year	452,948	(44,257)	408,691
Between 1 and 5 years	648,443	(73,083)	575,360
After 5 years	26,060	(1,191)	24,869
	1,127,451	(118,531)	1,008,920

(iii) Amounts due from other related companies

Amounts due from other related companies are non-interest bearing and repayable in accordance with the normal credit terms disclosed in Note 11(a)(i).

(iv) Amounts due from associates and joint ventures

The amounts due from associates are non-interest bearing and repayable in accordance with the normal credit terms disclosed in Note 11(a)(i) except for an amount of RM89,864,000 (2021: RM91,137,000) which is repayable in accordance with terms as per sale and purchase agreements.

The amounts due from joint ventures are non-interest bearing and repayable in accordance with the normal credit terms disclosed in Note 11(a)(i).

NOTES TO THE FINANCIAL STATEMENTS

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11. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Ageing analysis of trade receivables

	Group	
	2022 RM'000	2021 RM'000
Total trade receivables:		
- Current	1,716,450	1,934,907
- Non-current	1,762,362	1,817,673
	3,478,812	3,752,580

The ageing analysis of trade receivables is as follows:

	Group	
	2022 RM'000	2021 RM'000
Neither past due nor impaired	180,055	244,329
Past due but not impaired:		
- Past due 1 – 30 days	23,641	21,173
- Past due 31 – 90 days	16,884	9,724
- Past due more than 90 days	17,494	22,723
	58,019	53,620
Assessed individually	101,994	110,998
Assessed collectively	3,138,744	3,343,633
Total trade receivables	3,478,812	3,752,580

The movement in the allowance for impairment loss is as follows:

	Group	
	2022 RM'000	2021 RM'000
At 1 January	132,410	100,284
Allowance for impairment losses (Note 30)	10,470	40,193
Reversal of impairment losses (Note 30)	(4,142)	(6,720)
Written off	(5,501)	(1,932)
Disposal of a subsidiary	(654)	-
Exchange differences	229	585
At 31 December	132,812	132,410

NOTES TO THE FINANCIAL STATEMENTS

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11. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Non-trade receivables

(i) Net investment in lease

	Group	
	2022 RM'000	2021 RM'000
At 1 January	9,352	12,010
Interest income	1,188	1,212
Lease payment received	(1,440)	(1,440)
Impairment loss	(1,004)	(2,430)
At 31 December	8,096	9,352

The lease payments to be received are as follows:

	Group	
	2022 RM'000	2021 RM'000
Less than one year	1,440	1,440
One to two years	1,440	1,440
Two to three years	1,440	1,440
Three to four years	1,440	1,440
Four to five years	1,440	1,440
More than five years	16,800	18,240
Total undiscounted lease payments	24,000	25,440
Unearned interest income	(12,470)	(13,658)
	11,530	11,782
Less: Impairment loss	(3,434)	(2,430)
Net investment in lease	8,096	9,352

The following are recognised in profit or loss:

	Group	
	2022 RM'000	2021 RM'000
Variable lease income that do not depend on an index or a rate	1,490	1,079

NOTES TO THE FINANCIAL STATEMENTS

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11. TRADE AND OTHER RECEIVABLES (CONTINUED)**(b) Non-trade receivables (continued)****(ii) Amounts due from associates**

Amounts due from an associate is unsecured, non-interest bearing and repayable on demand except for an amount of RM240,000 (2021: RM4,172,000) for the Group which bears interest at rate of 4.08% (2021: 3.5%) per annum.

(iii) Amounts due from joint ventures

Amounts due from joint ventures are unsecured, non-interest bearing and repayable on demand except for an amount of RM6,019,000 (2021: RM6,850,000) for the Group which bears interest at rate of 4% (2021: 4%) per annum.

Included in trade and other receivables of the Group are amounts denominated in foreign currencies (currencies other than the respective functional currencies of the Group entities) as follows:

	Group	
	2022	2021
	RM'000	RM'000
United States Dollar ["USD"]	26,963	23,503
Singapore Dollar ["SGD"]	2,656	248
Euro	2,032	991
Japanese Yen ["JPY"]	618	-
	32,269	24,742

NOTES TO THE FINANCIAL STATEMENTS

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12. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

	Group	
	2022 RM'000	2021 RM'000
OTHER FINANCIAL ASSETS		
Non-current		
Financial assets at fair value through other comprehensive income		
- Equity investments (unquoted in Malaysia)	15,012	15,012
Derivatives - designated as hedging instrument		
- Cross currency interest rate swaps - cash flow hedges	32,007	1,934
Financial assets at fair value through profit or loss		
- Equity investments (quoted outside Malaysia)	1,099	1,049
	48,118	17,995
Current		
Derivatives - designated as hedging instrument		
- Forward currency contracts - cash flow hedges	-	66
- Cross currency interest rate swaps - cash flow hedges	10,246	95
	10,246	161
Derivatives - not designated as hedging instrument		
- Forward currency contracts	503	28
	10,749	189
OTHER FINANCIAL LIABILITIES		
Non-current		
Derivatives - designated as hedging instrument		
- Cross currency interest rate swaps - cash flow hedges	-	4,268
Current		
Derivatives - designated as hedging instrument		
- Forward currency contracts - cash flow hedges	1,528	744
- Cross currency interest rate swaps - cash flow hedges	5,781	761
	7,309	1,505
Derivatives - not designated as hedging instrument		
- Forward currency contracts	11,847	4,980
	19,156	6,485

NOTES TO THE FINANCIAL STATEMENTS

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12. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES (CONTINUED)**Derivatives****(i) Forward currency contracts**

The Group uses forward currency contracts to manage the foreign currency exposures arising from its receivables, payables, borrowings and firm commitments denominated in USD, Euro, JPY and Chinese Renminbi ["RMB"] which existed at the reporting date, extending to June 2023 (2021: June 2022). Hedges of foreign currency risk which meet the strict criteria for hedge accounting have been accounted for as a cash flow hedge. Other hedges of foreign currency risk that have not been accounted for as a cash flow hedge or those that do not qualify for hedge accounting, have been designated at fair value through profit or loss.

The fair value of forward currency contracts is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the reporting date applied to a contract of similar quantum and maturity portfolio.

(ii) Cross currency interest rate swaps

The Group entered into and designated cross currency interest rate swaps as hedging instruments in a cash flow hedge of the borrowings denominated in USD (2021: USD) and bearing interest at floating rates. These contracts are entered into for periods consistent with the foreign currency and floating interest rate exposures. As a result, the Group pays a fixed rate of interest for the borrowings. The terms of the cross currency interest rate swaps match the terms of the borrowings and the cash flow hedge have been assessed as highly effective. No hedge ineffectiveness has arisen requiring recognition through profit or loss.

The fair value of cross currency interest rate swaps is estimated using valuation techniques with observable inputs, which uses present value calculations, incorporate various input including foreign exchange spot and interest rate curves.

NOTES TO THE FINANCIAL STATEMENTS

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13. INVENTORIES

	Group	
	2022 RM'000	2021 RM'000
Cost		
Properties held for sale	754,269	773,550
Raw materials	85,826	60,520
Produce inventories	59,922	50,874
Work-in-progress	6,248	3,787
Finished goods	805,696	906,168
	1,711,961	1,794,899
Net realisable value		
Raw materials	24,907	21,302
Finished goods	218,525	198,357
	243,432	219,659
	1,955,393	2,014,558
Recognised in profit or loss		
Inventories recognised as cost of sales	5,267,227	3,780,276

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14. PROPERTY DEVELOPMENT COSTS

	Land RM'000	Development costs RM'000	Accumulated costs charged to profit or loss RM'000	Total RM'000
Group				
At 1 January 2021	257,034	1,006,366	(358,118)	905,282
Transfer to:				
- property, plant and equipment (Note 4)	(126,583)	(90,197)	-	(216,780)
- inventories	(46,137)	(322,898)	-	(369,035)
Costs incurred during the year	-	120,763	-	120,763
Costs charged to profit or loss	-	-	(114,696)	(114,696)
Reversal of completed projects	(39,342)	(263,139)	302,481	-
At 31 December 2021/1 January 2022	44,972	450,895	(170,333)	325,534
Transfer from/(to):				
- land held for property development (Note 9)	67,579	11,913	-	79,492
- inventories	(4,885)	(207,934)	-	(212,819)
Costs incurred during the year	-	29,271	-	29,271
Costs charged to profit or loss	-	-	(42,787)	(42,787)
Reversal of completed projects	(6,739)	(185,632)	192,371	-
At 31 December 2022	100,927	98,513	(20,749)	178,691

Included in the property development costs incurred during the financial year was interest expense capitalised of RM3,154,000 (2021: RM9,127,000).

The property development costs included contract costs assets as follows:

	Group	
	2022 RM'000	2021 RM'000
Contract cost assets		
Costs to obtain contracts with customers	475	110
Costs to fulfil contracts	80,523	83,560
	80,998	83,670

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15. BIOLOGICAL ASSETS

	Group	
	2022 RM'000	2021 RM'000
At 1 January	57,721	33,960
Net (loss)/gain from fair value adjustments recognised in profit or loss (Note 30)	(29,213)	23,832
Written off	-	(71)
At 31 December	28,508	57,721

The biological assets of the Group comprise fresh fruit bunches ["FFB"] of 2 months prior to harvest. The valuation model adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB. The net present value of cash flows is then determined with reference to the market value of FFB based on Malaysian Palm Oil Board reference price as at reporting date, adjusted for production costs and other costs to sell.

As at 31 December 2022, the estimated quantity of unharvested FFB of the Group included in the fair value of FFB was 99,000 tonnes (2021: 83,000 tonnes).

The Group's biological assets were fair valued within Level 3 of the fair value hierarchy. There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the financial year.

Sensitivity analysis for FFB

The sensitivity analysis below indicates the approximate change in the Group's fair value of FFB and profit for the year that would arise if the following key estimates and assumptions adopted in the valuation model had changed at the reporting date, assuming all other estimates, assumptions and other variables remained constant.

	2022		2021	
	Increase/ (Decrease) in price and volume	Increase/ (Decrease) in fair value of biological assets and profit before tax for the year RM'000	Increase/ (Decrease) in price and volume	Increase/ (Decrease) in fair value of biological assets and profit before tax for the year RM'000
Selling price	10%	7,774	10%	9,119
	(10%)	(7,774)	(10%)	(9,119)
Production volume	10%	2,832	10%	5,772
	(10%)	(2,832)	(10%)	(5,772)

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16. CONTRACT ASSETS AND CONTRACT LIABILITIES

	Group	
	2022 RM'000	2021 RM'000
CONTRACT ASSETS		
Current		
- Property development	22,420	26,814
CONTRACT LIABILITIES		
Non-current		
- Property development	55,323	82,788
Current		
- Property development	51,709	24,952
- Goods and services	34,223	11,995
	85,932	36,947

(a) Property development

Movement of contract assets and contract liabilities in relation to property development is analysed as follows:

	Group	
	2022 RM'000	2021 RM'000
At 1 January	(80,926)	91,058
Add: Property development revenue recognised during the year	58,724	138,951
Add: Legal fees	3,474	1,381
Less: Progress billings during the year	(65,884)	(312,316)
At 31 December	(84,612)	(80,926)
Analysed as follows:		
- Contract assets	22,420	26,814
- Contract liabilities	(107,032)	(107,740)
	(84,612)	(80,926)

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16. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(a) Property development (continued)

The remaining contractual billings to customers from property development activities amounted to RM50,108,000 (2021: RM29,039,000) and will be billed progressively upon fulfilment of contractual milestone notwithstanding that control of the assets has not been transferred to the customers. The contractual billings period for property development ranges within 1 year to 2 years (2021: within 1 year).

(b) Goods and services

The contract liabilities arising from sales of goods and services are the incentives to be claimed by dealers and considerations received from customers for services and obligations that are to be delivered and to be recognised as revenue over the next 1 year to 3 years.

17. MONEY MARKET DEPOSITS

Money market deposits are placements made in financial institutions which are designated upon initial recognition as financial assets at fair value through profit or loss.

Included in money market deposits of the Group and the Company at reporting date are amounts of RM698,793,000 (2021: RM5,558,000) and RM698,793,000 (2021: Nil) respectively denominated in USD. Other information on financial risks of money market deposits are disclosed in Note 41.

18. CASH AND BANK BALANCES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash at banks and on hand	440,369	334,096	1,495	1,471
Deposits with licensed banks	991,611	891,861	160,275	128,486
Cash and bank balances	1,431,980	1,225,957	161,770	129,957

Included in cash at banks of the Group are amounts totalling RM25,417,000 (2021: RM27,281,000), the utilisation of which is subject to the Housing Development (Housing Development Account) Regulations 1991 and the Housing Developers (Project Account) Rules 1995.

Included in cash at banks of the Group and of the Company are amounts totalling RM317,945,000 (2021: RM105,773,000) and RM773,000 (2021: RM1,155,000) respectively which earned interest at floating rates of 0.05% to 4.50% (2021: 0.05% to 1.85%) per annum for the Group and 1.90% to 2.50% (2021: 0.90% to 1.75%) per annum for the Company.

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18. CASH AND BANK BALANCES (CONTINUED)

Included in cash and bank balances of the Group and of the Company are amounts denominated in foreign currencies (currencies other than the respective functional currencies of the Group entities) as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
USD	16,458	10,656	-	332
SGD	138,692	130,313	136,276	128,154
Euro	79	191	-	-
Pound Sterling ["GBP"]	839	564	715	248
	156,068	141,724	136,991	128,734

Other information on financial risks of cash and cash equivalents are disclosed in Note 41.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current				
Trade payables				
Accruals	168,234	158,820	-	-
Non-trade payables				
Advance received	748	804	-	-
Deferred lease income	8,231	8,063	-	-
Deposits received	14,757	15,985	-	-
Amounts due to a subsidiary	-	-	931,500	-
	23,736	24,852	931,500	-
	191,970	183,672	931,500	-
Current				
Trade payables				
Third parties	629,997	593,279	-	-
Accruals	101,382	141,450	-	-
Amounts due to other related companies	940	2,216	-	-
Amounts due to joint ventures	3,093	1,841	-	-
	735,412	738,786	-	-

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19. TRADE AND OTHER PAYABLES (CONTINUED)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-trade payables				
Accruals	235,966	212,240	4,209	4,097
Other payables	248,072	138,154	86	537
Advance received	364	31	-	-
Deferred lease income	862	705	-	-
Deposits received	12,497	9,198	-	-
GST payable	-	112	-	-
Amounts due to joint ventures	2,638	19	-	-
Amounts due to subsidiaries	-	-	2,439	363,240
	500,399	360,459	6,734	367,874
	1,235,811	1,099,245	6,734	367,874
Total trade and other payables (current and non-current)	1,427,781	1,282,917	938,234	367,874
Less: GST payable	-	(112)	-	-
Deferred lease income	(9,093)	(8,768)	-	-
Add: Borrowings (Note 22)	7,069,000	6,316,317	-	-
Lease liabilities (Note 23)	139,816	142,312	9	9
Total financial liabilities at amortised cost	8,627,504	7,732,666	938,243	367,883

(a) Trade payables

(i) Third parties

These amounts are non-interest bearing. The normal credit terms granted to the Group range from 30 to 90 days (2021: 30 to 90 days).

(ii) Amounts due to other related companies

Amounts due to other related companies are non-interest bearing and are payable in accordance with the normal credit terms disclosed in Note 19(a)(i).

(iii) Amounts due to joint ventures

Amounts due to joint ventures are non-interest bearing and are payable in accordance with the normal credit terms disclosed in Note 19(a)(i).

NOTES TO THE FINANCIAL STATEMENTS

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19. TRADE AND OTHER PAYABLES (CONTINUED)**(b) Non-trade payables****(i) Other payables**

These amounts are non-interest bearing and payable in accordance with the normal credit terms.

(ii) Amounts due to subsidiaries

Amounts due to subsidiaries are unsecured, non-interest bearing and payable in accordance with the normal credit terms except for an amount of RM931,500,000 (2021: RM362,200,000) which bears interest at rate of 4.05% (2021: 2.79%) per annum.

(iii) Amounts due to joint ventures

Amounts due to joint ventures are unsecured, non-interest bearing and payable in accordance with the normal credit terms.

Included in trade and other payables of the Group are amounts denominated in foreign currencies (currencies which are other than the respective functional currencies of the Group entities) as follows:

	Group	
	2022	2021
	RM'000	RM'000
USD	278,847	267,097
Euro	10,615	1,526
RMB	807	6,399
SGD	821	-
JPY	7,095	-
	298,185	275,022

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20. PROVISIONS

	Property development obligations RM'000 (i)	Rebates RM'000 (ii)	Land conversion premium obligations RM'000 (iii)	Assets retirement obligations RM'000 (iv)	Warranties RM'000 (v)	Total RM'000
Group						
At 1 January 2021	920	2,203	245,490	1,500	1,879	251,992
Provision made during the year	-	2,851	79,165	-	1,491	83,507
Provision utilised during the year	-	(2,237)	(5,765)	-	(951)	(8,953)
Provision reversed during the year	(920)	-	(7,539)	-	-	(8,459)
Exchange differences	-	34	-	-	-	34
At 31 December 2021/ 1 January 2022	-	2,851	311,351	1,500	2,419	318,121
Provision made during the year	-	3,673	2,352	-	9,115	15,140
Provision utilised during the year	-	(3,033)	(47)	(1,000)	(7,160)	(11,240)
Provision reversed during the year	-	-	-	-	(4,037)	(4,037)
Exchange differences	-	182	-	-	-	182
At 31 December 2022	-	3,673	313,656	500	337	318,166

- (i) Provision for property development obligations relates to infrastructure works of completed projects undertaken by certain subsidiaries. The provision is estimated based on historical data associated with similar property development projects.
- (ii) Provision for rebates relates to rebates given by a foreign subsidiary to customers for settlement of account within credit terms.
- (iii) Provision for land conversion premium obligations relates to obligations to pay the conversion premium for the land sold.
- (iv) Provision for asset retirement obligations relates to obligations to restore the leased assets to its original state after the tenure of the lease.
- (v) Provision for warranties relates to warranties given to customers for commercial vehicles sold. The provision is based on estimates made from historical warranty data associated with similar products and services.

NOTES TO THE FINANCIAL STATEMENTS

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21. EMPLOYEE BENEFITS**Retirement benefits**

	Group	
	2022	2021
	RM'000	RM'000
Defined benefit liability	3,122	2,691

Certain subsidiaries of the Group make contribution to non-contributory defined benefit plan that provide pension for employees upon retirement. The plans entitle a retired employee to receive an annual payment equal to 6.5% (2021: 6.5%) of final salary for each year of service that the employee provided.

Movement in defined benefit liability

The following table shows a reconciliation from the opening balance to the closing balance for defined benefit liability and its components.

	Group	
	2022	2021
	RM'000	RM'000
At 1 January	2,691	2,813
Exchange differences	(32)	23
	2,659	2,836
Included in profit or loss:		
Current service cost	221	185
Interest cost	144	118
Past service credit	212	(228)
	577	75
Included in other comprehensive income:		
Remeasurement gain	-	(87)
Others:		
Benefits paid	(95)	(131)
Exchange differences	(19)	(2)
At 31 December	3,122	2,691

Plan assets

There are no assets which qualify as plan assets because the plan is not a funded arrangement.

NOTES TO THE FINANCIAL STATEMENTS

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21. EMPLOYEE BENEFITS (CONTINUED)**Actuarial assumptions**

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	Group	
	2022	2021
	%	%
Discount rate	3.90 – 6.75	3.90 – 6.15
Future salary growth	5.00 – 8.00	5.00 – 8.00

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Group			
	2022		2021	
	Increase	Decrease	Increase	Decrease
	RM'000	RM'000	RM'000	RM'000
Discount rate (1% movement)	(275)	327	(265)	317
Future salary growth (1% movement)	172	(152)	157	(139)

Although the analysis does not account for the full distribution of cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

NOTES TO THE FINANCIAL STATEMENTS

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22. BORROWINGS

	Group	
	2022 RM'000	2021 RM'000
Non-current		
Secured:		
Term loans	567,838	348,427
Unsecured:		
Term loans	859,397	962,216
Medium term notes	3,120,000	2,645,000
	3,979,397	3,607,216
	4,547,235	3,955,643
Current		
Secured:		
Term loans	35,643	32,857
Revolving credits	124,716	75,595
	160,359	108,452
Unsecured:		
Term loans	420,421	176,339
Revolving credits	560,355	1,248,292
Trust receipts	89,500	61,688
Bankers' acceptances	266,130	295,903
Medium term notes	1,025,000	470,000
	2,361,406	2,252,222
	2,521,765	2,360,674
Total borrowings	7,069,000	6,316,317

NOTES TO THE FINANCIAL STATEMENTS

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22. BORROWINGS (CONTINUED)

The secured borrowings are in respect of foreign subsidiaries' borrowings which are secured against their buildings and prepaid lease payments as disclosed in Note 4 and investment properties as disclosed in Note 5.

On 30 July 2018, Hap Seng Management Sdn Bhd ["HSM"], a wholly-owned subsidiary of the Company lodged with the Securities Commission Malaysia to establish an unrated medium term notes ["MTN"] programme of up to RM5.0 billion in nominal value ["MTN Programme"] and an unrated commercial papers ["CP"] programme of up to RM1.0 billion in nominal value ["CP Programme"], which have a combined limit of RM5.0 billion in nominal value. The tenures of the MTN and CP Programmes are 20 years and 7 years respectively from the date of first issuance on 29 August 2018. The MTN Programme and the CP Programme are collectively referred to as the Programmes. The proceeds from the Programmes will be utilised by HSM for advances to the Group for general corporate purposes and working capital.

On 30 September 2022, HSM has upsized the existing MTN Programme to RM10.0 billion in nominal value and extended its tenure to perpetual. The Programmes shall have a new combined limit of up to RM10.0 billion in nominal value.

The remaining maturities of the borrowings are as follows:

	Group	
	2022	2021
	RM'000	RM'000
Within one year	2,521,765	2,360,674
More than 1 year and less than 2 years	1,496,686	1,474,160
More than 2 years and less than 5 years	2,830,413	2,229,600
More than 5 years	220,136	251,883
	7,069,000	6,316,317

Included in borrowings are amounts denominated in foreign currencies (currencies which are other than the respective functional currencies of the Group entities) as follows:

	Group	
	2022	2021
	RM'000	RM'000
USD	989,079	781,856
Euro	47,119	21,478
JPY	8,575	-
	1,044,773	803,334

Other information on financial risks of borrowings are disclosed in Note 41.

NOTES TO THE FINANCIAL STATEMENTS

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22. BORROWINGS (CONTINUED)

Changes in liabilities arising from financing activities:

	1 January RM'000	Cash flows RM'000	Other changes RM'000	31 December RM'000
Group				
2022				
Term loans	1,519,839	292,920	70,540	1,883,299
Revolving credits	1,323,887	(636,610)	(2,206)	685,071
Trust receipts	61,688	23,254	4,558	89,500
Bankers' acceptances	295,903	(29,773)	-	266,130
Medium term notes	3,115,000	1,030,000	-	4,145,000
	6,316,317	679,791	72,892	7,069,000
Lease liabilities	142,312	(27,633)	25,137	139,816
Total liabilities from financing activities	6,458,629	652,158	98,029	7,208,816
2021				
Term loans	1,646,062	(133,118)	6,895	1,519,839
Revolving credits	1,556,118	(251,421)	19,190	1,323,887
Trust receipts	31,385	29,843	460	61,688
Bankers' acceptances	167,090	128,813	-	295,903
Medium term notes	3,090,000	25,000	-	3,115,000
	6,490,655	(200,883)	26,545	6,316,317
Lease liabilities	126,865	(31,008)	46,455	142,312
Total liabilities from financing activities	6,617,520	(231,891)	73,000	6,458,629

NOTES TO THE FINANCIAL STATEMENTS

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23. LEASE LIABILITIES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	142,312	126,865	9	24
Additions	23,418	53,656	15	-
Accretion of interest	5,230	5,595	-	1
Modifications	(912)	(7,715)	-	-
Payments	(32,863)	(36,603)	(15)	(16)
Exchange differences	2,631	514	-	-
At 31 December	139,816	142,312	9	9
Non-current	117,515	112,976	-	-
Current	22,301	29,336	9	9
	139,816	142,312	9	9

During the financial year, the Group and the Company had cash outflows for leases amounted to RM32,863,000 (2021: RM36,603,000) and RM15,000 (2021: RM16,000) respectively. In addition, the Group and the Company had cash outflows for short term, low value and variable lease expense amounted to RM39,255,000 (2021: RM39,204,000) and RM1,362,000 (2021: RM1,374,000) respectively.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

24. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	417,341	380,741	10	1
Recognised in profit or loss (Note 33)	17,545	36,350	(2)	9
Recognised in equity	3,468	-	-	-
Exchange differences	1,136	250	-	-
At 31 December	439,490	417,341	8	10
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	494,110	491,206	8	10
Deferred tax assets	(54,620)	(73,865)	-	-
	439,490	417,341	8	10

NOTES TO THE FINANCIAL STATEMENTS

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24. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (CONTINUED)

The components and movements of deferred tax liabilities and deferred tax assets during the financial year are as follows:

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000	Investment properties RM'000	Others RM'000	Total RM'000
At 1 January 2022	450,567	80,780	6,901	538,248
Recognised in profit or loss	(4,150)	(1,287)	(575)	(6,012)
Recognised in equity	-	3,468	-	3,468
Exchange differences	1,163	-	-	1,163
At 31 December 2022	447,580	82,961	6,326	536,867
Less: Deferred tax assets offset				(42,757)
Deferred tax liabilities recognised				494,110
At 1 January 2021	456,534	79,518	5,355	541,407
Recognised in profit or loss	(6,253)	1,262	1,546	(3,445)
Exchange differences	286	-	-	286
At 31 December 2021	450,567	80,780	6,901	538,248
Less: Deferred tax assets offset				(47,042)
Deferred tax liabilities recognised				491,206

NOTES TO THE FINANCIAL STATEMENTS

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24. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (CONTINUED)**Deferred tax assets of the Group:**

	Unabsorbed capital, agriculture and reinvestment allowances RM'000	Unutilised tax losses RM'000	Others RM'000	Total RM'000
At 1 January 2022	(34,823)	(17,879)	(68,205)	(120,907)
Recognised in profit or loss	5,284	7,911	10,362	23,557
Exchange differences	-	(54)	27	(27)
At 31 December 2022	(29,539)	(10,022)	(57,816)	(97,377)
Offset against deferred tax liabilities				42,757
Deferred tax assets recognised				(54,620)
At 1 January 2021	(33,407)	(13,301)	(113,958)	(160,666)
Recognised in profit or loss	(1,416)	(4,563)	45,774	39,795
Exchange differences	-	(15)	(21)	(36)
At 31 December 2021	(34,823)	(17,879)	(68,205)	(120,907)
Offset against deferred tax liabilities				47,042
Deferred tax assets recognised				(73,865)

Deferred tax liabilities of the Company:

	2022 RM'000	2021 RM'000
Property, plant and equipment		
At 1 January	10	1
Recognised in profit or loss	(2)	9
At 31 December	8	10

NOTES TO THE FINANCIAL STATEMENTS

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24. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (CONTINUED)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2022	2021
	RM'000	RM'000
Unutilised tax losses	266,589	298,317
Unabsorbed capital and agriculture allowances	181,868	107,032
Unabsorbed reinvestment allowances	198,200	199,829
Other temporary differences	448,894	451,861
	1,095,551	1,057,039

The above unutilised tax losses, unabsorbed capital, agriculture and reinvestment allowances are subject to agreement with the Inland Revenue Board. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

Deferred tax assets have not been recognised in respect of the above items as it is not probable that future taxable profits will be available in these subsidiaries against which the Group can utilise the benefits.

In accordance with the provision of Malaysian Finance Act 2021 requirement, the unutilised tax losses and unabsorbed reinvestment allowances are available for utilisation in the next ten years and fifteen years respectively, for which any excess at the end of the tenth and fifteenth year will be disregarded. Unabsorbed capital allowances and agriculture allowances do not expire under current tax legislation.

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25. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Number of ordinary shares		Amount	
	2022 '000	2021 '000	2022 RM'000	2021 RM'000
Issued and fully paid:				
At 1 January/31 December	2,489,682	2,489,682	3,519,554	3,519,554

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

(b) Treasury shares

At the annual general meeting of the Company held on 26 May 2022, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company did not purchase any of its own shares.

As at 31 December 2022, the Company held a total of 12,000 (2021: 12,000) ordinary shares at average cost per share of RM9.42 (2021: RM9.42) as treasury shares.

26. RESERVES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(a) Non-distributable reserves	118,654	158,374	-	-
(b) Distributable reserve				
- Retained profits	4,035,566	3,829,576	2,299,638	2,188,434
	4,154,220	3,987,950	2,299,638	2,188,434

NOTES TO THE FINANCIAL STATEMENTS

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26. RESERVES (CONTINUED)

(a) Non-distributable reserves

	Capital reserve RM'000	Cash flow hedge reserve RM'000	Foreign exchange reserve RM'000	Revaluation reserve RM'000	Total non- distributable reserves RM'000
Group					
At 1 January 2021	35,038	(4,029)	52,733	74,014	157,756
Foreign currency translation differences for foreign operations	-	-	12,048	-	12,048
Share of foreign currency translation differences of:					
- associates	-	-	(6,098)	-	(6,098)
- joint ventures	-	-	285	-	285
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	-	(22)	-	(22)
Change in fair value of cash flow hedge	-	(5,595)	-	-	(5,595)
Total other comprehensive income for the year	-	(5,595)	6,213	-	618
At 31 December 2021/ 1 January 2022	35,038	(9,624)	58,946	74,014	158,374
Foreign currency translation differences for foreign operations	-	-	(41,541)	-	(41,541)
Share of foreign currency translation differences of:					
- associates	-	-	2,382	-	2,382
- joint ventures	-	-	(62)	-	(62)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	-	(14,898)	-	(14,898)
Change in fair value of cash flow hedge	-	3,416	-	-	3,416
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	-	-	10,983	10,983
Total other comprehensive income for the year	-	3,416	(54,119)	10,983	(39,720)
At 31 December 2022	35,038	(6,208)	4,827	84,997	118,654

NOTES TO THE FINANCIAL STATEMENTS

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26. RESERVES (CONTINUED)

(a) Non-distributable reserves (continued)

The nature and purpose of each category of reserve are as follows:

(i) Capital reserve

Capital reserve in respect of a subsidiary of RM34,397,000 (2021: RM34,397,000) represents the revaluation reserve which was capitalised for bonus issue by a subsidiary whilst capital reserve in respect of an associate of RM641,000 (2021: RM641,000) represents the revaluation reserve of an associate.

(ii) Cash flow hedge reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships as at the reporting date which relates to the forward currency contracts and cross currency interest rate swaps entered by the Group to limit its exposure to foreign currency risk on its foreign currency loans.

(iii) Foreign exchange reserve

The foreign exchange reserve arises from translation of financial statements of foreign subsidiaries and share of foreign currency translation differences of associates and joint ventures.

(iv) Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment immediately prior to its reclassification as investment properties.

(b) Distributable reserve - Retained profits

The Company may distribute dividend out of its entire retained profits as at 31 December 2022 under the single tier system.

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27. REVENUE AND COST OF SALES

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue from contract with customers:				
- Sale of plantation produce	814,554	670,851	-	-
- Sale of goods and services	5,614,879	3,602,233	-	-
- Sale of properties under development	58,724	138,951	-	-
- Sale of completed properties	322,582	222,163	-	-
- Sale of land	40,292	1,086,696	-	-
	6,851,031	5,720,894	-	-
Revenue from other sources:				
- Dividend income:				
- From subsidiaries	-	-	791,973	916,906
- From associates	-	-	4,649	4,289
- Interest income from provision of financial services	186,754	224,840	-	-
- Property rental	72,711	67,020	-	-
	259,465	291,860	796,622	921,195
	7,110,496	6,012,754	796,622	921,195
Timing and recognition:				
- At a point in time	6,711,884	5,537,840	-	-
- Over time	139,147	183,054	-	-
	6,851,031	5,720,894	-	-

Cost of sales represents cost directly attributable to the generation of the above revenue except for dividend income and interest income from provision of financial services.

Segment information on revenue, operating profit, assets and liabilities of the Group is analysed in Note 38.

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28. FINANCE COSTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest expense on:				
Bank borrowings	213,114	177,465	-	-
Borrowings from other institutions	3,281	5,844	-	-
Amount due to a subsidiary	-	-	16,073	6,047
Lease liabilities	5,230	5,595	-	1
Others	16,034	16,444	-	-
	237,659	205,348	16,073	6,048
Less: Interest expense capitalised in:				
- Property, plant and equipment (Note 4)	(18,548)	(2,531)	-	-
- Investment properties (Note 5)	(5,023)	-	-	-
- Land held for property development (Note 9)	(55,062)	(17,582)	-	-
- Property development costs (Note 14)	(3,154)	(9,127)	-	-
	155,872	176,108	16,073	6,048

29. OTHER GAIN/(LOSS) ITEMS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(a) Other gain items				
Gain on disposal of a subsidiary	425,099	-	-	-
Gain on disposal of equity interest in a subsidiary	-	-	44,339	-
Reversal of impairment loss on investment in associates	-	6,105	-	226
Reversal of impairment loss on investment in subsidiaries	-	-	33,479	41,409
Gain on disposal of warrants in an associate	-	2,992	-	2,992
	425,099	9,097	77,818	44,627
(b) Other loss items				
Loss on disposal of equity interest in a subsidiary	-	-	-	(79)
Impairment loss on investment in associates	(10,590)	-	(2,714)	-
	(10,590)	-	(2,714)	(79)

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30. PROFIT BEFORE TAX

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration:				
- current year				
- Ernst & Young PLT	1,041	1,008	180	175
- overseas member firms of Ernst & Young	234	203	27	27
- other auditors	2,211	1,756	-	-
- under/(over) provision in prior years				
- Ernst & Young PLT	37	-	10	5
- overseas member firms of Ernst & Young	16	-	-	-
- other auditors	38	(8)	-	-
Non audit fees for services rendered by:				
- Ernst & Young PLT	15	15	15	15
- local member firms of Ernst & Young PLT	442	367	51	65
- overseas member firms of Ernst & Young	68	77	-	-
Short term, low value and variable lease expenses	39,255	39,204	1,362	1,374
Depreciation of property, plant and equipment (Note 4)	195,278	189,369	254	336
Amortisation of intangible assets (Note 10)	102	102	-	-
Property, plant and equipment written off	3,700	1,034	-	-
Biological assets written off	-	71	-	-
Investment properties written off	18	1,544	-	-
Bad debts written off	90	142	-	-
Impairment loss on trade receivables (Note 11)	10,470	40,193	-	-
Impairment loss on property, plant and equipment	4,563	2,567	-	-
Impairment loss on net investment in lease	1,004	2,430	-	-
Net inventories written down	11,016	36,913	-	-
Employee benefits expenses (Note 31)	492,968	421,771	14,396	14,086
Direct operating expenses arising from investment properties – rental generating properties	36,744	30,563	-	-
(Gain)/Loss on equity investment at fair value through profit or loss	(706)	647	-	-
(Gain)/Loss on money market deposits at fair value	(30,057)	535	(6,864)	44

NOTES TO THE FINANCIAL STATEMENTS

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30. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax is arrived at after charging/(crediting): (continued)				
Net loss/(gain) from fair value adjustments of biological assets	29,213	(23,832)	-	-
Net foreign exchange gain	(18,708)	(2,628)	(18,995)	(1,997)
Gain on disposal of property, plant and equipment	(5,390)	(1,490)	-	(80)
Net loss from fair value adjustments of investment properties (Note 5)	19,601	37,270	-	-
Dividend income from equity investment at fair value through other comprehensive income	(750)	(813)	-	-
Dividend income from equity investment at fair value through profit or loss	-	(2,963)	-	-
Dividend income from money market deposits	(2,614)	(40,122)	(723)	(13,084)
Dividend income:				
- from subsidiaries	-	-	(791,973)	(916,906)
- from associates	-	-	(4,649)	(4,289)
Reversal of impairment losses				
- trade receivables (Note 11)	(4,142)	(6,720)	-	-
Reversal of provisions	(4,037)	(8,459)	-	-
Recovery of bad debts	(516)	(419)	-	-
Rental income from properties	(21,992)	(15,734)	-	-
Interest income from:				
- deposits with licensed banks	(25,013)	(11,339)	(3,479)	(516)
- discounting on retention sum	(2,863)	(2,646)	-	-
- subsidiaries	-	-	-	(618)
- others	(3,089)	(2,017)	-	-

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31. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Salaries and other staff related expenses	457,059	389,038	12,834	12,576
Pension costs – defined contribution plans	35,909	32,733	1,562	1,510
	492,968	421,771	14,396	14,086

Included in employee benefits expenses of the Group and of the Company were executive directors' remuneration of RM34,766,000 (2021: RM28,395,000) and RM12,276,000 (2021: RM11,822,000) respectively as further disclosed in Note 32.

32. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Executive directors' remuneration:				
Fees				
- Directors of the Company	192	185	-	-
Other emoluments				
- Directors of the Company	9,200	8,861	7,836	7,560
- Directors of subsidiaries	25,374	19,349	4,440	4,262
	34,766	28,395	12,276	11,822
Non-executive directors' remuneration:				
Fees				
- Directors of the Company	1,059	1,128	941	1,010
- Directors of subsidiaries	1,623	1,600	-	-
Other emoluments				
- Directors of subsidiaries	480	480	-	-
	3,162	3,208	941	1,010
Total directors' remuneration	37,928	31,603	13,217	12,832
Other key management personnel compensation	58,667	60,497	1,840	1,811
	96,595	92,100	15,057	14,643

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32. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel includes all the directors of the Group and certain members of senior management of the Group.

Included in key management personnel compensation of the Group and of the Company were contributions to statutory pension funds of RM8,741,000 (2021: RM8,834,000) and RM1,562,000 (2021: RM1,510,000) respectively.

The estimated monetary value of directors' benefits-in-kind in respect of the Group and of the Company, which have not been included in the above key management personnel compensation, are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors of the Company	112	110	112	110
Directors of subsidiaries	353	426	71	166
Other key management personnel	1,889	1,664	15	15
	2,354	2,200	198	291

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33. TAX EXPENSE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Malaysian income tax:				
- Current income tax	221,844	394,511	835	127
- Over provision in prior year	(7,544)	(3,595)	(3)	(19)
	214,300	390,916	832	108
Foreign income tax:				
- Current income tax	34,963	16,676	-	-
- Under provision in prior year	769	612	-	-
	35,732	17,288	-	-
Total income tax	250,032	408,204	832	108
Deferred tax (Note 24):				
- Relating to origination and reversal of temporary differences	17,789	38,510	(4)	9
- (Over)/under provision in prior year	(244)	(2,160)	2	-
Total deferred tax	17,545	36,350	(2)	9
Total tax expense	267,577	444,554	830	117

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2021: 24%) of the estimated assessable profit for the year. The Government has introduced Cukai Makmur which is a one-off tax on companies which have chargeable income above RM100 million in the Year of Assessment 2022. The first RM100 million chargeable income will continue to be taxed at the current rate of 24% and amounts in excess of RM100 million taxed at 33%. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

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33. TAX EXPENSE (CONTINUED)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax	1,330,460	1,449,898	858,935	949,045
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	319,310	347,976	206,144	227,771
Effect of Cukai Makmur at the tax rate of 33% (2021: Nil)	22,562	-	-	-
Effect of different tax rates in other countries	(9,882)	(3,899)	-	-
Income not subject to tax	(120,140)	(25,960)	(218,965)	(235,834)
Expenses not deductible for tax purposes	59,166	64,107	13,652	8,199
Effect of share of results of associates	(5,460)	(5,643)	-	-
Effect of share of results of joint ventures	(203)	(188)	-	-
Deferred tax assets not recognised	9,243	73,304	-	-
(Over)/under provision in prior year				
- income tax	(6,775)	(2,983)	(3)	(19)
- deferred tax	(244)	(2,160)	2	-
Tax expense for the year	267,577	444,554	830	117

34. EARNINGS PER SHARE**Basic earnings per share**

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year excluding treasury shares held by the Company, calculated as follows:

	Group	
	2022	2021
Profit attributable to owners of the Company (RM'000)	950,655	900,433
Weighted average number of ordinary shares ('000)		
Issued ordinary shares net of treasury shares at 1 January/ Weighted average number of ordinary shares at 31 December	2,489,670	2,489,670
Basic earnings per share (sen)	38.18	36.17

The Group has no potential dilutive shares in issue as at reporting date and therefore, diluted earnings per share has not been presented.

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35. DIVIDENDS

	Group/Company	
	2022	2021
	RM'000	RM'000
Recognised during the year:		
Dividends paid in respect of financial year ended 31 December 2021:		
- first interim (10 sen per ordinary share under single tier system)	-	248,967
- second interim (25 sen per ordinary share under single tier system)	-	622,417
Dividends paid in respect of financial year ended 31 December 2022:		
- first interim (10 sen per ordinary share under single tier system)	248,967	-
- second interim (20 sen per ordinary share under single tier system)	497,934	-
	746,901	871,384

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2022.

No dividend is payable for treasury shares held or cancelled.

36. CAPITAL COMMITMENTS

	Group	
	2022	2021
	RM'000	RM'000
Capital expenditure:		
Contracted but not provided for		
- Property, plant and equipment	816,171	349,368
- Investment properties	487,434	8,248
	1,303,605	357,616

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37. LEASE COMMITMENTS

Operating lease commitments

Group as lessor

The Group has entered into operating leases on its investment properties portfolio consisting of land and buildings. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	Group	
	2022 RM'000	2021 RM'000
Within one year	80,446	66,211
After one year but not more than five years	90,941	92,528
	171,387	158,739

38. SEGMENT INFORMATION

For management purposes, the Group is organised into business units according to their nature of activities and the six reportable operating segments are as follows:

- (i) Plantation - Cultivation of oil palm and processing of fresh fruit bunches
- (ii) Property - Property investment, property development and hospitality
- (iii) Credit financing - Provision of financial services
- (iv) Automotive - Trading in motor vehicles, spare parts and servicing of motor vehicles
- (v) Trading - Trading and distribution of fertilizers and agro-chemical, trading of general building materials and petroleum products; and manufacture and trading of tiles
- (vi) Building materials - Operation of stone quarries and asphalt plants, manufacture of bricks

Segment accounting policies are the same as the policies described in Note 2, Significant Accounting Policies. All inter-segment transactions have been entered in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with third parties.

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group finance costs are not allocated to operating segments.

NOTES TO THE FINANCIAL STATEMENTS

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38. SEGMENT INFORMATION (CONTINUED)

2022	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non- reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Revenue									
External revenue	814,554	499,579	191,137	1,723,727	3,271,122	610,377	-	-	7,110,496
Inter-segment revenue	-	24,356	50,564	24,931	192,679	95,603	-	(388,133)	-
Total revenue	814,554	523,935	241,701	1,748,658	3,463,801	705,980	-	(388,133)	7,110,496
Results									
Operating profit	266,949	158,311	194,539	69,284	297,020	131,770	12,875	(86,329)	1,044,419
Finance costs									(155,872)
Other gain items									425,099
Other loss items									(10,590)
Share of results of associates									26,208
Share of results of joint ventures									1,196
Profit before tax									1,330,460
Tax expense									(267,577)
Profit for the year									1,062,883
Non-controlling interests									(112,228)
Profit attributable to owners of the Company									950,655

NOTES TO THE FINANCIAL STATEMENTS

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38. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non- reportable segments RM'000	Consolidated RM'000
2022 (continued)								
Assets and liabilities								
Segment assets	2,401,576	7,802,723	2,477,628	754,139	1,600,176	1,641,876	1,298,289	17,976,407
Investment in associates								488,213
Investment in joint ventures								9,295
Deferred tax assets								54,620
Tax recoverable								125,710
Total assets								18,654,245
Segment liabilities	64,110	1,220,209	971,742	291,892	806,381	1,092,381	4,671,581	9,118,296
Deferred tax liabilities								494,110
Tax payable								47,616
Total liabilities								9,660,022
Other information								
Additions to non-current assets	79,025	1,642,256	24,423	20,982	11,158	325,447	2,645	2,105,936
Depreciation and amortisation	77,513	9,754	10,238	22,869	18,229	55,017	1,760	195,380
Impairment losses	-	-	-	-	-	4,563	10,590	15,153

NOTES TO THE FINANCIAL STATEMENTS

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38. SEGMENT INFORMATION (CONTINUED)

2021	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non- reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Revenue									
External revenue	670,851	1,515,939	229,619	1,187,149	1,919,342	489,854	-	-	6,012,754
Inter-segment revenue	-	22,573	58,483	18,849	108,507	53,333	-	(261,745)	-
Total revenue	670,851	1,538,512	288,102	1,205,998	2,027,849	543,187	-	(261,745)	6,012,754
Results									
Operating profit	292,582	986,201	211,189	7,973	97,176	57,276	7,728	(68,925)	1,591,200
Finance costs									(176,108)
Other gain items									9,097
Share of results of associates									24,602
Share of results of joint ventures									1,107
Profit before tax									1,449,898
Tax expense									(444,554)
Profit for the year									1,005,344
Non-controlling interests									(104,911)
Profit attributable to owners of the Company									900,433

NOTES TO THE FINANCIAL STATEMENTS

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38. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non- reportable segments RM'000	Consolidated RM'000
2021 (continued)								
Assets and liabilities								
Segment assets	2,384,460	6,579,080	2,734,311	664,107	1,575,771	1,199,022	1,728,048	16,864,799
Investment in associates								477,634
Investment in joint ventures								8,652
Deferred tax assets								73,865
Tax recoverable								56,274
Total assets								17,481,224
Segment liabilities	60,517	1,227,303	1,540,222	257,905	944,065	764,474	3,398,360	8,192,846
Deferred tax liabilities								491,206
Tax payable								92,413
Total liabilities								8,776,465
Other information								
Additions to non-current assets	57,757	845,303	13,769	45,242	17,434	206,323	1,101	1,186,929
Depreciation and amortisation	79,914	8,163	8,033	23,587	18,316	49,488	1,970	189,471
Impairment losses	-	598	-	-	18	1,951	-	2,567
Reversal of impairment losses	-	-	-	-	-	-	(6,015)	(6,015)

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38. SEGMENT INFORMATION (CONTINUED)

Additions to non-current assets consist of the following:

	Group	
	2022 RM'000	2021 RM'000
Property, plant and equipment	674,206	636,291
Investment properties	102,981	288,579
Land held for property development	1,328,749	262,059
	2,105,936	1,186,929

Geographical Segments

The Group's geographical segments are based on the location of the customers and the assets.

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Malaysia	5,887,879	5,058,989	8,577,564	7,044,833
Other Asian countries	1,102,711	875,639	919,592	614,009
Others	119,906	78,126	38	45
	7,110,496	6,012,754	9,497,194	7,658,887

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2022 RM'000	2021 RM'000
Property, plant and equipment	4,761,399	4,050,333
Investment properties	2,239,728	2,171,695
Land held for property development	2,458,233	1,398,923
Intangible assets	37,834	37,936
	9,497,194	7,658,887

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39. MATERIAL LITIGATIONS

- (a) Hap Seng Plantations (River Estates) Sdn Bhd ["RESB"], a wholly-owned subsidiary of Hap Seng Plantations Holdings Berhad ["HSP"], is the registered and beneficial proprietor of all that parcel of land held under CL095310017, District of Kinabatangan, State of Sabah measuring approximately 6,454 acres ["said Land"]. On 16 January 2012, a purported sale and purchase agreement in respect of the said Land was entered into between Mr. Heng Chin Hing @ Wong Chin Hing (NRIC No. H0699157/570811-12-5731) ["HCH"] as the purported vendor and Excess Interpoint Sdn Bhd ["EISB"] as the purported purchaser ["Purported SPA"]. HCH alleged that he is the donee of a power of attorney dated 8 February 1977 allegedly created in respect of the said Land ["Alleged PA"]. On the basis of the Purported SPA, EISB entered a private caveat on the said Land on 3 April 2012.

On 23 May 2012, RESB commenced a legal suit ["KL RESB Suit"] vide a writ of summon at Kuala Lumpur High Court ["KLHC"] against EISB ["1st Defendant"] and HCH was added as the second defendant ["2nd Defendant"] to the KL RESB Suit on 16 June 2012.

On 10 August 2012, upon the 1st Defendant's application, the KL RESB Suit was transferred to the High Court of Sabah and Sarawak at Kota Kinabalu ["KKHC"]. On 7 April 2016, the Federal Court held that the KLHC has no jurisdiction to transfer a civil suit filed in the High Court of Malaya to the High Court of Sabah and Sarawak. On the basis of such ruling, the KKHC had on 19 April 2016 struck off the KL RESB Suit with no order as to costs.

On 8 April 2016, RESB commenced a fresh legal suit against the 1st and 2nd Defendants through its solicitors in Sabah, Messrs Jayasuriya Kah & Co. in KKHC vide writ of summon no. BKI-22NCvC-39/4-2016 ["KK RESB Suit"].

RESB is claiming for the following in the KK RESB Suit:

- (i) That RESB be declared as the registered and beneficial owner of the said Land;
- (ii) That the Purported SPA be declared null and void;
- (iii) That the Alleged PA be declared null and void;
- (iv) An injunction restraining the 1st Defendant from:-
 - (a) effecting any further dealings including but not limited to disposal, assignment, transfer, mortgage, charge, lease, tenancy over the said Land with any third party;
 - (b) taking any actions to fulfill the terms and conditions in the Purported SPA; and
 - (c) taking any further action to complete the Purported SPA.
- (v) An injunction restraining the 2nd Defendant from effecting any steps, actions and/or representations in respect of the Alleged PA;
- (vi) Costs of the KK RESB Suit; and
- (vii) Such further or other relief as the Court deems fit and just.

Pending disposal of the KK RESB Suit, the KKHC had on 27 July 2016 granted an interlocutory injunction in favour of RESB pursuant to which the 1st and 2nd Defendants have been restrained from effecting dealings as set out in terms (iv) and (v) above ["KK Interlocutory Injunction"].

On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB's application ["Consolidated RESB Suit"]. The trial of the Consolidated RESB Suit commenced on 13 September 2017 and concluded on 17 January 2023. The Court has given directions for the filing and exchange of written submissions among the parties. A mention date has been fixed on 16 June 2023 to monitor status of the written submissions as well as to fix new dates for oral submission, if necessary.

HSP has been advised by its solicitors, Messrs Jayasuriya Kah & Co., that RESB is likely to receive a favourable court decision in the Consolidated RESB Suit.

NOTES TO THE FINANCIAL STATEMENTS

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39. MATERIAL LITIGATIONS (CONTINUED)

- (b) Chee Ah Nun @ Sia Yi Chan (NRIC No. 550808-12-5663) [“SYC” or the “Plaintiff”] has filed a separate legal suit against RESB in respect of the said Land in the KKHC vide originating summon no. BKI-24-127/5-2012, and the same was served on RESB on 11 June 2012 [the “KK Suit”].

The KK Suit is premised on a purported deed of appointment of substitute by attorney dated 24 June 2010 [“Alleged Deed of Substitute”] allegedly executed by HCH pursuant to which HCH had allegedly divested to SYC all his interests or claims on the said Land pursuant to the Alleged PA.

SYC is claiming for the following in the KK Suit:

- (i) that by virtue of the Alleged PA, RESB had allegedly divested its ownership and all interests or claims to the said Land to HCH;
- (ii) that pursuant to the Alleged Deed of Substitute, SYC is the beneficial owner and has rights to take possession of the said Land;
- (iii) an order that RESB forthwith deliver vacant possession of the said Land to SYC free of encumbrances with all fixtures and crops planted thereon;
- (iv) an injunction restraining RESB, its servants and/or employees or agents from harvesting crops on the said Land or removing anything thereon and/or otherwise from doing anything or interfering with SYC’s rights thereon;
- (v) costs of the KK Suit; and
- (vi) such further or other relief as the Court deems fit and just.

On 27 July 2016, the KKHC, upon application of RESB, granted an order converting the KK Suit from an originating summon to a writ action. On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB’s application [“Consolidated RESB Suit”].

The trial of the Consolidated RESB Suit commenced on 13 September 2017 and concluded on 17 January 2023. The Court has given directions for the filing and exchange of written submissions among the parties. A mention date has been fixed on 16 June 2023 to monitor status of the written submissions as well as to fix new dates for oral submission, if necessary.

HSP has been advised by its solicitors, Messrs Jayasuriya Kah & Co., that RESB is likely to receive a favourable court decision in the Consolidated RESB Suit.

40. FAIR VALUE MEASUREMENT**(a) Fair value of financial instruments**

The carrying amount of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of non-current receivables and payables which are based on principal amounts outstanding representing approximately the cash flow receivables discounted at their effective yield, closely approximate their fair values.

The carrying amount of non-current borrowings which bear fixed and floating interest rates are expected to approximate fair values and would not be significantly different from the values that would eventually be settled.

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40. FAIR VALUE MEASUREMENT (CONTINUED)**(b) Fair value hierarchy**

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities for which fair value is measured.

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
 Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
 Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Fair value measurement hierarchy for assets/(liabilities):

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group				
2022				
Assets measured at fair value				
Investment properties (Note 5)	2,239,728	-	-	2,239,728
Equity investments (Note 12)	16,111	1,099	-	15,012
Money market deposits (Note 17)	1,423,946	-	1,423,946	-
Biological assets (Note 15)	28,508	-	-	28,508
Derivative financial assets (Note 12)				
Forward currency contracts	503	-	503	-
Cross currency interest rate swaps	42,253	-	42,253	-
Derivative financial liabilities (Note 12)				
Forward currency contracts	(13,375)	-	(13,375)	-
Cross currency interest rate swaps	(5,781)	-	(5,781)	-

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40. FAIR VALUE MEASUREMENT (CONTINUED)**(b) Fair value hierarchy (continued)**

Fair value measurement hierarchy for assets/(liabilities): (continued)

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group (continued)				
2021				
Assets measured at fair value				
Investment properties (Note 5)	2,171,695	-	-	2,171,695
Equity investments (Note 12)	16,061	1,049	-	15,012
Money market deposits (Note 17)	1,867,729	-	1,867,729	-
Biological assets (Note 15)	57,721	-	-	57,721
Derivative financial assets (Note 12)				
Forward currency contracts	94	-	94	-
Cross currency interest rate swaps	2,029	-	2,029	-
Derivative financial liabilities (Note 12)				
Forward currency contracts	(5,724)	-	(5,724)	-
Cross currency interest rate swaps	(5,029)	-	(5,029)	-

The Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation at the end of each reporting period. There have been no transfers between Level 1, Level 2 and Level 3 during the financial year.

The Company's money market deposits were fair valued within Level 2 of the fair value hierarchy. There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the financial year.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, liquidity risk, credit risk and market price risk.

The Group operates within clearly defined guidelines and it is the Group's policy not to engage in speculative transactions. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

(a) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to fixed deposits and borrowings with banks and other financial institutions. The Group manages interest costs using a prudent mix of fixed and floating rate bank facilities.

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts are as follows:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets				
Lease receivables	141	282	-	-
Hire purchase receivables	1,112,427	1,008,638	-	-
Amount due from an associate	240	4,172	-	-
Amount due from a joint venture	6,019	6,850	-	-
Deposits with licensed banks	991,611	891,861	160,275	128,486
	2,110,438	1,911,803	160,275	128,486
Financial liabilities				
Term loans	(224,675)	(300,107)	-	-
Lease liabilities	(139,816)	(142,312)	(9)	(9)
	(364,491)	(442,419)	(9)	(9)
	1,745,947	1,469,384	160,266	128,477
Floating rate instruments				
Financial assets				
Loan receivables	1,231,202	1,749,936	-	-
	1,231,202	1,749,936	-	-
Financial liabilities				
Amount due to a subsidiary	-	-	(931,500)	(362,200)
Term loans	(1,658,624)	(1,219,732)	-	-
Revolving credits	(685,071)	(1,323,887)	-	-
Medium term notes	(4,145,000)	(3,115,000)	-	-
Trust receipts	(89,500)	(61,688)	-	-
Bankers' acceptances	(266,130)	(295,903)	-	-
	(6,844,325)	(6,016,210)	(931,500)	(362,200)
	(5,613,123)	(4,266,274)	(931,500)	(362,200)

NOTES TO THE FINANCIAL STATEMENTS

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(a) Interest rate risk (continued)**

The weighted average effective interest rates of deposits with licensed banks as at 31 December 2022 for the Group and the Company were 3.11% (2021: 1.31%) and 4.32% (2021: 0.33%) respectively and will mature within 3 months (2021: 3 months).

Cash flow sensitivity analysis for floating rate instruments

A change of 100 basis points [“bp”] in interest rates for the borrowings at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		Company	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
2022				
Floating rate instruments	(35,713)	35,713	(7,079)	7,079
2021				
Floating rate instruments	(27,159)	27,159	(2,753)	2,753

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by subsidiaries in currencies other than their functional currencies. The Group is also exposed to currency risk in respect of its foreign investments in subsidiaries, associates and joint ventures. The Group uses forward currency contracts and cross currency interest rate swaps to limit its exposure on foreign currency receivables, payables and borrowings, and on cash flows generated from anticipated transactions denominated in foreign currencies.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in the respective functional currencies of the Group entities are as follows:

	Net unhedged financial assets/(liabilities) held in non-functional currencies						Total RM'000
	USD RM'000	SGD RM'000	Euro RM'000	RMB RM'000	GBP RM'000	JPY RM'000	
Group							
Functional currency of Group entities							
2022							
RM	728,539	140,458	(9,028)	-	715	(421)	860,263
Indonesian Rupiah ["IDR"]	50	-	-	-	-	-	50
SGD	(5,808)	-	(5,609)	(807)	-	-	(12,224)
USD	-	-	-	-	124	-	124
RMB	840	-	-	-	-	-	840
GBP	-	69	-	-	-	-	69
	723,621	140,527	(14,637)	(807)	839	(421)	849,122
2021							
RM	2,327	130,561	(1,020)	-	248	-	132,116
IDR	589	-	-	-	-	-	589
SGD	5,046	-	(9,425)	(6,399)	-	-	(10,778)
USD	-	-	-	-	316	-	316
RMB	1,207	-	-	-	-	-	1,207
	9,169	130,561	(10,445)	(6,399)	564	-	123,450

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(b) Foreign currency risk (continued)**

The net unhedged financial assets and financial liabilities of the Company that are not denominated in the functional currency of the Company are as follows:

	Net unhedged financial assets held in non-functional currencies			
	USD RM'000	SGD RM'000	GBP RM'000	Total RM'000
Company				
Functional currency of the Company				
2022				
RM	698,793	136,276	715	835,784
2021				
RM	332	128,154	248	128,734

Currency risk sensitivity analysis

A 5% strengthening of the below foreign currencies against the functional currencies of the Group and of the Company at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
USD	27,477	365	26,554	13
SGD	5,340	4,961	5,178	4,870
Euro	(576)	(430)	-	-
RMB	(33)	(266)	-	-
GBP	32	22	27	9
JPY	(16)	-	-	-

A 5% weakening of the above foreign currencies against the functional currencies of the Group and of the Company at the end of the reporting period would had equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

Hedging activities

At the reporting date, the Group had entered into forward currency contracts and cross currency interest rate swaps with the following notional amounts and maturities:

	Currency	Within 1 year RM'000	1 - 5 years RM'000	Notional amount RM'000	Fair value	
					Assets RM'000	(Liabilities) RM'000
Group						
2022						
Designated as fair value through profit or loss						
Payables hedge	USD/JPY/Euro	202,258	-	202,258	4	(5,196)
Borrowings hedge	USD/JPY/Euro	50,221	-	50,221	375	(3)
Firm commitment hedge	USD	377,592	-	377,592	124	(6,648)
		630,071	-	630,071	503	(11,847)
Designated as cash flow hedges						
Borrowings hedge	USD	403,863	543,840	947,703	42,253	(7,309)
		1,033,934	543,840	1,577,774	42,756	(19,156)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

Hedging activities (continued)

	Currency	Within 1 year RM'000	1 - 5 years RM'000	Notional amount RM'000	Fair value	
					Assets RM'000	(Liabilities) RM'000
Group (continued)						
2021						
Designated as fair value through profit or loss						
Receivables hedge	USD	3,485	-	3,485	28	-
Payables hedge	USD/JPY/Euro	110,587	-	110,587	-	(1,218)
Borrowings hedge	USD/Euro/RMB	56,926	-	56,926	-	(729)
Firm commitment hedge	USD	467,738	-	467,738	-	(3,033)
		638,736	-	638,736	28	(4,980)
Designated as cash flow hedges						
Borrowings hedge	USD	342,021	389,920	731,941	2,095	(5,773)
		980,757	389,920	1,370,677	2,123	(10,753)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk

As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash equivalents and adequate amounts of credit facilities to meet its working capital requirements. In addition, the Group strives to maintain flexibility in funding by keeping its credit lines available at a reasonable level. As far as possible, the Group raises funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Group							
2022							
<i>Non-derivative financial liabilities</i>							
Borrowings							
Term loans	1,883,299	1.30 – 5.05	2,029,783	517,775	751,006	508,636	252,366
Revolving credits	685,071	2.74 – 7.25	697,686	697,686	-	-	-
Bankers' acceptances	266,130	0.99 – 3.87	266,548	266,548	-	-	-
Trust receipts	89,500	2.25 – 4.36	92,518	92,518	-	-	-
Medium term notes	4,145,000	4.20 – 4.83	4,594,304	1,198,841	891,602	2,503,861	-
Lease liabilities	139,816	2.21 – 6.25	219,149	25,463	22,665	35,655	135,366
Accruals	168,234	7.30	208,346	-	-	208,346	-
Deposits received	20,325	2.79 – 4.74	21,856	8,637	11,201	912	1,106
Trade and other payables	1,230,129	-	1,230,129	1,229,381	132	94	522
	8,627,504		9,360,319	4,036,849	1,676,606	3,257,504	389,360
<i>Derivative financial liabilities</i>							
Designated as hedging instruments							
Cash flow hedges	7,309	-	7,309	7,309	-	-	-
Not designated as hedging instruments							
Forward currency contracts	11,847	-	11,847	11,847	-	-	-
	19,156		19,156	19,156	-	-	-
	8,646,660		9,379,475	4,056,005	1,676,606	3,257,504	389,360

NOTES TO THE FINANCIAL STATEMENTS

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Group (continued)							
2021							
<i>Non-derivative financial liabilities</i>							
Borrowings							
Term loans	1,519,839	1.30 – 4.80	1,635,894	250,997	512,309	640,914	231,674
Revolving credits	1,323,887	1.57 – 6.25	1,331,771	1,331,771	-	-	-
Bankers' acceptances	295,903	0.84 – 2.58	296,090	296,090	-	-	-
Trust receipts	61,688	1.21 – 1.72	62,640	62,640	-	-	-
Medium term notes	3,115,000	2.91 – 3.20	3,327,611	560,239	1,092,965	1,674,407	-
Lease liabilities	142,312	2.28 – 7.57	201,594	31,344	22,087	35,091	113,072
Accruals	158,820	7.30	210,525	-	-	-	210,525
Deposits received	16,746	2.79 – 4.74	17,720	7,769	6,919	3,032	-
Trade and other payables	1,098,471	-	1,098,471	1,097,667	296	508	-
	<u>7,732,666</u>		<u>8,182,316</u>	<u>3,638,517</u>	<u>1,634,576</u>	<u>2,353,952</u>	<u>555,271</u>
<i>Derivative financial liabilities</i>							
Designated as hedging instruments							
Cash flow hedges	5,773	-	5,773	1,505	-	4,268	-
Not designated as hedging instruments							
Forward currency contracts	4,980	-	4,980	4,980	-	-	-
	<u>10,753</u>		<u>10,753</u>	<u>6,485</u>	<u>-</u>	<u>4,268</u>	<u>-</u>
	<u>7,743,419</u>		<u>8,193,069</u>	<u>3,645,002</u>	<u>1,634,576</u>	<u>2,358,220</u>	<u>555,271</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 – 2 years RM'000
Company					
2022					
<i>Non-derivative financial liabilities</i>					
Lease liabilities	9	3.16	9	9	-
Trade and other payables	6,734	-	6,734	6,734	-
Amount due to a subsidiary	931,500	4.05	1,006,952	37,726	969,226
	<u>938,243</u>		<u>1,013,695</u>	<u>44,469</u>	<u>969,226</u>
2021					
<i>Non-derivative financial liabilities</i>					
Lease liabilities	9	3.51	9	9	-
Trade and other payables	5,674	-	5,674	5,674	-
Amount due to a subsidiary	362,200	2.79	372,305	372,305	-
	<u>367,883</u>		<u>377,988</u>	<u>377,988</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(d) Credit risk**

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit worthiness review is regularly performed for new customers and existing customers who trade on credit, to mitigate exposure on credit risk. Where appropriate, the Group requires its customers to provide collateral before approvals are given to trade on credit.

The Group does not have any significant exposure to any individual customer or counterparty, nor does it have any major concentration of credit risk related to any financial instruments. The maximum exposure to credit risk is represented by the carrying amount of these financial assets.

Measurement of expected credit loss ["ECL"]

The Group applies the MFRS 9 simplified approach in measuring expected credit losses which estimates a lifetime expected credit loss allowance for trade receivables. Expected credit losses are measured as a function of probability of default and loss given default. Probability of default is the likelihood of default over a particular time horizon and is derived using external credit ratings, if they are available, or internal credit ratings based on quantitative or qualitative information for the counterparty. Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group's and the Corporation's historical experience.

The Group assessed ECL for trade receivables based on two different approaches, namely collective assessment and individual debtor assessment.

(i) Collective assessment

To measure the expected credit losses under the collective approach, trade receivables have been grouped based on shared credit risk characteristics and number of days past due. The expected loss rates are developed based on the historical credit losses rate. The historical loss rates are further 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 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 obligation to be the most relevant factors, and accordingly adjust the historical loss rates based on expected changes in these factors.

(ii) Individual debtor assessment

The Group applies individual debtor assessment for debtors with different risk characteristics, where the credit risk information of these debtors is obtained and monitored individually.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (continued)

The ageing analysis of trade receivables at the end of the reporting date is as follows:

	Gross amount RM'000	Individual impairment RM'000	Collective impairment RM'000	Net amount RM'000
Group				
2022				
Not past due	2,610,558	-	(31,164)	2,579,394
Past due 1 – 30 days	412,643	(288)	(4,224)	408,131
Past due 31 – 90 days	279,269	(258)	(2,805)	276,206
Past due more than 90 days	176,342	(91,072)	(3,001)	82,269
	3,478,812	(91,618)	(41,194)	3,346,000
2021				
Not past due	2,987,327	-	(50,956)	2,936,371
Past due 1 – 30 days	303,852	(485)	(3,296)	300,071
Past due 31 – 90 days	295,651	(48)	(5,045)	290,558
Past due more than 90 days	165,750	(68,524)	(4,056)	93,170
	3,752,580	(69,057)	(63,353)	3,620,170

Financial guarantees

The Company provides unsecured financial guarantees to banks and other institutions in respect of facilities granted to certain subsidiaries. The Company monitors on an on-going basis the results of the subsidiaries and repayments made by the subsidiaries.

Corporate guarantees with a nominal amount of RM6,163,248,000 (2021: RM5,726,258,000) were provided by the Company to the banks and other institutions in respect of facilities of its subsidiaries.

As at the reporting date, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised as their fair values on initial recognition are insignificant.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(e) Market price risk**

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

The Group is exposed to market price risk arising from its investment in quoted equity and placement in money market deposits. These instruments are classified as financial assets at fair value through profit or loss.

To manage its market price risk, the Group manages its portfolio in accordance with established guidelines and policies.

Sensitivity analysis

At the reporting date, had the market price of these instruments been 1% higher/lower, with all other variables held constant, the profit or loss would have increased/(decreased) by RM8,846,000 (2021: RM10,771,000) for the Group and RM1,728,000 (2021: RM349,000) for the Company as a result of changes in fair value of these instruments classified as financial assets at fair value through profit or loss.

42. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. The directors monitor and are determined to maintain an optimal gearing ratio that complies with the requirements of debt covenants.

There were no changes in the Group's approach to capital management during the year. The debt-to-equity ratios as at the end of the reporting period were as follows:

	Group	
	2022	2021
	RM'000	RM'000
Borrowings (Note 22)	7,069,000	6,316,317
Money market deposits (Note 17)	(1,423,946)	(1,867,729)
Cash and bank balances (Note 18)	(1,431,980)	(1,225,957)
Net borrowings	4,213,074	3,222,631
Total equity excluding intangible assets	8,956,389	8,666,823
Net debt-to-equity ratio (times)	0.47	0.37

The net debt-to-equity ratio is not governed by MFRS and its definition and calculation may vary from one group/company to another.

NOTES TO THE FINANCIAL STATEMENTS

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43. RELATED PARTIES

(a) Related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the following significant transactions (except for donation, dividend income, dividend paid and capital injection) between the Group and related parties took place at terms agreed between the parties during the financial year.

Related parties	Transactions	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors of the Company:					
Datuk Edward Lee Ming Foo, JP	Rental expenses	(82)	(82)	-	-
Datuk Simon Shim Kong Yip, JP	Sale of motor vehicle	643	-	-	-
Directors of subsidiaries	Sale of products	2	65	-	-
Firm connected to Datuk Edward Lee Ming Foo, JP, a director of the Company:					
Corporated International Consultants Sdn Bhd	Engineering consultancy fee	(1,989)	(1,790)	-	-
Incorporated Consortium Sdn Bhd	Project management fee	(171)	-	-	-
Firm in which Datuk Simon Shim Kong Yip, JP, a director of the Company, has interest:					
Shim Pang & Co	Legal fees	(1,000)	(1,115)	-	(330)
	Servicing of motor vehicles	6	7	-	-
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company ^	Advisory fees	(5,250)	(4,800)	(5,250)	(4,800)

^ Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak is a major shareholder of the Company by virtue of his substantial shareholding in Gek Poh (Holdings) Sdn Bhd, the holding company of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

43. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Person connected to director of subsidiary	Sale of products	-	139	-	-
Companies in which directors of subsidiaries have interests	Sale of products	1,382	105	-	-
	Rental income	347	132	-	-
	Property management fee	(143)	(12)	-	-
	Project management fee	45	-	-	-
	Software implementation and subscription fee	(82)	-	-	-
	Demolition works for property sales gallery	-	(178)	-	-
Companies connected to Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company:					
Samling Strategic Corporation Sdn Bhd Group	Sale of products	59,682	23,416	-	-
	Rental income	1	1	-	-
	Purchase of products	(6)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

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43. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Companies connected to Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company:					
Lei Shing Hong Limited Group	Disposal of 100% equity interest in a subsidiary	693,979	-	-	-
	Acquisition of land and buildings	-	(205,250)	-	-
	Sale of products	1,796	3,619	-	-
	Handling fees	1,022	796	-	-
	Administration fees	196	126	-	-
	Rental income	233	227	-	-
	Project management, marketing and construction services	598	2,874	-	-
	Purchase of products	(1)	(267)	-	-
	Rental expenses	(14,716)	(15,482)	-	-
	Administrative charges	(80)	(153)	-	-
	Utilities and maintenance charges	(44)	(78)	-	-
	Purchase of insurance policies	-	(217)	-	-
	Quarry tribute	(1,506)	(1,046)	-	-
	Dividend paid	(14,771)	(14,771)	-	-
	Capital injection to a subsidiary	-	226,375	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

43. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	Rental income	185	185	-	-
	Sale of products	267	4	-	-
	Utilities and maintenance income	7	5	-	-
	Handling fees	1,763	1,536	-	-
	Insurance premiums *	(17,743)	(13,468)	(177)	(174)
	Associates	Sale of products	659	330	-
	Sale of property	-	91,937	-	-
	Service charge	55	-	-	-
	Plantation management fee income	257	257	-	-
	Interest income	42	219	-	-
	Dividend income	-	-	4,649	4,289
Joint ventures	Sale of products	3,686	1,911	-	-
	Rental income	1,348	2,694	-	-
	Interest income	263	248	-	-
	Administration fee	-	972	-	-
	Receiving of services	(7,117)	(3,299)	-	-
	Purchase of products	(29,864)	(24,093)	-	-

* This relates to insurance premiums paid/payable via a related company acting as an insurance agent.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

43. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Subsidiaries	Interest income	-	-	-	618
	Dividend income	-	-	791,973	916,906
	Servicing of motor vehicles	-	-	(87)	(45)
	Rental expenses	-	-	(21)	(18)
	Management fees	-	-	(92)	(113)
	Hire of motor vehicles	-	-	(1,357)	(1,374)
	Purchase of motor vehicles	-	-	-	(347)
	Interest expense	-	-	(16,073)	(6,047)

Compensation to key management personnel is as disclosed in Note 32.

(b) Balances with related parties

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Amount due from/(to)				
Directors of subsidiaries	20	18	-	-
Corporated International Consultants Sdn Bhd	(38)	-	-	-
Shim Pang & Co	(34)	-	-	-
Companies in which directors of subsidiaries have interests	1,075	85	-	-
Samling Strategic Corporation Sdn Bhd Group	10,914	3,859	-	-
Lei Shing Hong Limited Group	16,961	17,361	-	-
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	88	398	-	-
Associates	90,197	91,346	-	-
Joint ventures	99	188	-	-
Subsidiaries	-	-	(2,439)	(1,040)

The above balances arose from recurrent related party transactions of revenue or trading nature.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

44. SIGNIFICANT EVENTS DURING THE YEAR

- (a) On 23 December 2021, *Positive Sunland Sdn Bhd ["Positive Sunland"] entered into a conditional sale and purchase agreement ["Platinum Park SPA"] to acquire from, Sovereign Towers Sdn Bhd, ["Sovereign Towers"], the wholly-owned subsidiary of Naza Corporation Holdings Sdn Bhd ["NCH"], the beneficial proprietor, and Profound Reliance Sdn Bhd, the 70%-owned subsidiary of NCH ["Profound Reliance"], the registered proprietor, all that parcel of vacant commercial land known as Plot No. 5, Lorong Kuda, Platinum Park, Kuala Lumpur identified as Lot No. 387, Seksyen 63 held under Title No. Geran 71978, Bandar Kuala Lumpur, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, measuring approximately 74,346 sq. ft. ["Platinum Park Land"] for a cash consideration of RM265,786,950 ["Platinum Park Acquisition Consideration"]. Upon execution of the Platinum Park SPA, 10% of the Platinum Park Acquisition Consideration ["Platinum Park Deposit"] was paid to Sovereign Towers ["Proposed Platinum Park Acquisition"]. Completion of the Proposed Platinum Park Acquisition is conditional upon the approval of the Economic Planning Unit of the Prime Minister's Department, Malaysia ["EPU Approval"] to be obtained on or before 22 September 2023 ["Platinum Park Conditional Period"].

On 20 June 2022, Positive Sunland, Sovereign Towers and Profound Reliance entered into a supplemental agreement to vary the terms of the Platinum Park SPA as follows:-

- (a) notwithstanding that the Platinum Park SPA has not become unconditional, Positive Sunland shall pay the redemption sum of the Platinum Park Land ["Platinum Park Redemption Sum"] and a further 70% of the Platinum Park Acquisition Consideration ["Platinum Park 70% Payment"] in exchange for the delivery of the discharge documents which included the original title of Platinum Park Land ["Platinum Park Discharge Documents"], together with an irrevocable power of attorney in respect of the Platinum Park Land ["Platinum Park PA"] to Positive Sunland's solicitors' to be held by them as stakeholders;
- (b) the balance of the Platinum Park Acquisition Consideration after deducting the Platinum Park Deposit, the Platinum Park Redemption Sum and the Platinum Park 70% Payment shall be paid within one (1) month of the Platinum Park SPA becoming unconditional; and
- (c) In the event the EPU Approval could not be fulfilled for any reason whatsoever on expiry of the Platinum Park Conditional Period, Sovereign Towers shall refund to Positive Sunland all monies paid pursuant to the Platinum Park SPA, free of interest, in exchange for the return of all documents delivered to Positive Sunland including the Platinum Park Discharge Documents and the Platinum Park PA.

The Platinum Park Redemption Sum and Platinum Park 70% Payment were paid on 23 August 2022 and 28 August 2022 respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

44. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(b) On 3 January 2022, *Sierra Positive Sdn Bhd ["Sierra Positive"] entered into a conditional sale and purchase agreement ["Met 3 SPA"] with TTDI KL Metropolis Sdn Bhd ["TKLM"], the wholly-owned subsidiary of Naza TTDI Sdn Bhd, which in turn is a 80%-owned subsidiary of NCH to acquire all that parcel of vacant commercial land known as Met 3, Plot 7A, KL Metropolis held under H.S.(D) 123243, PT 50386 (formerly held under Pajakan Negeri 52355, Lot 80929, Jalan Duta), Mukim Batu, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, measuring approximately 668,212.79 sq. ft. ["Met 3 Land"] for a cash consideration of RM868,676,627 ["Met 3 Acquisition Consideration"]. Upon execution of the Met 3 SPA, 10% of the Met 3 Acquisition Consideration ["Met 3 Deposit"] was paid to TKLM ["Proposed Met 3 Acquisition"]. Completion of the Proposed Met 3 Acquisition is conditional upon the following authorities' approvals to be obtained on or before 2 October 2023 ["Met 3 Conditional Period"], namely:

- (a) the EPU Approval; and
- (b) the approval of Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur to be obtained by TKLM for the transfer of the Met 3 Land in favour of Sierra Positive [collectively, "Authorities' Approvals"].

On 12 January 2022, Sierra Positive and TKLM entered into a supplemental agreement to vary the terms of the Met 3 SPA as follows:

- (a) notwithstanding that the Met 3 SPA has not become unconditional, Sierra Positive shall pay the redemption sum of the Met 3 Land ["Met 3 Redemption Sum"] and a further 70% of the Met 3 Acquisition Consideration ["Met 3 70% Payment"] in exchange for the delivery of the discharge documents which included the original title of Met 3 Land ["Met 3 Discharge Documents"], together with an irrevocable power of attorney in respect of the Met 3 Land ["Met 3 PA"] to Sierra Positive's solicitors' to be held by them as stakeholders;
- (b) the balance of the Met 3 Acquisition Consideration after deducting the Met 3 Deposit, the Met 3 Redemption Sum and the Met 3 70% Payment shall be paid within one (1) month of the Met 3 SPA becoming unconditional; and
- (c) In the event the Authorities' Approvals could not be fulfilled for any reason whatsoever on expiry of the Met 3 Conditional Period, TKLM shall refund to Sierra Positive all monies paid pursuant to the Met 3 SPA, free of interest, in exchange for the return of all documents delivered to Sierra Positive including the Met 3 Discharge Documents and the Met 3 PA.

The Met 3 Redemption Sum and the Met 3 70% Payment were paid on 13 January 2022 and 19 January 2022 respectively.

Pursuant to the supplemental agreement dated 30 August 2022, ["Met 3 Second SA"] TKLM agreed to deliver the Met 3 Land title with freehold status on completion of the Proposed Met 3 Acquisition and in consideration thereof, Sierra Positive shall pay to TKLM the sum of RM65,000,000 ["Met 3 Conversion Sum"] which resulted in an increase of the Met 3 Acquisition Consideration from RM868,676,627 to RM933,676,627 based on the valuation report dated 30 August 2022 of Met 3 Land. Upon execution of the Met 3 Second SA, 15% of the Met 3 Conversion Sum amounting to RM9,750,000 was paid to TKLM. The balance 85% of the Met 3 Conversion Sum amounting to RM55,250,000 was paid to TKLM on 26 September 2022.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

44. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

- (c) On 17 January 2022, Hafary Pte Ltd ["HPL"], a wholly-owned subsidiary of Hafary Holdings Limited ["Hafary"], a 50.82%-owned listed subsidiary of the Company, acquired an additional 30% shareholding in World Furnishing Hub Pte Ltd ["WFHPL"] at a cash consideration of SGD3,020,038.07, with which WFHPL became an 81%-owned subsidiary of Hafary on even date. WFHPL is a property investment holding company with leasehold interest of property located at 18 Sungei Kadut Street 2, Singapore 729236.
- (d) On 18 March 2022, *Hap Seng Land Development Sdn Bhd entered into a share sale agreement to acquire the remaining 10,050,000 ordinary shares representing 20% of the issued share capital of Hap Seng Land Development (Balakong) Sdn Bhd ["HSLD (Balakong)"] from Jinee Sdn Bhd, for a cash consideration of RM21,357,000.00. HSLD (Balakong) is principally involved in property development. With the completion of the aforesaid acquisition, HSLD (Balakong) became a wholly-owned subsidiary of the Company.
- (e) On 18 March 2022, *Hap Seng Land Development Sdn Bhd entered into a share sale agreement to acquire the remaining 10,250,000 ordinary shares representing 20% of the issued share capital of Hap Seng Land Development (JTR 2) Sdn Bhd ["HSLD (JTR 2)"] from Jinee Sdn Bhd, for a cash consideration of RM16,865,000.00. HSLD (JTR 2) is principally involved in property development. With the completion of the aforesaid acquisition, HSLD (JTR 2) became a wholly-owned subsidiary of the Company.
- (f) On 27 May 2022 ["said date"], *HSC Birmingham Holding Limited ["HSC Birmingham"] entered into a shares sale agreement with Lei Shing Hong Capital Limited ["LSHCL"], a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], pursuant to which HSC Birmingham had agreed to dispose 50,000,001 ordinary shares representing 100% of the issued and paid-up share capital of *HS Credit (Birmingham) Ltd ["HCBL"] for a cash consideration of GBP127.80 million (translated to RM706.17 million based on the Bank Negara Malaysia's middle exchange rate as at 5.00 p.m. on 26 May 2022 of GBP1.00: RM5.5256) ["Sale Consideration" and "Proposed HCBL Disposal"].

The Proposed HCBL Disposal was deemed a related party transaction. As at the said date, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was deemed to have a 52.92% shareholding in LSH comprising 38.74% shareholding held via Lead Star Business Limited and 14.18% shareholding held via Gek Poh (Holdings) Sdn Bhd ["Gek Poh"] and was a 56.00% major shareholder and a director of Gek Poh.

As at the said date:

- Gek Poh's aggregate shareholdings in the Company was 62.64%, comprising 54.63% direct shareholding and 8.01% indirect shareholding through Hap Seng Insurance Services Sdn Bhd ["HSIS"], a wholly-owned subsidiary of Gek Poh. Hence, Tan Sri Lau, Gek Poh and HSIS were deemed interested in the Proposed HCBL Disposal.
- Datuk Edward Lee Ming Foo was the managing director of both the Company and Gek Poh. Mr Lee Wee Yong was an executive director of the Company and a director of Gek Poh, which held 14.18% equity interest in LSH and therefore a major shareholder of LSH. Premised on the aforesaid, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong were deemed interested in the Proposed HCBL Disposal.
- Datuk Simon Shim Kong Yip was a non-independent non-executive director of the Company and a non-executive director of LSH. Premised on Datuk Simon Shim Kong Yip's common directorship in the Company and LSH, he was deemed interested in the Proposed HCBL Disposal.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

44. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(f) (continued)

The interested or deemed interested directors and shareholders had abstained from voting and that they had ensured that persons connected to them have abstained from voting in respect of their direct and/or indirect shareholdings on the resolution in relation to the Proposed HCBL Disposal during the extraordinary general meeting of the Company held on 28 July 2022 ["EGM"].

The Proposed HCBL Disposal was approved by the non-interested shareholders during the EGM and completed on 2 August 2022, resulted in a gain of approximately RM425.10 million to the Group.

(g) On 17 June 2022, HPL incorporated a wholly-owned subsidiary namely, Hafary Element Pte Ltd ["Hafary Element"] in Singapore with an issued share capital of SGD100.00 comprising 100 ordinary shares. Hafary Element is principally involved in investment holding.

On 13 September 2022, Hafary Element allotted 8,571 and 1,429 ordinary shares at an issued price of SGD1.00 per share to HPL and Guangdong ITA Element Building Material Co., Limited respectively. With the aforesaid allotment, Hafary Element became an 85.71%-owned subsidiary of Hafary.

(h) On 17 June 2022, HPL incorporated a wholly-owned subsidiary namely, International Ceramic Manufacturing Hub Pte Ltd ["ICMHPL"] in Singapore with an issued share capital of SGD100.00 comprising 100 ordinary shares. ICMHPL is principally involved in investment holding.

On 13 September 2022, Hafary Element acquired 100 ordinary shares representing 100% of the issued share capital of ICMHPL from HPL, for a cash consideration of SGD100.00. Subsequently, ICMHPL allotted 69,900 and 30,000 ordinary shares at an issued price of SGD1.00 per share to Hafary Element and CNA Pte Ltd respectively. With the aforesaid allotment, ICMHPL became a 70%-owned subsidiary of Hafary.

(i) On 20 June 2022, ICMHPL incorporated a wholly-owned subsidiary namely, International Ceramic Manufacturing Hub Sdn Bhd ["ICMHSB"] in Malaysia with an issued share capital of RM1.00 comprising 1 ordinary share. ICMHSB is principally involved in manufacture and sale of porcelain and ceramic tiles.

(j) On 5 July 2022, HPL incorporated a wholly-owned subsidiary namely, Hafary Flagship Store Pte Ltd ["Hafary Flagship"] in Singapore with an issued share capital of SGD100.00 comprising 100 ordinary shares. Hafary Flagship is principally involved in property investment holding.

(k) On 26 December 2022, the dissolution of *PT MML Ceramic Indonesia ["PT MML"] was completed. PT MML was incorporated in Indonesia on 27 January 2015 as a private limited company and was principally involved in trading and distribution of porcelain and ceramic tiles in Indonesia. PT MML had ceased operation since 1 May 2020.

(l) As at the financial year ended 31 December 2022, the Company's shareholding in Hap Seng Plantations Holdings Berhad ["HSP"] was 69.53% after the disposal of 42,881,400 ordinary shares during the financial year.

* These are the Company's wholly-owned subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

45. SUBSEQUENT EVENTS

- (a) On 8 February 2023, the dissolution of *Kao Fu Bricks Sdn Bhd ["KFB"] was completed. KFB was incorporated on 15 November 1990 and was principally involved in manufacture and trading of bricks. KFB had ceased operation since year 2013.
- (b) On 6 March 2023, *Hap Seng Auto Sdn Bhd incorporated a wholly-owned subsidiary namely, Hap Seng Smart Sdn Bhd ["HS Smart"], with an issued share capital of RM1.00 comprising 1 ordinary share. HS Smart is principally involved in the trading of motor vehicles, spare parts and servicing of motor vehicles.
- (c) On 22 March 2023 ["said date"], *HSC Manchester Holding Pte Ltd ["HSC Manchester"] entered into a shares sale agreement with Lei Shing Hong Capital Limited ["LSHCL"], a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], pursuant to which HSC Manchester had agreed to dispose 50,000,000 ordinary shares representing 100% of the issued and paid-up share capital of *HS Credit (Manchester) Ltd ["HCML"] for a cash consideration of GBP152.96 million (translated to RM837.34 million based on the Bank Negara Malaysia's middle exchange rate as at 5.00 p.m. on 21 March 2023 of GBP1.00: RM5.4743) ["Proposed HCML Disposal"].

The Proposed HCML Disposal was deemed a related party transaction. As at the said date, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was deemed to have a 52.92% shareholding in LSH comprising 38.74% shareholding held via Lead Star Business Limited and 14.18% shareholding held via Gek Poh (Holdings) Sdn Bhd ["Gek Poh"] and was a 56.00% major shareholder and a director of Gek Poh.

As at the said date:

- Gek Poh's aggregate shareholdings in the Company was 62.64%, comprising 54.63% direct shareholding and 8.01% indirect shareholding through Hap Seng Insurance Services Sdn Bhd ["HSIS"], a wholly-owned subsidiary of Gek Poh. Hence, Tan Sri Lau, Gek Poh and HSIS were deemed interested in the Proposed HCML Disposal. (Collectively referred to as the "Interested Shareholders")
- Datuk Edward Lee Ming Foo was the managing director of both the Company and Gek Poh. Mr Lee Wee Yong was an executive director of the Company and a director of Gek Poh, which held 14.18% equity interest in LSH and therefore a major shareholder of LSH. Premised on the aforesaid, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong were deemed interested in the Proposed HCML Disposal. (Collectively referred to as the "Interested Directors")

The Proposed HCML Disposal is subject to the non-interested shareholders' approval to be obtained at the extraordinary general meeting of the Company to be convened ("EGM").

The Interested Shareholders and the Interested Directors will abstain from voting in respect of their direct and indirect shareholdings in the Company on the resolution pertaining to the Proposed HCML Disposal during the EGM. They have further undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed HCML Disposal at the forthcoming EGM.

- * These are the Company's wholly-owned subsidiaries.

ADDITIONAL INFORMATION

The following additional information are provided in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements.

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

- (a) On 2 August 2022, HSC Birmingham Holding Limited, a wholly-owned subsidiary of the Company completed the disposal of its 100% equity interest in HS Credit (Birmingham) Ltd comprising 50,000,001 ordinary shares to Lei Shing Hong Capital Limited ("LSHCL"), a wholly-owned subsidiary of Lei Shing Hong Limited for a cash consideration of GBP127.80 million which is equivalent to RM693.98 million ("HCBL Disposal").

The status of the utilisation of proceeds from HCBL Disposal as at 31 December 2022 was as follows:

Details of utilisation	Proposed utilisation		As at 31 December 2022		Deviation RM'000
	Per *Circular RM'000	**Adjusted RM'000	Utilisation RM'000	Balance Unutilised RM'000	
Repayment of borrowings	560,000	560,000	400,000	160,000	-
Working capital requirements:					
- Purchase of inventories					
(a) fertilizers	70,000	70,000	34,100	35,900	-
(b) automobiles	50,000	50,000	50,000	-	-
(c) building materials such as steel bars and cement	25,022	12,829	-	12,866	-
	145,022	132,829	84,100	48,766	-
Estimated expenses	1,150	1,150	1,113	-	37 @
	706,172	693,979	485,213	208,766	37

* Circular to shareholders dated 5 July 2022.

** The proposed utilisation was adjusted to reflect the actual proceeds in RM based on the actual foreign exchange rate at completion date. This resulted in reduction of proceeds by RM12.19 million which was deducted from the proposed utilisation for working capital requirements, item (c).

The intended timeframe for utilisation is within 24 months from completion.

No deviation was computed as the proceeds have not fully utilised yet and are within the intended timeframe for utilisation.

@ The estimated expenses of RM37,000 not utilised, have been deployed for working capital requirements, item (c).

ADDITIONAL INFORMATION

2. MATERIAL CONTRACT

Material contract of the Company's subsidiary involving directors' and major shareholders' interest is disclosed in Note 44(f) to the Financial Statements.

Other than that disclosed in Note 44(f), there was no other material contract of the Company and its subsidiaries involving the interests of the directors, chief executive who is not a director or major shareholders, subsisting as at 31 December 2022, and/or entered into since 31 December 2021.

3. RECURRENT RELATED PARTY TRANSACTIONS

Pursuant to Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the recurrent related party transactions of a revenue or trading in nature which were entered into by the Company and its subsidiaries with the related parties during the financial year ended 31 December 2022 are as disclosed in Note 43 to the Financial Statements.

The Company will be seeking renewal of and new shareholders' mandate for recurrent related party transactions at the annual general meeting to be convened on 25 May 2023.

PARTICULARS OF TOP TEN PROPERTIES OF THE GROUP

Location	Area	Description	Date of acquisition/ revaluation	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2022 RM'000
MALAYSIA							
KUALA LUMPUR							
Lot PT 50386, Mukim Batu, Kuala Lumpur.	61,425 m ²	Land held for development	January 2022	Freehold	-	-	950,601
Lot PT 50086, Mukim Batu, Kuala Lumpur.	36,220 m ²	Land held for development	December 2018	Freehold	-	-	791,914
Lot 11383, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur.	4,376 m ²	Menara Hap Seng 2 31-storey office building for rental	December 2022	Freehold	-	9	379,798
Lot PT 118, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur.	2,728 m ²	Menara Hap Seng 3 26-storey office building for rental	December 2022	Freehold	-	3	355,758
Lot 593 & 594, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur.	7,436 m ²	Menara Hap Seng 22-storey office building for rental	December 2022	Freehold	-	50	276,757
SABAH							
KOTA KINABALU							
TL 017512533 18, Jalan Haji Saman, Kota Kinabalu.	1,208 m ²	Hyatt Centric Kota Kinabalu	September 2018	Leasehold 99 years	2061	1	322,790
Mile 13, Jalan Tuaran, Menggatal, Kota Kinabalu.	621,409 m ²	Land held for development	July 2019	Leasehold 999 years	2905	-	303,297
29, Jalan Tunku Abdul Rahman, Kota Kinabalu.	8,741 m ²	Plaza Shell, 14-storey office building for rental	December 2022	Leasehold 99 years	2073	8	281,008

PARTICULARS OF TOP TEN PROPERTIES OF THE GROUP

Location	Area	Description	Date of acquisition/ revaluation	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2022 RM'000
MALAYSIA							
SABAH							
KINABATANGAN, LAHAD DATU							
Tomanggong Estate	4,890 ha	Oil palm plantation and buildings Tomanggong Palm Oil Mill	January 2017	Leasehold 99 years/ 999 years	2067/2094/ 2894	1 - 54	} 867,597
Tabin Estate	3,055 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2067/2076/ 2093/2096/ 2097/2098	1 - 37	
Tagas Estate	2,010 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2067/2076	2 - 46	
Litang Estate	1,571 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years/ 999 years	2076/2091/ 2887/2900	4 - 37	
Sungai Segama Estate	5,174 ha	Oil palm plantation and buildings Plantation Central Office and Clubhouse	January 2017	Leasehold 99 years	2089	2 - 27	
Bukit Mas Estate	4,733 ha	Oil palm plantation and buildings Bukit Mas Palm Oil Mill	January 2017	Leasehold 99 years/ 999 years	2089/ 2887	1 - 27	

PARTICULARS OF TOP TEN PROPERTIES OF THE GROUP

Location	Area	Description	Date of acquisition/ revaluation	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2022 RM'000
MALAYSIA							
SABAH							
KINABATANGAN, LAHAD DATU (CONTINUED)							
Batangan Estate	3,633 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	4 - 40	558,678
Lutong Estate	2,448 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078/2098/ 2099	1 - 31	
Lokan Estate	3,155 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	2 - 26	
Kapis Estate	2,681 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	1 - 36	
Lungmanis Estate	2,200 ha	Jeroco Palm Oil Mill I and II Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	7 - 25	

PLANTATION STATISTICS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2022	2021	2020	2019	2018
CROP PRODUCTION - TONNES					
FFB	583,943	593,279	637,131	675,587	657,259
PROCESSED - TONNES					
FFB - own	566,026	575,440	623,169	659,427	640,737
FFB - purchased	75,225	76,465	79,106	66,356	80,746
Palm Oil	130,510	133,284	144,977	152,017	148,651
Palm Kernel	29,450	30,286	33,594	35,402	34,802
EXTRACTION RATE - %					
Palm Oil	20.35	20.45	20.64	20.95	20.60
Palm Kernel	4.59	4.65	4.78	4.88	4.82
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	4,941	4,933	5,040	4,340	4,491
> 7 years to 17 years	11,164	10,279	10,196	9,794	8,522
> 17 years onwards	16,030	17,224	17,050	18,324	19,125
Total mature area	32,135	32,436	32,286	32,458	32,138
AVERAGE YIELD TONNES/HECTARE					
FFB yield per mature hectare	18.17	18.29	19.73	20.81	20.45
Oil per mature hectare	3.70	3.74	4.07	4.36	4.21
AVERAGE SELLING PRICE RM/TONNE					
FFB	934	856	510	371	396
Palm Oil	5,530	4,432	2,788	2,143	2,300
Palm Kernel	3,278	2,952	1,681	1,311	1,825

PLANTATION STATISTICS

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2022

	River Estates Group	Jeroco Group	* Kota Marudu	Pelipikan	Total
Oil Palm					
Mature	19,057	11,590	585	903	32,135
Immature	1,589	1,132	-	-	2,721
Total Oil Palm	20,646	12,722	585	903	34,856
Other crops	60	86	-	-	146
Total planted area	20,706	12,808	585	903	35,002
Reserve plantable	27	5	81	-	113
Building, road, reserves, etc	2,080	1,304	142	462	3,988
Total	22,813	14,117	808	1,365	39,103

Conversion Rate : 1 Hectare = 2.4710 acres

* Including 200 acres (81 hectares) of land adjoining to the existing land of which the land title is currently under application.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2023

Total number of issued shares	:	2,489,681,583 (including 12,000 treasury shares)
Class of shares	:	ordinary share
Voting rights	:	one vote per ordinary share
Number of shareholders	:	10,855

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Shares
1 to 99	431	3.97	6,839	#
100 to 1,000	2,490	22.94	1,664,191	0.07
1,001 to 10,000	5,290	48.73	23,528,740	0.95
10,001 to 100,000	2,298	21.17	69,292,773	2.78
100,001 to less than 5% of issued shares	343	3.16	463,098,369	18.60
5% & above of issued shares	3	0.03	1,932,078,671	77.60
Total	10,855	100.00	2,489,669,583	100.00

* The number of 2,489,669,583 ordinary shares which was arrived at after deducting 12,000 treasury shares held by the Company from its issued shares of 2,489,681,583 ordinary shares.

Negligible

LIST OF 30 LARGEST SHAREHOLDERS

No.	Shareholding	% ⁽³⁾
1. Gek Poh (Holdings) Sdn Bhd	1,360,094,542	54.63
2. Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients Account)	372,619,549	14.97
3. Hap Seng Insurance Services Sdn Bhd	199,364,580	8.01
4. Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Phillip Securities (Hong Kong) Ltd (Clients' Account)	109,236,600	4.39
5. MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd - Pledged securities account for Naza Corporation Holdings Sdn Bhd	64,478,918	2.59
6. MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd - Pledged securities account for Naza Corporation Holdings Sdn Bhd	40,200,000	1.61
7. Innoprise Corporation Sdn Bhd	34,730,473	1.40
8. Chinchoo Investment Sdn. Berhad	13,578,380	0.55
9. Gan Teng Siew Realty Sdn. Berhad	12,308,600	0.49
10. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company	11,880,200	0.48
11. Key Development Sdn. Berhad	11,008,800	0.44
12. Mikdavid Sdn Bhd	8,320,600	0.33

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2023

No.	Shareholding	% ⁽³⁾
13. Citigroup Nominees (Asing) Sdn Bhd - CB Spore GW for Government of Singapore	6,510,581	0.26
14. H'ng Poh Gin	4,492,800	0.18
15. Cartaban Nominees (Asing) Sdn Bhd - BNYM SA/NV for People's Bank of China	4,460,400	0.18
16. Rengo Malay Estate Sendirian Berhad	4,032,000	0.16
17. Bidor Tahan Estates Sdn. Bhd.	3,780,000	0.15
18. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Blackrock Institutional Trust Company, N.A. Investment Funds for Employee Benefit Trusts	3,203,000	0.13
19. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	3,023,335	0.12
20. HSBC Nominees (Asing) Sdn Bhd - SBL of BNP Paribas Arbitrage SNC	2,591,400	0.10
21. Cartaban Nominees (Asing) Sdn Bhd - State Street London Fund OQ78 for Ishares IV Public Limited Company	2,453,200	0.10
22. Gemas Bahru Estates Sdn. Bhd.	2,243,000	0.09
23. Chinchoo Holdings (S) Private Limited	2,041,200	0.08
24. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund ZV86 for State Street Global Advisors Trust Company Investment Funds for Tax Exempt Retirement Plans	2,022,200	0.08
25. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund Age3 for People's Bank of China	1,855,600	0.08
26. Citigroup Nominees (Asing) Sdn Bhd - UBS AG	1,775,668	0.07
27. HSBC Nominees (Asing) Sdn Bhd - J.P. Morgan Securities PLC	1,773,100	0.07
28. Cartaban Nominees (Asing) Sdn Bhd - State Street London Fund OD75 for Ishares IV Public Limited Company	1,762,400	0.07
29. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for MSCI Equity Index Fund B - Malaysia	1,673,500	0.07
30. HSBC Nominees (Asing) Sdn Bhd - Societe Generale Paris	1,646,800	0.07
Total	2,289,161,426	91.95

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2023

SUBSTANTIAL SHAREHOLDERS

	Direct Shareholding		Indirect Shareholding	
	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽³⁾
Gek Poh (Holdings) Sdn Bhd	1,360,094,542	54.63	199,364,580 ⁽¹⁾	8.01
Hap Seng Insurance Services Sdn Bhd ("Hap Seng Insurance")	199,364,580	8.01	-	-
Affin Hwang Nominees (Asing) Sdn Bhd	295,772,687	11.88	-	-
- Exempt AN for Lei Shing Hong Securities Limited (Clients A/C for An Soon Unity Incorporated)				
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	1,559,459,122 ⁽²⁾	62.64

Notes:

- ⁽¹⁾ Deemed interests through its wholly-owned subsidiary, Hap Seng Insurance, pursuant to section 8 of the Companies Act 2016 (the "Act").
- ⁽²⁾ Deemed interests by virtue of his direct and/or indirect substantial interests in Gek Poh (Holdings) Sdn Bhd pursuant to section 8 of the Act.
- ⁽³⁾ For purpose of computing the percentage of shareholding above, the number of ordinary shares used was 2,489,669,583 which was arrived at after deducting 12,000 treasury shares held by the Company from its issued shares of 2,489,681,583 ordinary shares.

DIRECTORS' SHAREHOLDINGS

AS AT 31 MARCH 2023

Related Corporation	Direct Shareholding		Indirect Shareholding	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Hap Seng Plantations Holdings Berhad ("HSP")				
Datuk Simon Shim Kong Yip, JP	180,000	0.023	-	-

As at 31 March 2023, none of the directors of the Company have any direct and/or indirect shareholdings in the Company.

Note:

⁽¹⁾ For purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,685,200 which was arrived at after deducting 314,800 treasury shares held by HSP from its issued shares of 800,000,000 ordinary shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 47th annual general meeting of Hap Seng Consolidated Berhad will be conducted virtually through remote participation and electronic voting facilities (“RPEV”) at the broadcast venue at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 25 May 2023 at 10am to transact the following:-

AGENDA

ORDINARY BUSINESS

1. To table the audited financial statements for the financial year ended 31 December 2022 together with the reports of directors and auditors. Note 1

To consider and if thought fit, to pass the following ordinary resolutions:-

2. To re-elect the following directors who shall retire by rotation in accordance with clause 116 of the Company’s constitution and being eligible, have offered themselves for re-election:- Notes 2 & 3

(a) Mr. Thomas Karl Rapp

Resolution 1

(b) Ms. Cheah Yee Leng

Resolution 2

(c) Mr. Tan Boon Peng

Resolution 3

3. To approve payment of directors’ fees of the Company and its subsidiary amounting to RM1,011,000.00 for the financial year ended 31 December 2022. Note 4

Resolution 4

4. To reappoint Messrs Ernst & Young PLT as auditors of the Company to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the directors of the Company. Note 5

Resolution 5

SPECIAL BUSINESS

To consider and if thought fit, to pass the following ordinary resolutions:-

5. **Authority to allot shares pursuant to section 75 of the Companies Act 2016**

“That subject always to the approvals of the relevant authorities, the directors of the Company be and are hereby empowered pursuant to section 75 of the Companies Act 2016 to allot shares in the Company at any time upon such terms and conditions, and for such purposes as the directors of the Company may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company.” Note 6

Resolution 6

NOTICE OF ANNUAL GENERAL MEETING

6. **Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature**

"That subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Part A, section 2.3 of the Circular/Statement to shareholders dated 27 April 2023, which are necessary for the day-to-day operations of the Company and/or its subsidiaries and are carried out in the ordinary course of business, at arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

That such approval shall continue to be in force until:-

- (a) the conclusion of the next annual general meeting of the Company, at which time the said authority shall lapse, unless renewed by a resolution passed at the annual general meeting; or
- (b) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to section 340(4) of the Companies Act 2016); or
- (c) revoked or varied by a resolution passed by the shareholders in a general meeting of the Company,

whichever is the earlier;

and that the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the proposed renewal of and new shareholders' mandate." ^{Note 7}

Resolution 7

7. **Proposed renewal of share buy-back authority**

"That subject always to section 127 of the Companies Act 2016, the Company's constitution, Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and the approvals of all relevant governmental and/or regulatory authorities, the directors of the Company be and are hereby authorised to purchase ordinary shares in the Company through Bursa Malaysia Securities Berhad, provided that:-

- (a) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed 10% of the total number of issued shares of the Company;
- (b) the maximum funds allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, based on the Company's audited financial statements for the financial year ended 31 December 2022; and

NOTICE OF ANNUAL GENERAL MEETING

- (c) the authority conferred by this resolution shall continue to be in force until:-
- (1) the conclusion of the next annual general meeting of the Company, at which time the said authority shall lapse, unless renewed by the passing of a resolution at that meeting, either unconditionally or subject to conditions; or
 - (2) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to section 340(4) of the Companies Act 2016); or
 - (3) revoked or varied by a resolution passed by the shareholders in a general meeting of the Company,

whichever occurs first;

and that the directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:-

- (i) cancel all the shares so purchased; and/or
- (ii) retain part thereof as treasury shares and cancel the remainder; and/or
- (iii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Malaysia Securities Berhad; and/or
- (iv) transfer the treasury shares or any of the said shares as purchase consideration; and/or
- (v) in any other manner as prescribed by section 127(7) of the Companies Act 2016,

and further that the directors of the Company be and are hereby authorised to take all such steps as are necessary and/or enter into any and all agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares." Note 8

Resolution 8

By order of the Board

Lim Guan Nee (MAICSA 7009321)
SSM Practising Certificate No. 202008003410
Company Secretary

Kuala Lumpur
27 April 2023

NOTICE OF ANNUAL GENERAL MEETING

Explanatory notes to the Agenda:-

1. *Pursuant to section 340(1) and (2) of the Companies Act 2016 ("Act"), the directors shall lay before the Company at its annual general meeting ("AGM") its audited financial statements made up to a date not more than 6 months before the date of the AGM. This agenda 1 is meant for discussion only and will not be put forward for voting.*
2. *Pursuant to clause 116 of the Company's constitution, at least one-third of the directors of the Company for the time being shall retire from office at every AGM and be eligible for re-election. The current board size is nine. Hence, three out of nine directors are to retire in accordance with clause 116 of the Company's constitution.*
3. *The nominating committee conducted directors' self and peer assessment, fit and proper assessment and independence of the independent directors to evaluate as well as determined the respective performance and eligibility of each of the directors who are to retire in accordance with clause 116 of the Company's constitution to stand for re-election. In their evaluation, the retiring directors had met the criteria of character, experience, integrity, competence and time required to effectively discharge their respective roles as directors and satisfied the directors' fit and proper assessment criteria. Accordingly, the board approved of the recommendations of the nominating committee, namely such retiring directors are eligible to stand for re-election during the AGM. The retiring director had abstained from deliberation and decision on their respective re-election at the relevant nominating committee and board meetings.*
4. *Pursuant to section 230(1) of the Act, the Company shall at every AGM approve of the fees payable to the directors of the Company and its subsidiaries. The remuneration committee is responsible for conducting a regular review of the fees payable to non-executive directors and members of the board committees. This is to ensure that they are appropriately remunerated in line with the market benchmarking.*

The total directors' fees of RM1,011,000.00 exclude directors' fees payable by the Company's listed subsidiaries, namely Hap Seng Plantations Holdings Berhad and Hafary Holdings Limited, which are subject to their own shareholders' approval being obtained.

5. *Pursuant to section 271(4) and section 273(b) of the Act, the Company shall at every AGM appoint its auditors who shall hold office until the conclusion of the next AGM. The audit committee had assessed the suitability and independence of Messrs Ernst & Young PLT ("EY"), the auditors of the Company based on the following criteria:-*
 - (a) their performance and quality of work;*
 - (b) experience and competency of professional staff assigned to the audit;*
 - (c) adequacy of resources;*
 - (d) independence throughout the conduct of the audit engagement; and*
 - (e) level of non-audit services and fees rendered to the Group.*

The audit committee was satisfied with the suitability of EY in terms of their audit quality, performance, competency and sufficiency of resources as well as provisions of non-audit services, which did not impair their objectivity and independence as auditors of the Company. The board approved of the audit committee's recommendation for shareholders' approval to be sought at this AGM on the proposed reappointment of EY as auditors of the Company.

NOTICE OF ANNUAL GENERAL MEETING

6. *The proposed resolution 6 is to authorise the Company to allot shares pursuant to section 75 of the Act. This proposed resolution 6, if passed, will empower the directors of the Company to allot ordinary shares in the Company up to 10% of the total number of issued shares of the Company for the time being, subject to compliance with all other regulatory requirement and this authority will enable the Company to finance investment projects, working capital and/or acquisitions by issuing new shares as and when the need arises without delay or incurring costs in convening a separate general meeting. This authority, unless revoked or varied at an earlier general meeting, will expire at the conclusion of the next AGM of the Company.*

As at the date of this notice of AGM, the Company has not issued any new shares pursuant to the authority granted by the shareholders at the last AGM held on 26 May 2022, which authority shall lapse at the conclusion of this AGM.

7. *The proposed resolution 7 is to authorise the Company and its subsidiaries to enter into recurrent related party transactions (“RRPT”) which are necessary for day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not detrimental to the minority shareholders of the Company. This would eliminate the need to make regular announcements to Bursa Malaysia Securities Berhad or convene separate general meetings from time to time to seek shareholders’ approval as and when RRPT arise, thereby reducing substantial administrative time and expenses in convening such meetings.*

Further information on the said RRPT is set out in Part A of the Circular/Statement to shareholders dated 27 April 2023 which is issued together with the Company’s Annual Report 2022.

8. *The proposed resolution 8 is to authorise the Company to purchase its own shares of up to 10% of the total number of issued shares of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of next AGM of the Company. Further information on the proposed renewal of share buy-back authority is set out in Part B of the Circular/Statement to shareholders dated 27 April 2023 which is issued together with the Company’s Annual Report 2022.*

NOTICE OF ANNUAL GENERAL MEETING

Notes to the notice of AGM:-

1. *The AGM will be conducted virtually through RPEV which is available at <https://meeting.boardroomlimited.my>. Please follow the procedures provided in the administrative guide for the AGM in order to register, participate and vote remotely via RPEV.*
2. *The chairman of the AGM will be at the broadcast venue in compliance with section 327(2) of the Act. No shareholder/proxy shall be physically present at the meeting venue.*
3. *A depositor shall not be regarded as a member entitled to participate and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 18 May 2023.*
4. *Subject to note 5 below, a member entitled to participate and vote at this AGM is entitled to appoint a proxy or proxies to participate and vote in his/her stead. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. The proxy or proxies need not be a member of the Company and there shall be no restriction as to the qualification of the proxy or proxies.*
5. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit on the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.*
6. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing, or if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised. Such duly executed instrument appointing a proxy must either be (a) deposited at Reception Counter, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur; or (b) submitted electronically through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>, not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof.*

STATEMENT ACCOMPANYING NOTICE OF 47TH ANNUAL GENERAL MEETING

(Pursuant to paragraph 8.27(2) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. **Details of individuals who are standing for election as directors**

No individual is seeking election as a director at the forthcoming 47th AGM of the Company.

2. **General mandate for issue of securities in accordance to paragraph 6.03(3) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

The details of general mandate for directors to allot and issue shares in the Company pursuant to section 75 of the Companies Act 2016 are set out in item 6 of explanatory notes to the agenda in the notice of 47th AGM.



Hap Seng Consolidated Berhad 197601000914 (26877-W)

PROXY FORM

No. of shares	CDS Account No.

I/We _____ NRIC No./Company No. _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

Tel No. _____ being a member/members of Hap Seng Consolidated Berhad, do hereby appoint

_____ NRIC No./Company No. _____
(FULL NAME OF PROXY IN BLOCK LETTERS)

of _____ Tel No. _____
(FULL ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the 47th annual general meeting of the Company to be conducted virtually through remote participation and electronic voting facilities ("RPEV") at the broadcast venue at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 25 May 2023 at 10am or at any adjournment thereof in the manner as indicated below:-

AGENDA

- To table the audited financial statements for the financial year ended 31 December 2022 together with the reports of directors and auditors.

ORDINARY BUSINESS

		FOR	AGAINST
2. To re-elect Mr. Thomas Karl Rapp as director of the Company.	Resolution 1		
3. To re-elect Ms. Cheah Yee Leng as director of the Company.	Resolution 2		
4. To re-elect Mr. Tan Boon Peng as director of the Company.	Resolution 3		
5. To approve the payment of directors' fees.	Resolution 4		
6. To reappoint Messrs Ernst & Young PLT as auditors of the Company.	Resolution 5		

SPECIAL BUSINESS

		FOR	AGAINST
7. Authority to allot shares pursuant to section 75 of the Companies Act 2016.	Resolution 6		
8. To approve renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	Resolution 7		
9. To approve renewal of share buy-back authority.	Resolution 8		

Please indicate with a "√" in the spaces above on how you wish your votes to be cast. In the absence of specific instructions, the proxy will vote or abstain at his/her discretion.

Signed this _____ day of _____ 2023

Signature(s)/Common Seal of Shareholder(s)

Notes:-

1. The annual general meeting ("AGM") will be conducted virtually through RPEV which is available at <https://meeting.boardroomlimited.my>. Please follow the procedures provided in the administrative guide for the AGM in order to register, participate and vote remotely via RPEV.
2. The chairman of the AGM will be at the broadcast venue in compliance with section 327(2) of the Companies Act 2016. No shareholder/proxy shall be physically present at the meeting venue.
3. A depositor shall not be regarded as a member entitled to participate and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 18 May 2023.
4. Subject to note 5 below, a member entitled to participate and vote at this AGM is entitled to appoint a proxy or proxies to participate and vote in his/her stead. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. The proxy or proxies need not be a member of the Company and there shall be no restriction as to the qualification of the proxy or proxies.
5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit on the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
6. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing, or if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised. Such duly executed instrument appointing a proxy must either be (a) deposited at Reception Counter, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur; or (b) submitted electronically through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>, not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof.

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Postage

THE COMPANY SECRETARY
HAP SENG CONSOLIDATED BERHAD
Registration No. 197601000914 (26877-W)
Reception Counter, Ground Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

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www.hapseng.com

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