



**HAP SENG  
CONSOLIDATED BERHAD**

# ANNUAL REPORT 2023

## 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

21<sup>st</sup> 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)  
11<sup>th</sup> 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  
OCBC Bank (Malaysia) Berhad  
AmBank (M) Berhad  
United Overseas Bank (Malaysia) Berhad  
HSBC Bank Malaysia Berhad  
Hong Leong Bank Berhad  
Affin Bank Berhad  
CIMB Bank Berhad

## GROUP

Hap Seng Consolidated Berhad together with its subsidiaries

# GROUP FINANCIAL HIGHLIGHTS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2023	2022	2021	2020	2019
<b>INCOME (RM'000)</b>					
Revenue	<b>6,086,118</b>	7,110,496	6,012,754	5,850,326	7,096,067
Profit before interest and tax	<b>1,257,835</b>	1,455,367	1,610,004	1,310,656	1,710,592
Profit before tax	<b>1,101,919</b>	1,330,460	1,449,898	1,106,935	1,476,813
Profit attributable to owners of the Company	<b>800,325</b>	950,655	900,433	750,179	1,162,871
<b>FINANCIAL POSITION (RM'000)</b>					
<b>Assets</b>					
Total assets	<b>18,650,634</b>	18,654,245	17,481,224	17,269,962	17,372,884
Net assets	<b>7,876,447</b>	7,673,661	7,507,391	7,484,328	7,340,166
Current assets	<b>6,789,775</b>	6,895,636	7,524,553	8,324,346	7,878,204
<b>Liabilities</b>					
Current liabilities	<b>4,403,175</b>	4,250,747	3,943,221	4,542,273	5,022,768
Borrowings	<b>6,834,261</b>	7,069,000	6,316,317	6,490,655	6,381,186
Net borrowings *	<b>3,413,329</b>	4,213,074	3,222,631	3,505,735	4,073,624
<b>Equity</b>					
Paid-up share capital	<b>3,519,554</b>	3,519,554	3,519,554	3,519,554	3,519,554
Shareholders' equity	<b>7,876,447</b>	7,673,661	7,507,391	7,484,328	7,340,166
Total equity	<b>9,274,734</b>	8,994,223	8,704,759	8,657,593	8,618,856
Total equity (excluding intangible assets)	<b>9,207,486</b>	8,956,389	8,666,823	8,619,555	8,575,053
<b>Number of shares ('000)</b>					
Weighted average shares in issue net of treasury shares	<b>2,489,670</b>	2,489,670	2,489,670	2,489,670	2,489,670
Shares in issue net of treasury shares	<b>2,489,670</b>	2,489,670	2,489,670	2,489,670	2,489,670
<b>SHARE INFORMATION</b>					
<b>Per share</b>					
Basic earnings (sen) #	<b>32.15</b>	38.18	36.17	30.13	46.71
Net assets (RM) @	<b>3.16</b>	3.08	3.02	3.01	2.95
Dividend (sen)	<b>25.00</b>	30.00	35.00	25.00	35.00
Share price (RM)					
Year high	<b>7.40</b>	8.30	8.85	10.08	10.26
Year low	<b>3.03</b>	5.75	7.30	6.70	9.45
As at 31 December	<b>4.55</b>	6.40	7.70	8.60	9.98
Market capitalisation (RM'000)	<b>11,327,997</b>	15,933,885	19,170,459	21,411,162	24,846,907
Trading volume ('000)	<b>498,221</b>	119,715	93,248	119,031	102,267
<b>FINANCIAL RATIOS</b>					
Return on total assets (%)	<b>4.29</b>	5.10	5.15	4.34	6.69
Return on shareholders' equity (%)	<b>10.16</b>	12.39	11.99	10.02	15.84
Current ratio (times)	<b>1.54</b>	1.62	1.91	1.83	1.57
Net debt-to-equity ratio (times) ^	<b>0.37</b>	0.47	0.37	0.41	0.48

\* 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

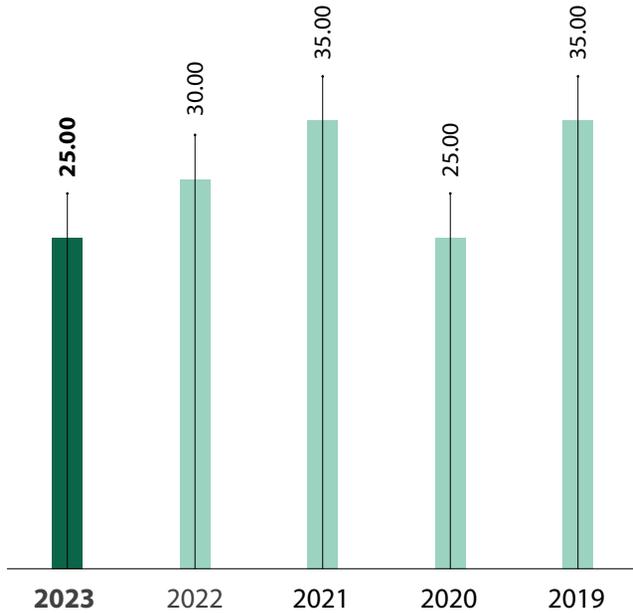
@ Based on number of shares in issue net of treasury shares

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

## GROUP FINANCIAL HIGHLIGHTS

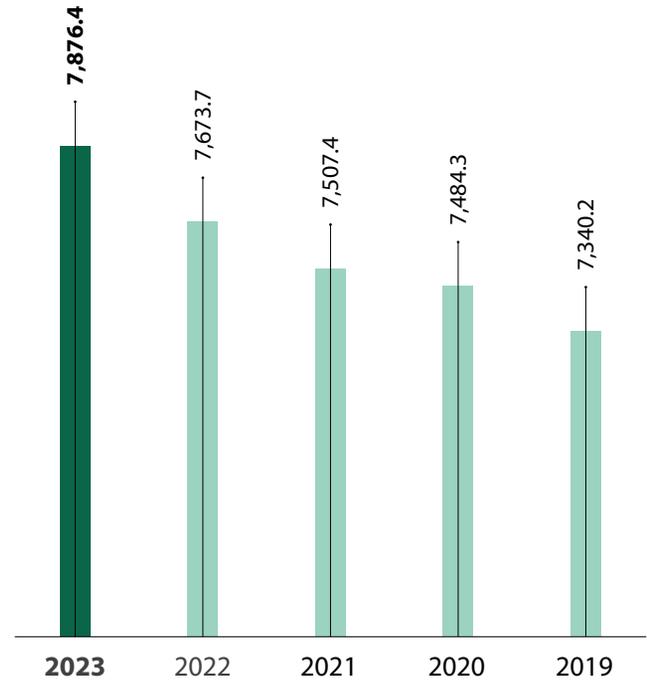
### DIVIDEND PER SHARE

(sen)



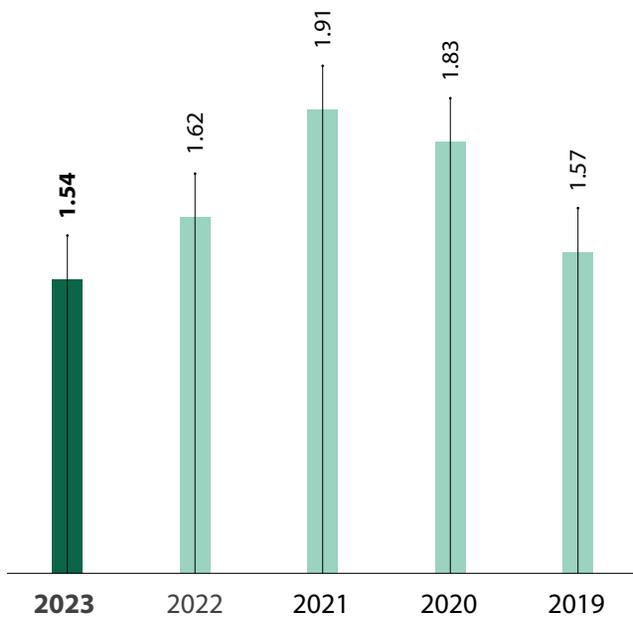
### SHAREHOLDERS' EQUITY

(RM'million)



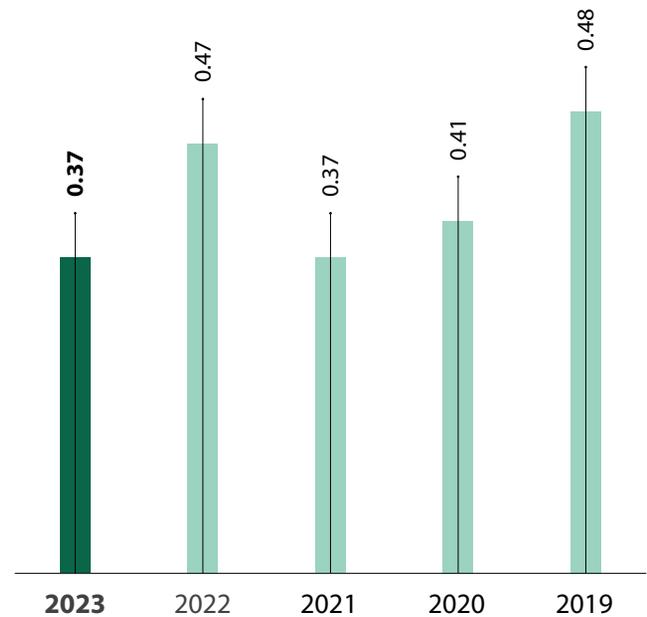
### CURRENT RATIO

(times)



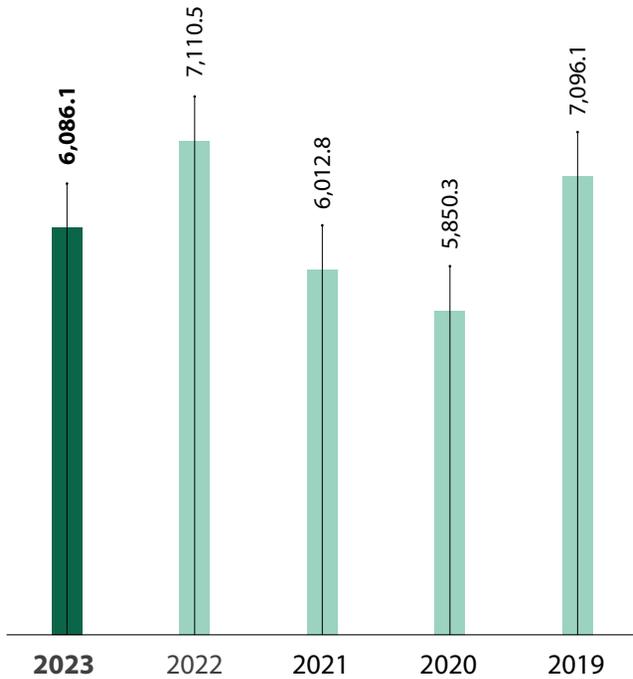
### NET DEBT-TO-EQUITY RATIO

(times)

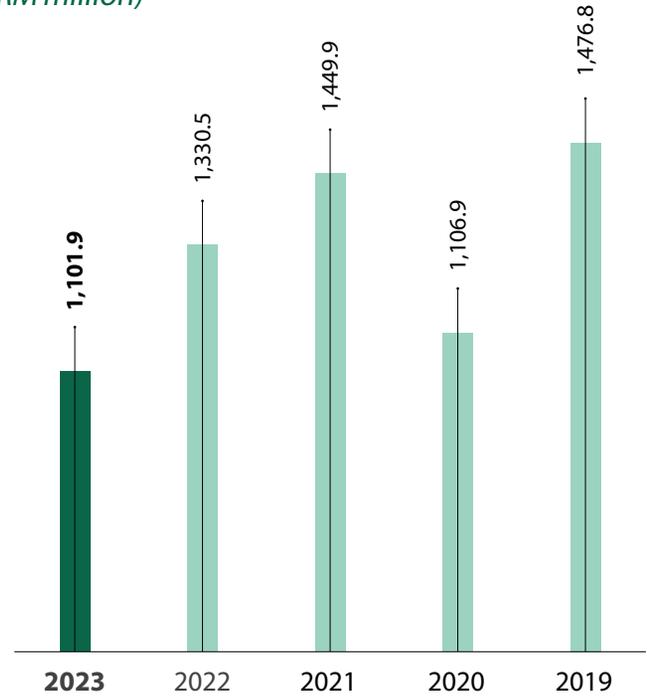


## GROUP FINANCIAL HIGHLIGHTS

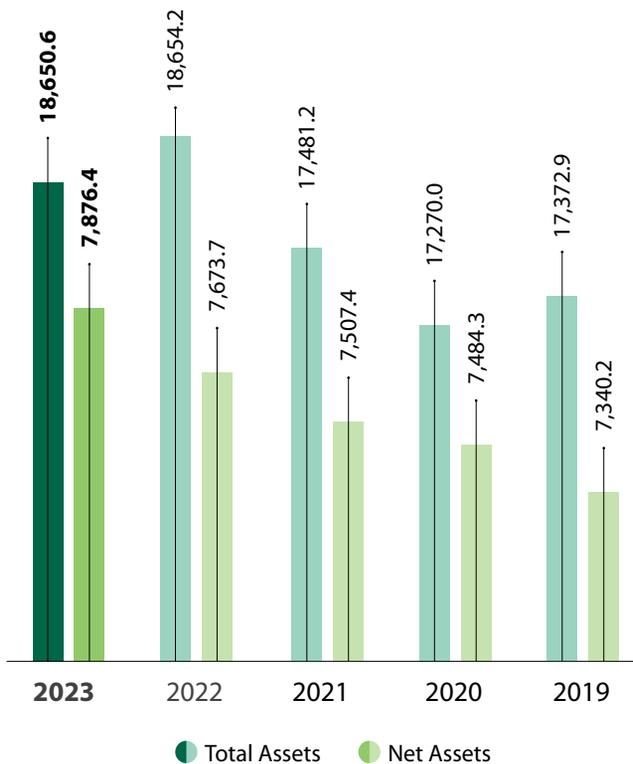
### REVENUE (RM'million)



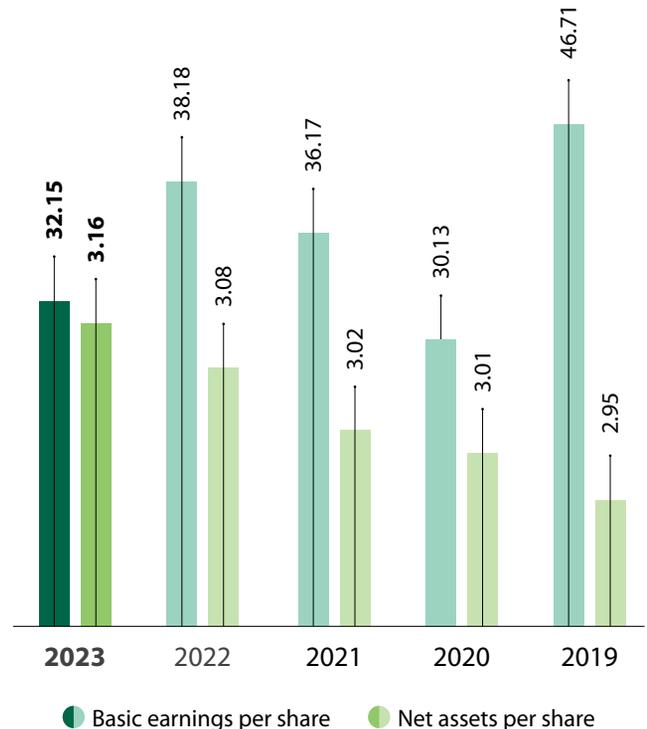
### PROFIT BEFORE TAX (RM'million)



### TOTAL ASSETS/NET ASSETS (RM'million)



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



# 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

Malaysia's GDP growth moderated to 3.7% in 2023, compared to 2022 where the higher GDP growth of 8.7% was driven by the post-COVID-19 recovery. This moderation reflects a slowdown influenced by factors such as sluggish global trade, a downturn in the global technology sector, geopolitical tensions and tighter monetary policies. The moderation in GDP growth primarily stems from contractions in the services, manufacturing and mining sectors.

The service sector recorded moderate growth of 5.3% in 2023 (2022: 10.9%) mainly driven by support in wholesale and retail trade, transportation and storage, and business services sub-sectors. The manufacturing sector recorded a significantly lower growth at 0.7% in 2023 (2022: 8.1%) largely due to lower production of electrical and electronic products amid tech downcycle. The construction sector grew by 6.1% (2022: 5.0%) due to higher support from large infrastructure projects.

Private consumption grew moderately by 4.7% (2022: 11.2%) in line with slower growth in the services sector;

with growth in private consumption driven mainly by continued household spending amid robust labour market conditions and moderating inflation. Public consumption grew by 3.9% (2022: 4.5%) supported by government spending on supplies and services. Private investment recorded lower growth of 4.6% (2022: 7.2%) supported by continued capacity expansion by firms and further progress in ongoing projects. Public investment grew more rapidly by 8.6% (2022: 5.3%) attributable to higher capital expenditure by both public and private sectors.

Despite a more moderate economic growth, domestic demand remains supportive of the GDP with a 4.8% growth in 2023 (2022: 9.2%). However, net exports contracted further in 2023 by 11.3% (2022: contraction of 1.0%).

Headline inflation for 2023 declined to 2.5% (2022: 3.3%). Core inflation remains flat in 2023 averaging at 3.0% (2022: 3.0%).

According to the 2023 national budget, the government introduced various key measures to provide sustainable growth to the country while targeting to reduce budget deficit.

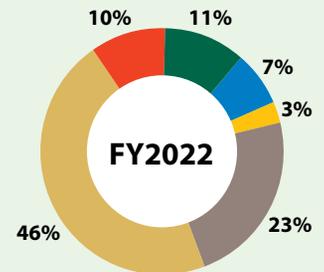
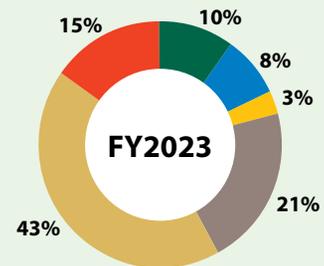
# MANAGEMENT DISCUSSION AND ANALYSIS



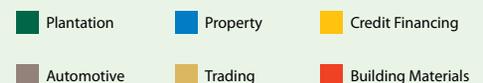
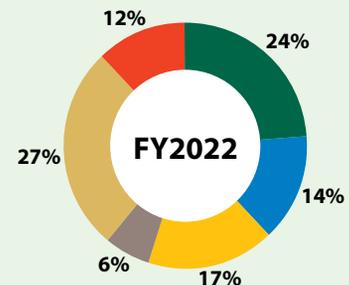
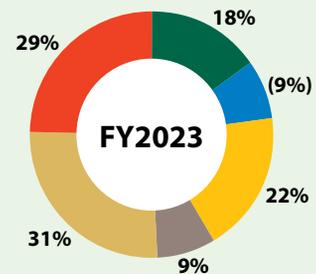
## SEGMENTAL PERFORMANCE HIGHLIGHTS

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

### REVENUE



### OPERATING PROFIT



## FINANCIAL REVIEW

The Group recorded 14.3% decline in revenue to RM6.09 billion (2022: RM7.11 billion) impacted primarily due to price correction in the Crude Palm Oil (CPO) and fertilizer markets, mitigated by increase in sales volume of both commodities.

However, Building Materials division benefitted from higher contribution from both its quarry and Hafary Holdings Limited due to the continued recovery in the construction sector in Malaysia and Singapore.

Accordingly, the Group's profit for the year after non-controlling interests for the 2023 financial year decreased by 15.8% to RM800.3 million (2022: RM950.7 million).

Group earnings per share decreased by 15.8% to 32.15 sen (2022: 38.18 sen). A total dividend of 25 sen per share for the year (2022: 30 sen per share) was declared and paid.





# 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.



**Average Age of  
Total Planted Area**

**16.9**  
years



**FFB Yield**

**19.7**  
tonnes per hectare



**Oil Extraction Rate (OER)**

**20.75%**



**Revenue**

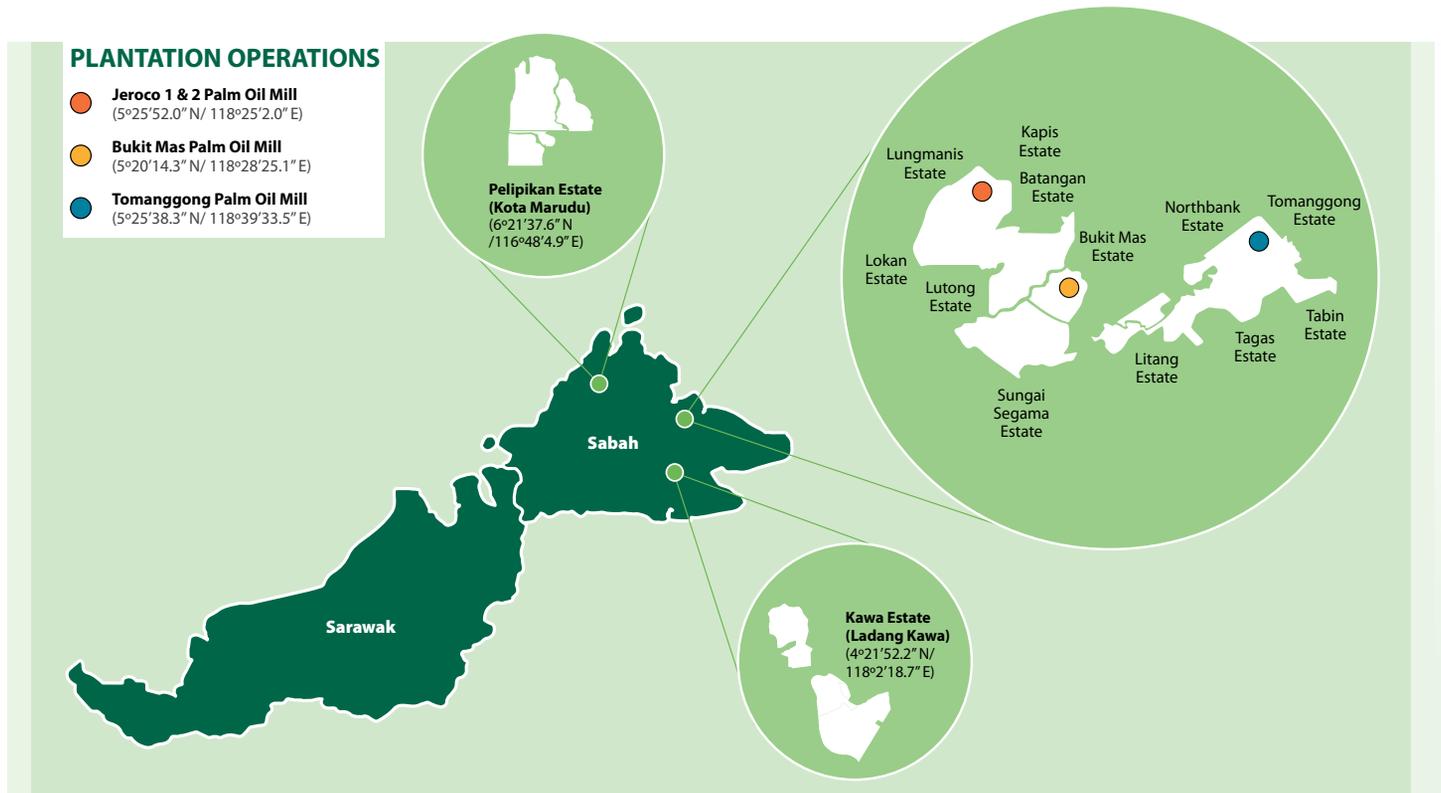
**RM667.8**  
million



**Operating Profit**

**RM123.4**  
million

## MANAGEMENT DISCUSSION AND ANALYSIS



### MARKET CONDITION

Overall, Malaysian palm oil industry performance was within expectation in 2023. Despite modest growth in Crude Palm Oil (CPO) production, total export earnings of oil palm products declined mainly due to low palm product prices and export quantity. Total CPO production in 2023 was 18.6 million tonnes slightly higher by 0.53% than 2022 production of 18.5 million tonnes. The industry is still facing labour shortages that caused disruptions in the plantation industry's Fresh Fruit Bunch (FFB) harvesting and milling processes. The division however was generally unaffected by the labour shortages. Total exports of palm oil in 2023 amounted to 15.1 million tonnes, lower by 0.6 million tonnes or 3.9% lower compared to 15.7 million tonnes registered last year. The decline was due to competition from competing vegetable oils.

CPO price averaged at RM3,809 per tonne (2022: RM5,807 per tonne). The Sabah average CPO price was RM3,739 per tonne (2022: RM4,786 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 primarily distributes its palm products through a combination of Spot Sales and Forward Contracts. 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



Electrostatic Precipitators (ESP) Plant

### 2023 FINANCIAL REVIEW

The division's performance in 2023 was affected by the challenging conditions prevailing across the Malaysian plantation industry. The division's 2023 revenue declined by 18% to RM667.8 million (2022: RM814.6 million). Operating profit was 53.8% lower at RM123.4 million (2022: RM266.9 million).

The division recorded an average realized price of CPO and Palm Kernel (PK) of RM3,942 per tonne (2022: RM5,530 per tonne) and RM2,154 per tonne (2022: RM3,278 per tonne) respectively during the year.

Average CPO selling price was 5.4% above Sabah average of RM3,739 per tonne and average PK selling price was 14.7% higher than Sabah average of RM1,878 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 remained relatively stable at RM2,562 per tonne (2022: RM2,559 per tonne).

### OPERATIONAL PERFORMANCE

#### Planting Operations

As at 31 December 2023, the division had a total planted area of 34,856 hectares (2022: 34,856 hectares) out of a total area of 39,103 hectares. Of the total planted area, approximately 93% or 32,367 hectares (2022: 32,135 hectares) were mature areas, with the average age of 16.9 years (2022: 16.6 years). The division recorded a 8.4% increase in FFB yield of 19.70 tonnes per hectare (2022: 18.17 tonnes per hectare).

	Hectares
Immature	2,489
30 months to 7 years	4,577
> 7 years to 17 years	11,394
> 17 years	16,396
Total planted – oil palm	34,856
Immature – other crops	146
Total planted area	35,002
Reserve plantable	113
Building, road, reserves, etc	3,988
<b>Total Area</b>	<b>39,103</b>

For FY2023, the division had 2,489 hectares of immature of oil palm out of which 832 hectares are expected to mature in 2024. The division replanted 829 hectares during the 2023 financial year. The division's FFB production increased by 9.2% to 637,719 tonnes (2022: 583,943 tonnes).



## MANAGEMENT DISCUSSION AND ANALYSIS

Area Statement of the division as of 31 December 2023 was as follows:

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of Mature Area
<b>JGOE(i)</b>	14,117	*12,808	11,943	93.2%
<b>TMGOE(ii)</b>	12,806	**11,863	11,211	94.5%
<b>SSGOE(iii)</b>	9,907	8,743	7,625	87.2%
<b>Ladang Kawa</b>	100	100	100	100.0%
<b>Pelipikan</b>	1,365	903	903	100.0%
<b>Kota Marudu</b>	***808	585	585	100.0%
<b>Total</b>	<b>39,103</b>	<b>35,002</b>	<b>32,367</b>	<b>92.5%</b>

(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, achieved a 12.9% increase in production to 147,318 tonnes (2022: 130,510 tonnes) and recorded an improved average utilization rate of 67.7% in 2023 (2022: 61.2%). The division recorded a 2.0% increase in OER of 20.75% (2022: 20.35%).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Sustainability and Food Safety Certification

The division is committed to ensuring that the FFB utilized in its production, whether sourced internally or externally, are certified sustainable. In pursuit of this commitment, the division has revisited its objectives for the second time, aiming to ensure that all FFB obtain RSPO certification by 2025, prompted by the ongoing RSPO compensation case concerning the Tabin/Northbank/Pelipikan Estate. The revised timeline, encompassing a time-bound plan to achieve 100% RSPO-certified sustainable palm oil from 2022 to 2025, received approval from the RSPO Certification Unit on 22 September 2023. The division's estates are 81% RSPO certified with 100% of its palm oil mills RSPO and International Sustainability and Carbon Certification EU (ISCC EU) certified. Furthermore, all 14 of its estates and four palm oil mills of the division has been Malaysian Sustainable Palm Oil (MSPO) certified since 2018.

As part of the division's effort to ensure sustainability of its supply chain, the division continues to engage with its independent local outgrowers and smallholders to raise sustainability awareness and the benefits associated therewith.

As a result of this effort, nine out of the 11 independent local outgrowers and smallholders (82%) participated in obtaining the RSPO and MSPO certification. In 2023, five independent local outgrowers and smallholders are both RSPO and MSPO certified with another three independent local outgrowers and smallholders achieved MSPO Certification.

As part of the division's initiative 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 division's commitment to be a responsive sustainable palm oil producer in compliance with global sustainability standards for agriculture production and to enhance the market accessibility with good quality or specification of palm oil produced that meets the premium market requirement.



### OUTLOOK FOR 2024

The division's performance 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 1<sup>st</sup> quarter of 2024 is showing signs of strong FFB production despite heavy rains and flooding in Sabah in the earlier part of the year. According to the Malaysian Meteorological Department, the current El Nino phenomenon, which resulted in hot and dry weather, is forecast to persist until the end of the 1<sup>st</sup> half of 2024 before becoming El Niño-Southern Oscillation (ENSO) neutral by mid-2024. It is expected that the impact of El Nino to the palm oil industry will be minimal.

It is forecast that in 2024, Malaysian palm oil production will likely increase to 18.75 million tonnes. With the anticipation on increase of palm oil production, Malaysian producers will be facing stiff competition from Indonesian producers offering competitive pricing to protect their market share.



# PROPERTY

Hyatt Centric KL | Artist Impression



The Property division is an established property developer with developments located in strategic locations across the Klang Valley and Sabah. The division's investment properties and hotels are located in Kuala Lumpur and Kota Kinabalu.

## Revenue

**RM 494.1**  
million



### Investment Property Revenue

**↑8.6%**



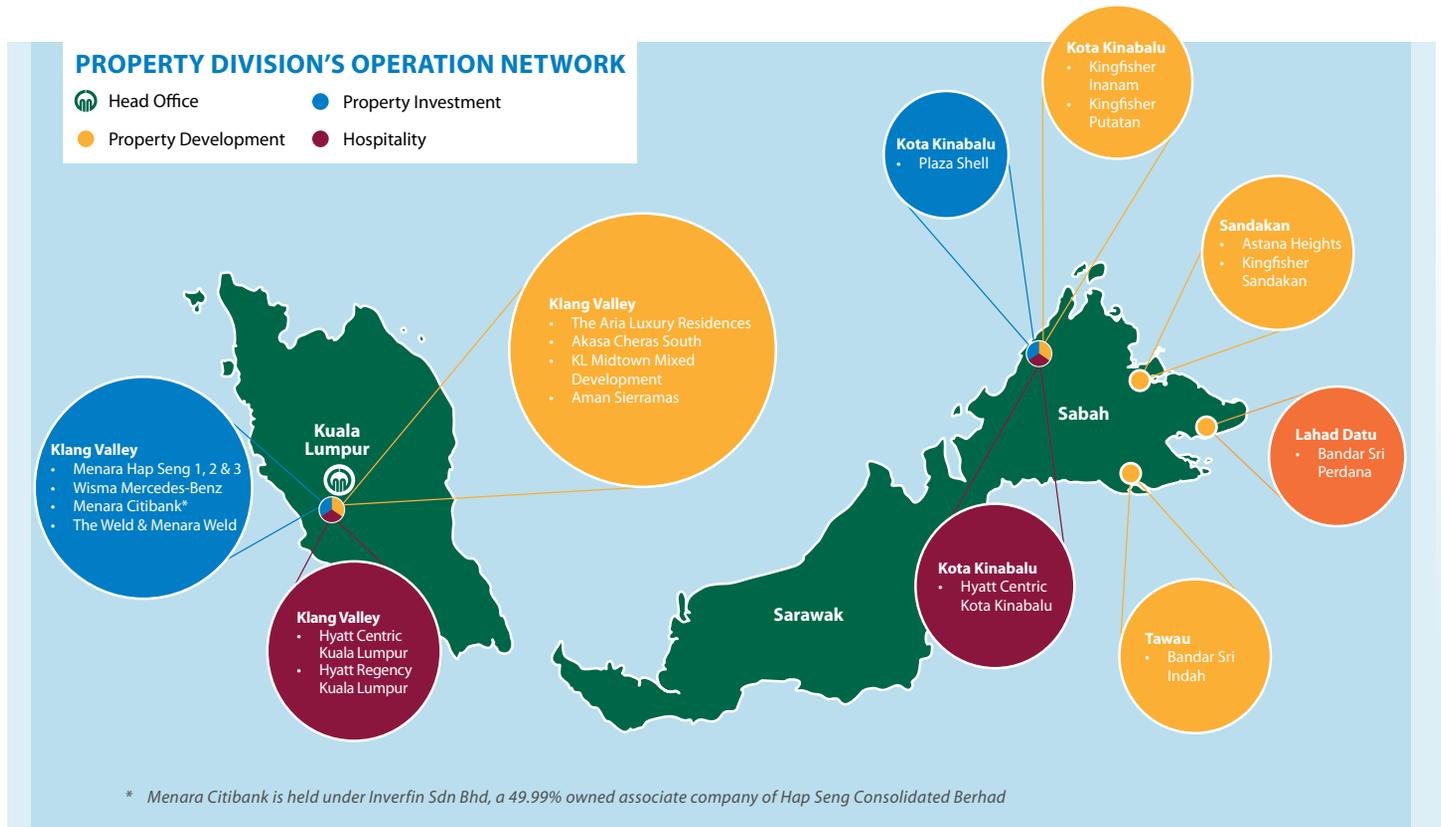
### Hotels Under Construction

**2**

KL Midtown Mixed Development at KL Metropolis | Artist Impression



## MANAGEMENT DISCUSSION AND ANALYSIS



### MARKET CONDITION

The Malaysian housing market moderated its post-pandemic recovery in 2023, recording a 1.3% growth in the number of residential property transactions for the first nine months of 2023 over the same period in 2022.

The residential property market continued to receive government support through stamp duty exemptions and real property gains tax exemptions for eligible properties and home buyers. In addition, the “My First Home Scheme” continues to provide 100% home financing for first-time home buyers purchasing properties priced below RM500,000.

The investment property market in Malaysia saw a slight improvement in 2023. The occupancy rate of office buildings in Kuala Lumpur has improved to 72.1% at the end of the 3<sup>rd</sup> quarter of the year (3<sup>rd</sup> quarter 2022: 70.3%). Kota Kinabalu registered an overall occupancy rate of 88.8% for office buildings at the end of the 3<sup>rd</sup> quarter of 2023 (3<sup>rd</sup> quarter 2022: 85.1%).

The hospitality industry witnessed a notable recovery, supported by 20 million tourist arrivals in 2023, surpassing the government’s initial target of 15 million tourist arrivals. This will be further supported by the recent announcement of 30-day visa-free entry for nationals from China and India.

### MANAGEMENT STRATEGIES

The division continues with its commitment to assisting prospective homebuyers in achieving their goal of homeownership. This commitment includes providing appealing homebuyers’ packages, namely “zero cost moving-in” package and “free furniture fittings” package.

## MANAGEMENT DISCUSSION AND ANALYSIS

Menara Hap Seng 1



Menara Hap Seng 2



Menara Hap Seng 3



The division aims to boost property sales by strengthening relationships through collaborative efforts with agencies, banks, and property associations such as Real Estate and Housing Developers' Association (REHDA) and the International Real Estate Federation (FIABCI), and actively participating in roadshows. Leveraging its extensive business network and partnerships is also a key focus for generating more sales.

For investment properties, the division has plan to transform Plaza Hap Seng into an integrated commercial centre, comprising Menara Hap Seng, Menara Hap Seng 2 and Menara Hap Seng 3. Plaza Hap Seng will be connected to Hyatt Centric Kuala Lumpur and Menara Weld via pedestrian bridge, connecting a total gross built-up area of approximately two million square feet of commercial office, retail and hotel offering a wide array of entertainment and dining options.

Apart from Hyatt Centric Kuala Lumpur, the division is expanding its hospitality business with the development of Hyatt Regency Kuala Lumpur.

Plaza Shell



## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATIONAL PERFORMANCE

In 2023, the division recorded a revenue of RM494.1 million (2022: RM523.9 million). The lower revenue was attributed to lower property sales. The main revenue contributors were Aria Luxury Residences, Akasa Cheras South, Bandar Sri Indah, Kingfisher Inanam, Kingfisher Sandakan, Kingfisher Putatan and Bandar Sri Perdana.

Rental income from the division's investment properties increased to RM103.9 million (2022: RM95.7 million), with higher contributions from Menara Hap Seng 3 and Autohaus in Bukit Tinggi. Revenue from the division's hotel increased to RM33.1 million (2022: RM3.2 million) mainly contributed by full year results of Hyatt Centric Kota Kinabalu.

Overall, the division recorded an operating loss of RM60.4 million (2022: operating profit of RM158.3 million).

### PROPERTY DEVELOPMENT



The Aria Luxury Residences



Akasa Cheras South

### KLANG VALLEY

#### The Aria Luxury Residences

The Aria Luxury Residences is a luxury condominium located between the Singapore and Japan embassies and in close proximity to Tun Razak Exchange (TRX), prominent shopping malls such as The Exchange TRX, Suria KLCC and Pavilion Kuala Lumpur. The two prominent and elegant blocks of 45-storey condominium comprise 598 freehold residential units across 1.85 acres with a gross development value (GDV) of RM1.1 billion.

#### Akasa Cheras South

Akasa Cheras South is a 9.7-acre freehold mixed development featuring both Akasa Service Residence and Akasa Business Park. Situated in a burgeoning and vibrant neighbourhood, it offers easy accessibility via the SILK highway. Akasa Service Residence comprises three residential towers, offering a total of 998 units featuring modern layouts and practical designs. Residents can enjoy resort-style living with access to 150,000 square feet of common facilities including a man-made beach. With an estimated GDV of RM642 million, the development is strategically located near shopping malls, medical facilities, and international schools, ensuring a comprehensive and convenient living and working environment.

Akasa Business Park stands out as a notable commercial hub in Cheras South, catering to the requirements of Akasa Service Residence and the nearby established business communities. It features 19 commercial units offering office and retail spaces across five to eight storeys, with an estimated GDV of RM210 million. Presently, it hosts prominent businesses including a BYD electric vehicle dealership, Lifecare Diagnostics Centre, Portman International School and a pet-friendly café.

## MANAGEMENT DISCUSSION AND ANALYSIS

### UPCOMING PROJECTS IN THE KLANG VALLEY

#### KL Midtown Mixed Development at KL Metropolis

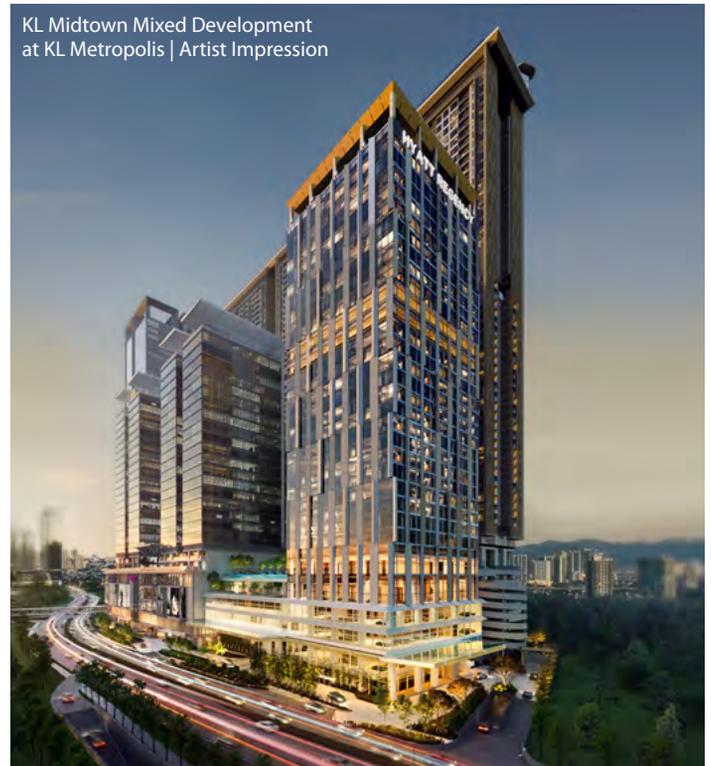
KL Midtown is strategically located within the 75-acre KL Metropolis. KL Metropolis is a mixed development envisioned to be the International Trade and Exhibition District for Kuala Lumpur and surrounded by an excellent road structure and public transport network.

KL Midtown is situated directly across from the Malaysia International Trade and Exhibition Centre (MITEC), Malaysia's largest convention centre. This mixed-use integrated development is designed to become the premier destination for shopping, dining, working, living and entertainment in the Klang Valley.

Spanning 8.95 acres of freehold land, the development encompasses five key components: luxury service residences, a retail mall, signature offices, corporate offices and the prestigious 5-star Hyatt Regency Kuala Lumpur hotel. Once finished, it will be seamlessly connected to MITEC and the nearby five-acre KL Metropolis linear park via a covered overhead pedestrian bridge.

Covering approximately 524,000 square feet, the retail mall will be managed by AEON, aiming to deliver a lifestyle retail experience. It sits atop a five-storey commercial basement car park and is projected to open in 2025. The seven-storey mall is designed to seamlessly connect all components within KL Midtown, including the Hyatt Regency Hotel Kuala Lumpur, Signature Office, Corporate Office and residential blocks. It is slated to receive GreenRE Gold accreditation upon completion.

The two Signature Office towers will boast modern architectural designs, unobstructed views of the KL Metropolis Park and MITEC upon their completion. Each 19-storeys tower encompasses approximately 300,000 square feet of gross floor area and is available for en-bloc purchase. These towers showcase high-quality Grade A office features, including double-volume ceiling at the main lobby, high-speed lifts, and energy-efficient fittings. Offering dual lobbies from the ground and level five retail floor, the level five retail floor lobby is adorned with a 1.5-acre green linear park. Designed by internationally acclaimed architects, Skidmore, Owings & Merrill (SOM), this component is slated to receive LEED Gold and GreenRE Gold accreditation.



KL Midtown Mixed Development at KL Metropolis | Artist Impression

Sierramas Residential Project | Artist Impression



#### Aman @ Sierramas

Spanning nine acres of freehold land, Aman @ Sierramas is located within the serene and established Sierramas township. The proposed development comprises three condominium blocks, totaling 540 units, alongside a comprehensive two-acre facilities deck. It will offer panoramic views of both the Bukit Lagong Forest Reserve and Kuala Lumpur City Centre, while bordering the lush greenery of the Valencia Golf Course.

## MANAGEMENT DISCUSSION AND ANALYSIS



### SABAH

#### KOTA KINABALU

##### Kingfisher Inanam

The Kingfisher Inanam residential development is situated in the mature neighbourhood of Inanam Kota Kinabalu, and conveniently located approximately two kilometres from the upcoming Pan Borneo Highway interchange. Comprising three blocks of residential towers, totaling 739 units with an estimated GDV of RM400 million, the development offers a serene living environment surrounded by lush greenery. It is also in close proximity to commercial centres, trade centres and educational facilities. Residents can enjoy breathtaking views from the two-acre sky recreational facilities. Future phases are currently under planning.

##### Kingfisher Putatan

The Kingfisher Putatan residential development is situated in the established Putatan area, offering convenient access to and from the upcoming Pan Borneo Highway interchange. Located 15 kilometers from Kota Kinabalu and seven kilometers from the Kota Kinabalu International Airport, the development boasts 528 units over four residential towers, with an estimated GDV of RM280 million. With the picturesque view of the Crocker mountain range, all units feature modern, practical and spacious layouts, making them ideal for first-time homebuyers. Moreover, the towers are equipped with seismic interlocking features, ensuring structural integrity and safety.

### TAWAU

#### Bandar Sri Indah

Launched in 2004, Bandar Sri Indah (BSI) spans over 1,368 acres, making it the division's largest flagship development in Sabah and one of the most integrated township developments across Sabah. In recognition of its excellence, BSI was honored with the "Best Mixed-Used Development" award at the Shereda Excellence Award 2023.

Offering a diverse range of products, from affordable apartments to single-storey, double-storey, semi-detached and detached houses, BSI is designed to promote sustainable and 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.

BSI provides a wide range of comprehensive amenities tailored to serve its residents, businesses and the surrounding community. These include a supermarket, community sports complex, affordable eateries, cinema, bridal house and fast food chains. Additionally, it features an intercity bus terminal and Tawau's largest Petron petrol station. Furthermore, the township boasts an education hub hosting institutions such



as Open University Malaysia, Tawau Vision School, Vision International School and Community College. With such an extensive array of amenities, BSI stands as a self-sufficient and sustainable township.

Designed to offer nature and healthy living in mind, BSI offers its residents lush greenery and recreational space, featuring generous green landscapes and a 15.5-acre lake garden that showcases an orchid garden with over 50 species of orchids. Furthermore, BSI is surrounded by green lung comprising three picturesque forest reserves and enjoys close proximity to the tranquil and scenic Shan Shui Golf and Country Club.

## MANAGEMENT DISCUSSION AND ANALYSIS

### LAHAD DATU

#### Bandar Sri Perdana

Bandar Sri Perdana is a choice integrated township in Lahad Datu measuring 250 acres. This highly coveted and sustainable township is located in a lively commercial district that provides access to a wide range of amenities, such as a hypermarket, bank, hotel, OUM university, convenient shops, government agencies, primary and secondary schools, 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. The division is planning for an extension of Bandar Sri Perdana known as Eko Perdana. Eko Perdana is a 127-acre development adjacent to Bandar Sri Perdana. Future phases are currently under planning.



### SANDAKAN

#### Astana Heights

Astana Heights is a hilltop mixed development project, offering panoramic views of the Sulu Sea. The division's flagship development, Kingfisher Sandakan, features four 18-storey apartment blocks, total 792 units. The project's 3-tier security system and seismic interlocking design are the first of its kind in Sandakan.



### PROPERTY INVESTMENT

In 2023, the division's investment properties recorded healthy occupancy rates throughout the year. Properties such as Plaza Hap Seng, Plaza Shell and Menara Citibank recorded an encouraging average occupancy rate of 82%.

Currently, Plaza Hap Seng offers a wide range of essential amenities to cater to the 5,000 office occupants and its business community. These include banks, retail outlets, medical & wellness facilities, auditorium & conference rooms and business incubation centre. It is also home to several MICHELIN Guide restaurants and other food and beverages outlets offering local and international cuisines. More entertainment and dining venues will be added upon opening of Hyatt Centric Kuala Lumpur.

Plaza Hap Seng houses the first new Mercedes Benz Retail Brand Presence in the heart of KL City Centre integrated with smart electric vehicle outlet and the first Mercedes-Benz Accessories and Collection Boutique in Malaysia at Menara Hap Seng 3.

Both Menara Hap Seng 2 and Menara Hap Seng 3 are granted with Malaysia Digital Status and ESG-compliant.

During the year, the division completed the acquisition of Menara Weld. This latest addition to Plaza Hap Seng, together with Hyatt Centric Kuala Lumpur will form part of 5.8 acres of contiguous freehold land within the Golden Triangle with close proximity to surrounding iconic landmarks like the Petronas Twin Towers and Menara Kuala Lumpur.

Moving forward, the division will prioritize integrating sustainable and wellness features into its investment properties to further attract tenants.



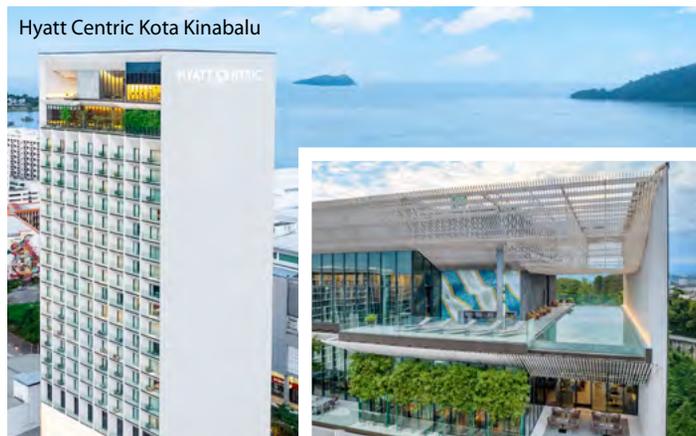
## MANAGEMENT DISCUSSION AND ANALYSIS

### HOSPITALITY

In 2023, the division's maiden hotel, Hyatt Centric Kota Kinabalu enjoyed an encouraging occupancy rate due to the resumption of international flights and the recent announcement of 30-day visa-free entry for nationals from China and India. The division has two additional premium international hotels in Kuala Lumpur in the pipeline.

#### Hyatt Centric Kota Kinabalu

Opened in October 2022, the 22-storey Hyatt Centric Kota Kinabalu is the latest 5-star lifestyle hotel with GreenRE Silver accreditation in the heart of Kota Kinabalu. Designed by world-renowned award-winning Japanese architect Mr. Kengo Kuma, the hotel's 222 guestrooms and suites were inspired by the surrounding landscape of Sabah's undulating hills and South China Sea islands. It features duplex dining experience on the highest floors at ON22 and ON23 crowned with an infinite pool offering one of the best panoramic island sunset views in Kota Kinabalu.



#### Hyatt Regency Kuala Lumpur

Designed by Mr. Kengo Kuma, Hyatt Regency Kuala Lumpur is set to open its doors in 2025. This 33-storey hotel, perching atop a six-storey hotel podium, will feature 306 hotel rooms with sizes ranging from 450 square feet to 2,446 square feet and 104 serviced suites with sizes ranging from 708 square feet to 1,077 square feet. It will also feature 13 conference rooms of various sizes and exciting dining venues, including a market café, a Japanese restaurant & bar, a Chinese restaurant and a lobby lounge. Additionally, it will include a 1,000 square-meter ballroom capable of hosting up to 1,000 guests. Upon completion, the hotel will be GreenRE Gold compliant, offering world-class hospitality.

#### Hyatt Centric Kuala Lumpur

The inaugural Hyatt Centric hotel in Kuala Lumpur, situated in the bustling Golden Triangle at the heart of Kuala Lumpur city centre, will provide easy access to iconic landmarks like the Petronas Twin Towers and Menara Kuala Lumpur. This distinctive lifestyle hotel, spanning 21 storeys, will offer 312 guestrooms and suites, each inspired by the vibrant history of Kuala Lumpur. Upon completion in 2024, it will be GreenRE complied and seamlessly linked to Plaza Hap Seng, expanding the range of entertainment and dining venues available to the business community of Plaza Hap Seng and neighbouring offices.



## MANAGEMENT DISCUSSION AND ANALYSIS

Body & Paint Competence Centre at Hap Seng Business Park



### SHORT AND LONG-TERM GOALS

The division continues to innovate selling strategies and expand marketing channels whilst pursuing growth in property development as well as to improve and achieve an attractive yield for its investment and hospitality properties.

### OUTLOOK FOR 2024

#### Residential sector

For 2024, the division remains cautiously optimistic about the demand for residential properties in prime and strategic locations. This optimism is supported by a stable interest rate environment, attractive packages offered, including collaborative efforts with various agencies, banks and supportive government initiatives.

#### Commercial office sector

Property investments have experienced rising occupancy rates, and the division remains optimistic about leasing momentum. This positive outlook is driven by an uptick in leasing activities and a growing awareness of environmental, social, and governance (ESG) factors, particularly in relation to our ESG-compliant buildings. With a stable tenant portfolio and ongoing initiatives by the leasing and building management teams, the division is confident that its occupancy rate is expected to improve.

#### Hospitality sector

The hospitality sector stands to gain from the resurgence of tourism in Malaysia, particularly with the resumption of flights and the recent announcement of 30-day visa-free entry for nationals from China and India. The division remains confident in the ongoing recovery of tourism and expects an improvement in the performance of Hyatt Centric Kota Kinabalu as a result.

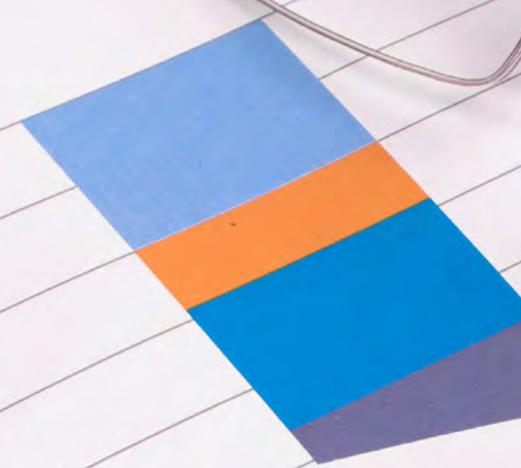
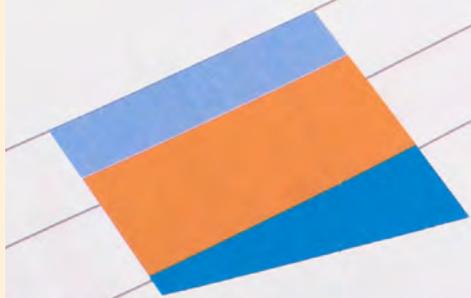
Wisma Mercedes-Benz



# Hap Seng Credit

## Summary

100  
90  
80  
70  
60  
50  
40



# Hap Seng Credit

## Summary

5%  
60%  
50%  
40%  
30%  
20

100  
90  
80  
70  
60  
50  
40  
30  
20  
10  
0

Million



■ Fra  
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■

100  
90



## 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 (London) 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.



Revenue

**RM230.8**  
million



Operating Profit

**RM155.7**  
million

## MANAGEMENT DISCUSSION AND ANALYSIS

### CREDIT FINANCING DIVISION'S OPERATION NETWORK

-  Head Office
-  Regional Business Centres (Central, South & East Malaysia)
-  Credit Business (London)



### MARKET CONDITION

The Malaysian economic growth normalised to 3.7% in 2023 (2022: 8.7%), driven primarily by domestic demand. Loan growth in the banking industry grew by 5.3% in 2023 compared to 5.7% in 2022.

### MANAGEMENT STRATEGIES

The division continues to practice prudent lending by procuring acceptable quality businesses with reasonable return, concentrating on loyal borrowers with proven track record and targeting borrowers from pre-approved growth sectors. The division continues to offer tailored solutions to cater to borrowers' needs.

### OPERATIONAL PERFORMANCE

The division remained cautious in acquiring new business throughout the year. The division continued to prioritize maintaining reasonable interest costs, aiming to achieve acceptable net interest margins. The division continued to focus on efforts in loan collections, recovery and restructuring.

In line with the lower loan portfolio balance, the division recorded an operating profit of RM155.7 million in 2023 (2022: RM194.5 million). The return on average asset for the year was 4.4% (2022: 4.0%), which compares favourably with the industry average of 1.2% (2022: 1.3%). Gross NPL ratio was at 2.85% in 2023 (2022: 2.10%) partly due to lower loan base.

## MANAGEMENT DISCUSSION AND ANALYSIS



### SHORT AND LONG-TERM GOALS

In the short term, the Credit Financing division will continue to maintain a strategy of prudent lending, considering uncertainties in both domestic and global economies and a challenging financing landscape. Emphasis will be placed on loan collection and non-performing loan recovery to enhance liquidity and asset quality.

Over the long term, the division will continue striving to enhance the net interest margin and establish a stable and sustainable loan portfolio.

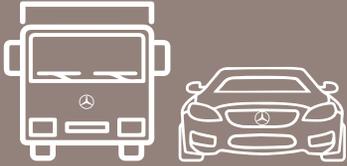
The division thereby prioritizes the development and retention of its human capital. Regular internal training programs covering technical updates and refresher seminars for relevant staff are conducted.

In the long term, the division continues to explore opportunities for expansion both domestically and abroad. This is to ensure the division's sustained growth and market diversification.

### OUTLOOK FOR 2024

Malaysia's economic growth in 2024 is forecast at 4% to 5%, announced during the national budget in November 2023. The division expects businesses to remain challenging in view of uncertainties in the domestic and global economies.





# AUTOMOTIVE



Revenue

# RM1.39

billion



Operating Profit

# RM65.2

million



Body & Paint Competence  
Centre Revenue

## ↑20.0%



Body & Paint Competence  
Centre Throughput

## ↑6.2%



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

The passenger car business is operated via Hap Seng Star Sdn Bhd (Hap Seng Star), Hap Seng Smart Sdn Bhd (Hap Seng Smart) and Hap Seng Body & Paint Sdn Bhd (Hap Seng Body & Paint). Hap Seng Star, a leading Mercedes-Benz authorized sales agent and service dealer in Malaysia, presently manages a network of nine outlets strategically located in Klang Valley, Melaka, Kota Kinabalu and Kuching. Hap Seng Star also manages two Mercedes-Benz Certified Pre-Owned Centres in Klang Valley, situated in Balakong and Bukit Tinggi. Hap Seng Body & Paint operates a centralised multi-brand Body & Paint Competence Centre (BPC) in Shah Alam.

In 2023, Hap Seng Smart was appointed the authorised dealer for the sale of smart electric vehicles in Malaysia. Hap Seng Smart currently operates two smart dealerships in Kuala Lumpur and Balakong.

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

### AUTOMOTIVE DIVISION'S OPERATION NETWORK

-  Hap Seng Star Head Office
-  Hap Seng Trucks Distribution & Hap Seng Trucks Head Office
-  Hap Seng Star Dealerships
-  Hap Seng Trucks Distribution Plant
-  Hap Seng Smart Head Office
-  Hap Seng Trucks Branches



### MARKET CONDITION

In 2023, total industry volume (TIV) of the Malaysian automotive industry achieved an all-time high of 799,731 units (2022: 721,177 units), representing a growth of 10.9%.

Total registration of new passenger vehicles in 2023 increased by 12.0% to 719,160 units from 642,157 units in 2022. The high volume increase was largely due to the strong sales performances by the two national makes. As a result, the combined market share of both national makes rose to 66.9% (481,300 units) in 2023 compared with 65.1% (418,045 units) in 2022. Meanwhile, the non-national makes registered a higher sales volume of 237,860 units or 6.1% growth compared to 2022 with 224,112 units.

The commercial vehicles segment saw a small growth of 2.0% or 1,551 units to reach 80,571 units in 2023 (2022: 79,020 units). TIV of the European prime mover truck segment reduced by 5.5% to 1,020 units (2022: 1,079 units), whereas TIV of the Japanese light-duty truck and medium-duty truck segment remained at 14,518 units in 2023 (2022: 14,479 units).

The Malaysian Automotive Association (MAA) attributed the notable upswing in the annual TIV for 2023 to several factors, including the success of tax-free car bookings, a robust domestic economy, the introduction of new car models including affordable electric vehicles, and improvements in the overall supply chain conditions within the industry.



## MANAGEMENT DISCUSSION AND ANALYSIS

Hap Seng Star Bukit Tinggi



in Rawang, north of the Klang Valley, and Pahang. New 2S service dealers were added in strategic locations namely Ipoh, Johor Bahru and Port Dickson to support both its FUSO & Mercedes-Benz commercial vehicle customers. This expansion underscores our dedication to making our high-quality product easily available to a broader range of customer.

### OPERATIONAL PERFORMANCE

Hap Seng Star recorded a turnover of RM1.08 billion (2022: RM1.43 billion) with an operating profit of RM42.2 million (2022: RM40.8 million). The decrease in revenue was due to lower sales volume, partly due to the expiration of the sales tax exemption in March 2023. The adoption of the agency model by Mercedes-Benz Malaysia since 1 September 2023, which changed the revenue recognition basis, also made 2023 revenue not directly comparable to 2022. The division's aftersales operations recorded a marginal increase in throughput over the previous year. The BPC recorded a 20.0% increase in revenue to RM40.2 million (2022: RM33.5 million) as throughput increase by 6.2% over the previous year.

The commercial vehicle business recorded a total revenue of RM318.3 million representing a 6.4% decrease (2022: RM340.0 million). It recorded an operating profit of RM22.9 million (2022: RM28.3 million).

### MANAGEMENT STRATEGIES

As part of its strategy to enhance customer experience, Hap Seng Star launched a new Autohaus in Bukit Tinggi in April 2023, which brings Mercedes-Benz closer to its valued customers in this strategic and growing township. This new one-stop sales and service center, spanning 262,008 square feet, features a spacious 45-car showroom. It has a service capacity of 900 cars a month and is equipped with a 120 kW DC fast charging facility. This new Autohaus is set to deliver an exceptional Mercedes-Benz buying and service experience to our esteemed customers throughout their ownership journey.

Hap Seng Smart was appointed by Proton New Energy Technology Sdn Bhd (Pro-Net) as the authorised dealer of smart electric vehicles in Malaysia. This provides an opportunity for the Automotive division to broaden and diversify its product range of electric vehicles offered and cater to a wider customer base.

Hap Seng Trucks Distribution continued to strengthen its market presence to provide strong customer support to its customers. It has further expanded its FUSO dealer network



## MANAGEMENT DISCUSSION AND ANALYSIS

### AWARDS AND RECOGNITION

Hap Seng Star has made relentless efforts to provide excellent sales and service experience for its customers. This commitment has earned recognition from Mercedes-Benz Malaysia (MBM).

Mercedes-Benz South East Asia II Service Excellence Award Regional Award Ceremony for 2023 was held on 24 January 2024 in Langkawi and Hap Seng Star has once again been recognised by MBM and Mercedes-Benz AG and clinched the following awards:



#### a. Service Excellence Award:

Award 2022	Champion League	Super League
<b>Champion</b>	Bukit Tinggi	Kota Kinabalu
<b>1<sup>st</sup> Runner Up</b>	Kinrara	-
<b>2<sup>nd</sup> Runner Up</b>	Jalan Ipoh	-

#### b. Top Service Adviser Award:

Hap Seng Star clinched 6 out of 10 service advisor awards



#### c. Platinum Star Award:

##### Group After Sales Head Challenger Group

Branch	Group Head
Head Of National After-Sales Operations	Mr. Choy Wei Chieh

##### After Sales Manager Challenger Group

Branch	After Sales Manager
Hap Seng Star Kinrara	Mr. Albert Lim Wei Peng
Hap Seng Star Bukit Tinggi	Mr. Andrew Tan Eng Chin
Hap Seng Star Kota Kinabalu	Mr. Teng Seng Hin
Hap Seng Star Setia Alam	Mr. Loe Tee Kean
Hap Seng Star Balakong	Mr. Kho Haw Den

##### After Advisor Challenger Group

Branch	Service Advisor
Hap Seng Star Jalan Ipoh	Alvin Thian Lik Hao
Hap Seng Star Bukit Tinggi	Tee Yi Tong

#### d. Retail Partner Award 2023

Award	Champion	1 <sup>st</sup> Runner-up	2 <sup>nd</sup> Runner-up
<b>Retail Partner of the Year</b>	Bukit Tinggi	Kinrara	-
<b>Best in Financial Services</b>	Bukit Tinggi	Kinrara	-
<b>Best in CSI (5 Star Rater)</b>	Bukit Tinggi	-	-
<b>Best in Customer Services</b>	Setia Alam	-	Bukit Tinggi
<b>Best in Business Excellence</b>	-	-	Kinrara

## MANAGEMENT DISCUSSION AND ANALYSIS



### SHORT AND LONG-TERM GOALS

Hap Seng Star's immediate objectives are to maintain its customer service excellence and achieve profitable and sustainable growth. Recognizing the essential role of customer retention in achieving these objectives, Hap Seng Star is placing a high priority on customer care programs and other initiatives aimed at retaining its customer base.

Hap Seng Trucks Distribution will continue its short-term goal to developing a strong commercial vehicle business and drive the future growth of Mercedes-Benz and FUSO commercial vehicles with stronger network development programs.

In line with the government's sustainable development goal in mandating the adoption of Euro 4 emission standards in 2024, Hap Seng Trucks Distribution will launch the new generation of Euro 5 Mercedes-Benz Actros and FUSO commercial vehicles. The new generation FUSO TF Canter will have class-leading emission and safety standards. Hap Seng Trucks Distribution will continue to focus to offer the best-in-class customer experience in the industry.



### OUTLOOK 2024

MAA is expecting Malaysia's new motor vehicle sales to decline by 7.5% in 2024, following record sales of 799,731 units in 2023. The expected decline in TIV is partly due to the concerns emanating from the reduction in disposable income as a result of the Government's drive to rationalise subsidies and the absence of a sales tax exemption granted earlier.

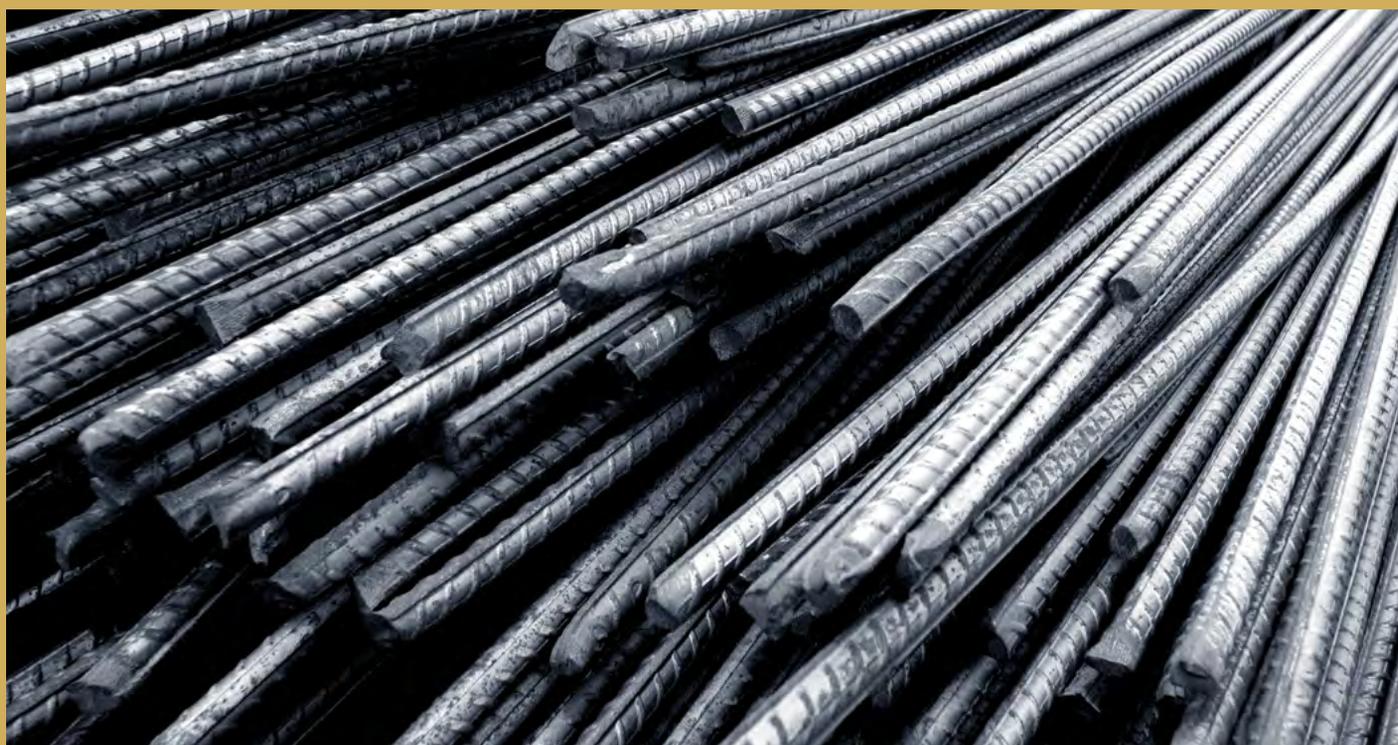
However, the recent decision by Bank Negara Malaysia (BNM) to maintain the benchmark overnight policy rate at 3.0% and is expected to continue with an accommodative monetary policy is a favourable development. This decision ensures stability in loan borrowing costs, which is poised to have positive implications for the industry.







## TRADING



The Trading division comprises the fertilizer trading and general trading operations. The ceramic trading operations has been consolidated into Hafary Holdings Limited.



Revenue

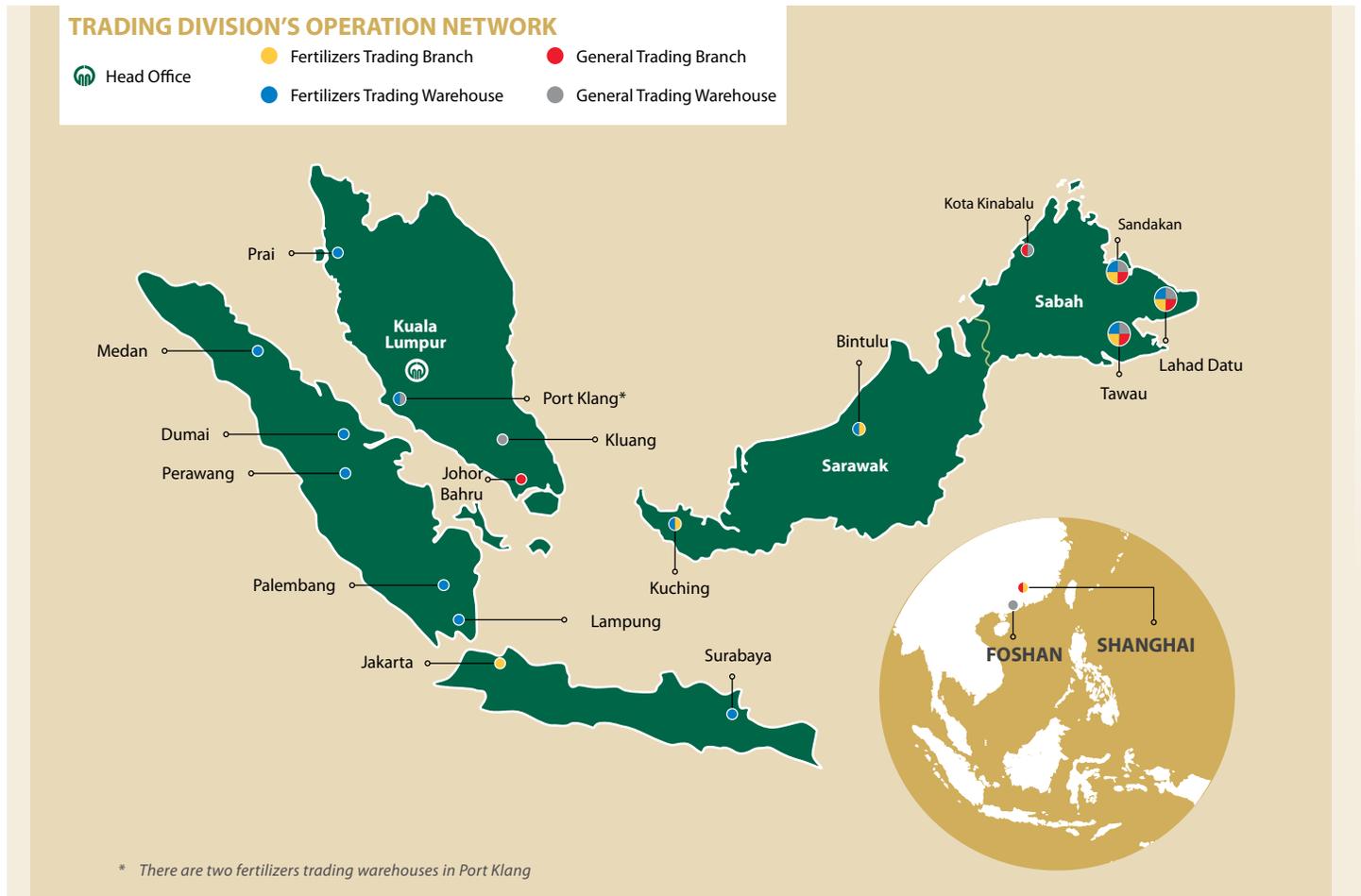
**RM2.80**  
billion



Operating Profit

**RM217.3**  
million

## MANAGEMENT DISCUSSION AND ANALYSIS



### Fertilizers Trading

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

General trading operates under Hap Seng Trading (M) 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.

## MANAGEMENT DISCUSSION AND ANALYSIS



### MARKET CONDITION

#### Fertilizers Trading

After two years of surging fertilizer prices, 2023 began to witness a price normalisation, with prices moving closer to pre-pandemic levels. This normalisation can be attributed to several factors, including the alleviation of supply chain issues that emerged during the pandemic, facilitating easier access and shipment for producers across the global market. Additionally, the softening of natural gas prices in Europe, essential for fertilizer production, contributed to the downward pressure on prices.

The improved supply of potash globally also put downward pressure on potash prices in 2023. In response to increasing demand for fertilizers, producers such as Canada, and new entrant like Laos had increased their production capacity, further easing supply constraints and reducing fertilizer prices.

#### General Trading

Malaysia recorded a GDP growth of 3.7% in 2023 (2022: 8.7%) supported by resilient domestic demand, in particular private expenditure led by the services sector.

Malaysia's construction sector saw a growth of 6.3% in 2023 (2022: 5.0%), largely driven by ongoing public infrastructure and civil engineering projects.

### MANAGEMENT STRATEGIES

#### Fertilizers Trading

Fertilizers trading operates in a price-volatile environment, driven by international demand for fertilizers and CPO prices, and in recent years geopolitical tensions. 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 operations, 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATIONAL PERFORMANCE

#### Fertilizers Trading

The fertilizers trading operations recorded a reduction in revenue and operating profit on account of lower fertilizer prices. Revenue reduced by 23.2% to RM2.09 billion (2022: RM2.72 billion) while operating profit reduced by 27.7% to RM206.2 million (2022: RM285.1 million). However, sales volume increased by 4.7% to 1,390,000 tonnes (2022: 1,327,000 tonnes) in line with the increased fertilizer supply to Indonesia.



#### Operations in Malaysia

HSF remains a major fertilizer trader in Malaysia, maintaining its leading position in East Malaysia and remaining a major player in Peninsular Malaysia.

Revenue decreased by 33.5% to RM1.57 billion (2022: RM2.36 billion) due primarily to lower fertilizer prices. Operating profit reduced by 23.4% in line with the reduction in turnover to RM185.0 million (2022: RM241.5 million), mitigated by improved margins. Sales volume reduced by 7.0% to 1,000,000 tonnes (2022: 1,076,000 tonnes) on account of reduced demand.

#### Operations in Indonesia

PTSI's revenue increased by 43.8% to RM520.6 million (2022: RM362.1 million) as a result of higher sales volume. Sales volume increased by 55.4% to 390,000 tonnes (2022: 251,000 tonnes) with the normalisation of fertilizer supplies. However, operating profit decreased by 51.4% to RM21.2 million (2022: RM43.6 million) due to compressed margins.

#### General Trading

The general trading operations recorded a 4.8% decrease in revenue to RM711.0 million (2022: RM747.1 million), mainly due to business migration of the ceramic tile operations to Hafary Holdings Limited. Consequently, operating profit decreased by 6.7% to RM11.1 million (2022: RM11.9 million).



### SHORT & LONG-TERM GOALS

#### Fertilizers Trading

In this dynamic operating environment, the fertilizers trading operation remains steadfast in its focus on cost containment and resource optimisation. It prioritises vigilant management of inventory and trade receivables to ensure efficiency and effectiveness in its operations. The fertilizers trading operations is committed to preserving its market leadership in Malaysia while pursuing long-term growth opportunities in Indonesia. Its market development strategy involves forging strategic partnerships with key customers and principal suppliers through ongoing engagements.

Looking ahead, the operation anticipates an increase in demand for NPK fertilizer and aims to enhance its market presence by expanding NPK production, adding value to our product range.

#### General Trading

In the short-term, the general trading operations aim 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 operations aim to expand its market coverage by targeting new projects and distribution channels.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OUTLOOK FOR 2024

### Fertilizers Trading

Fertilizer prices are expected to remain consistent at lower levels in 2024. Accordingly, this will contribute to better affordability and higher demand for fertilizers.

CPO price is a major factor affecting fertilizers use in Malaysia and Indonesia. One of the key drivers that will influence the price of CPO for 2024 is the implementation of B35 biodiesel mandate in Indonesia. This is expected to limit palm oil supply for the global market which in turn is envisaged to keep CPO prices at a favourable level.

Whilst labour shortage is still a major problem affecting the oil palm plantation industry in Malaysia, its impact has become less palpable and less of an impediment to fertilizers application. This should augment well for fertilizers demand.

### General Trading

The construction sector in Malaysia is expected to further increase in 2024 with a forecast growth of 6.8%, bolstered by strategic infrastructure and utilities projects which include ongoing projects and acceleration of projects under Twelfth Malaysia Plan, 2021-2025. Ongoing projects such as the Pan Borneo highway and Sepanggar Bay Port project are expected to generate positive results for General Trading.





# BUILDING MATERIALS



The Building Materials division comprises two main operations namely the quarry and brick operations, and Hafary Holdings Limited (Hafary).



Revenue

**RM952.0**  
million



Operating Profit

**RM203.0**  
million



QUALITY. GUARANTEED.



HAFARY

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUILDING MATERIALS DIVISION'S OPERATION NETWORK

-  Quarry & Brick Operations Head Office
-  Quarry
-  Asphalt Plant
-  Brick Factory
-  Hafary



#### Quarry and Brick

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 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.

#### Hafary

The Singapore operations are carried out by its listed subsidiary in Singapore, Hafary. Hafary, the leading building materials supplier in Singapore, supplies a comprehensive range of products, including tiles, stones, mosaics, wood flooring, marbles and interior fittings. It operates from approximately 800,000 square feet of showrooms and warehouses, including the main gallery from its corporate headquarters.

Hafary's businesses are divided into three segments: general, project and manufacturing. The general segment caters to homeowners, architecture, interior design and renovation firms. The project segment serves architectural firms, property developers, and construction companies. The manufacturing segment, which began operations in July 2023, operates via International Ceramics

Manufacturing Hub Sdn Bhd (ICMHSB), a joint-venture company with CNA Pte. Ltd. ICMHSB manufactures ceramic tiles for customers with large orders and with specific requirements and specifications. These customers include property developers, wholesalers and distributors.

#### MARKET CONDITION

In 2023, the Malaysian economy grew by 3.7% (2022: 8.7%) with the construction sector continuing its recovery which grew by 6.1% in 2023 (2022: 5.0%).

In Singapore, the economy grew by 1.1% in 2023, moderating from the 3.6% growth in 2022.

Growth in the Singaporean construction sector picked up to 5.2%, as both public and private sector construction output increased (2022: 6.7%).



## MANAGEMENT DISCUSSION AND ANALYSIS

### MANAGEMENT STRATEGY

#### Quarry and Brick

The operation continues to focus on strategies to improve productivity and efficiency, while implementing various cost containment initiatives, strategic product pricing, and leveraging on the strength of the Group's synergies.

#### Hafary

Hafary aims to increase market penetration and strengthen both its customer service and exclusive product offerings.

Hafary continues to offer an expanding product range via the Hafary Gallery located at 105 Eunus Avenue 3. Spanning a total of 43,000 square feet, The Hafary Gallery provides an immersive experience to its visitors, with 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 10,000 square feet 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.

The establishment of ICMHSB has enabled Hafary to move upstream and accordingly mitigate supply chain constraints. It is also able to leverage on the Group's MML and Element brands and distribution networks to grow sales in Malaysia and the global export market.

### OPERATIONAL PERFORMANCE

In 2023, the division recorded a revenue of RM952.0 million (2022: RM706.0 million) and operating profit of RM203.0 million (2022: RM131.8 million).

The quarry and brick operation recorded a revenue of RM180.9 million (2022: RM165.0 million) and an operating profit of RM14.4 million (2022: RM7.9 million) on the back of higher quarry sales volume and improved margin.

In 2023, the Hafary registered a record revenue of RM771.1 million (2022: RM541.0 million). The increase in revenue is mainly attributable to both general and project segments.

Hafary recorded a 52.2% growth in operating profit to RM188.6 million (2022: RM123.9 million) despite a RM9.8 million loss in the manufacturing segment.

Revenue from the general segment increased by 35.7% to RM476.2 million in 2023 (2022: RM350.8 million). This increase was driven by an active resale market and heightened demand from home buyers opting for resale flats to avoid construction delays in Build-To-Order projects due to labour shortages and supply chain disruptions. Additionally, revenue growth was attributed to business expansion into the general segment in Malaysia.

Revenue from project segment increased by 45.2% to RM276.1 million in 2023 (2022: RM190.1 million). This increase was mainly due contributed by the business expansion into the project segment in Malaysia.

Hafary's manufacturing segment began production in June 2023 with average production capacity of approximately 20,000 meter square per day. Revenue from this segment totalled RM18.8 million for the year, mainly from the Malaysian market.

### SHORT AND LONG-TERM GOALS

#### Quarry 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, right sizing and strategic product pricing, and leveraging on the strength of the Group synergy. In Sabah, the operation's goal is to maintain its position as the market leader of aggregate production.

#### Hafary

Hafary's short-term goals are to grow sales volume, improve operating profits and enhance market leadership. It will further utilize online marketing initiatives, such as virtual showroom tours, online product videos via YouTube, Facebook and Instagram platforms. In addition, it will continue to focus on digitalisation initiatives to improve operational efficiencies.

In the longer term, Hafary will continue to build up on its current product competencies, strengthen its supply chain and explore overseas opportunities. Hafary's diversification into the manufacturing segment is aimed at minimising disruption and support its supply chain.

### OUTLOOK FOR 2024

The Malaysian construction sector is projected to maintain its recovery with a growth of 6.8%, lending support to the demand for the division's products. In the national budget 2024, the government intends to implement several significant projects like Pan Borneo Sabah Phase 1B, flood mitigation packages, Sepanggar Bay Port and Sabah-Sarawak Link Road. These projects are expected to support the quarry and brick operation.

The Singapore's Ministry of Trade and Industry (MTI), estimates that the GDP growth forecast for 2024 will maintain at 1.0% to 3.0%, citing Singapore's external demand outlook for 2024 has remained largely unchanged. Growth in the advanced economies is expected to moderate in the first half of the year, mainly due to continued tight financial conditions, before recovering gradually in line with an expected easing of monetary policy as inflationary pressures recede.

In the HDB resale market, prices and transaction volume in the 1<sup>st</sup> quarter of 2024 recorded a growth of 1.7% and 5.5% respectively over the previous quarter, mainly driven by first-time homebuyers and property owners looking to downgrade to resale flats. The volume of resale flats is also expected to rise in 2024. This may lead to an increase in renovation activities for these resold flats and drive demand for Hafary's products.

## 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.

The Plantation division may face pressure arising from increase in cost of production and shortage of labour, albeit low risk due to low turnover rate amongst estate workers. To mitigate this, reviews have been carried out regularly on feasibility to mechanize certain works with the objective to reduce cost and labour dependency. In the meantime, Plantation Management reviews workers' wages quarterly to ensure that they are paid at a competitive market rate to improve the workers retention rate.

Every employee's safety, health and wellbeing has always been of utmost importance to the company, especially during this Covid-19 era. The division has carried out swab test for all workers, continuously providing necessary PPE and tightening movement control in accordance with the MOH guideline.



The Property division expects the property market to improve further in 2024 with the help of targeted government initiatives to support homebuyers. However, house buyers may remain prudent in their purchasing decisions, influenced by high borrowing costs and inflationary pressure. In response, the division will provide a wide range of promotional packages for its products to appeal to different home buyers across Klang Valley and Sabah.

For commercial property, positive leasing momentum will continue into 2024 supported by improved business sentiment. However, the oversupply of office space coupled with new incoming spaces over the next few years will put pressure on occupancy and rental rates. In response, the division will upkeep its high-quality ESG-compliant commercial properties with modern specifications in good condition, to attract prospective tenants looking for office spaces in green-certified commercial properties.



The Credit Financing 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 loan collection, recovery and restructuring.

A weaker Malaysian Ringgit, the increase in service tax rate and the proposed targeted fuel subsidy may lead to more uncertainties in the automotive industry. The transition to Euro 4 emission standards in 2024 may lead to uncertainties in the supply of trucks due to possible weakness in the logistics, manufacturing and import of Completely Knocked Down (CKD) kits.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Automotive division will continue to focus on providing service excellence to attract and retain customers in order to mitigate any potential shortfall in retail sales.



Despite the normalisation in fertilizer prices, global geopolitical tensions in Eastern Europe and the Middle East continue to contribute to uncertainty within the global fertilizer market.

Trade challenges further exacerbate market uncertainties. In September 2023, China, the world's largest urea producer, imposed export restrictions to bolster domestic supply. Any additional restrictions from China could exacerbate supply issues in the global fertilizer market.

The general trading operations will continue to face elevated credit risk and further margin erosion. In response, the general trading operations will continue to concentrate on expanding its existing customer base, conducting price adjustments and developing new product range, including sustainability-driven products, in order to weather these issues and protect its profitability.



The quarry 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 from the Indonesian and Brunei markets. Delays in such mega project implementation or recovery in the export demand is likely to weigh down the performance of the sector.

Hafary will also be facing manufacturing related risks as it expands its operation into tile manufacturing. These risks may potentially affect overall profitability. In mitigation, the manufacturing JV partner, CNA Pte Ltd, is an established and experienced premium tile manufacturer in China and will bring its extensive know how and manufacturing capabilities into the JV.

Notwithstanding these potential risks, Hafary maintains a stance of cautious optimism, steadfastly committed to addressing and navigating these challenges. This commitment is underpinned by the anticipation of sustained growth in Hafary key target markets.



## MANAGEMENT DISCUSSION AND ANALYSIS

### MOVING FORWARD

Malaysia's GDP is projected to grow between 4% and 5% amid strong domestic demand partly offsetting the adverse impact from the moderate global economic growth. The domestic economy will also be supported by measures in the new National Energy Transition Roadmap, New industrial Master Plan 2030, and Mid-Term Review of the 12<sup>th</sup> Malaysia Plan.

The Malaysian palm oil industry is expected to generate higher earnings in 2024 due to lower unit production cost on the back of lower fertilizer cost and higher production. This is in line with the Government's expectation that the agriculture sector will grow by 1.2% in 2024 driven by the expansion particularly in oil palm, other agriculture and livestock. According to the Malaysian Meteorological Department, the ongoing El Nino phenomenon is forecast to persist until the end of the 1<sup>st</sup> half of 2024 before becoming El Niño-Southern Oscillation (ENSO) neutral by mid-2024, posing minimal impact on the palm oil industry.

Moving forward, the Malaysian palm oil industry would face challenges such as current weak demand from major importing countries such as China amid economic slowdown and narrowing price gap with other edible oils such as soybean due to record high South American soybean production. Nevertheless, Malaysia CPO price is forecast to be in between RM3,600 to RM4,500 per tonnes for 2024.



The Malaysian property market is expected to continue its recovery in 2024 amid various Government initiatives to drive property purchase and overall improvement in property demand as shown in easing of property overhang and increase in loan application for property purchase. Additionally, the Government also announced the relaxation of the Malaysia My Second Home (MM2H) programme in terms of the minimum age requirement

and financial prerequisites to attract more foreign property buyers. BNM's recent decision to maintain the OPR at 3.0% also provides a stable interest rate environment to support the property market.

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's first 5-star hotel, Hyatt Centric Kota Kinabalu, is expected to improve its occupancy rates and average room rates in 2024. Construction is currently underway for two more hotels in Kuala Lumpur, namely Hyatt Centric Kuala Lumpur and Hyatt Regency Kuala Lumpur.



The Credit Financing division will continue to consolidate its business focussing on collections. The NPL would be controlled through concerted efforts in credit control and debt recovery. The division will continue to capitalise on Group-wide synergies in its new loan acquisitions.



## MANAGEMENT DISCUSSION AND ANALYSIS

The automotive industry is expected to record a 7.5% drop in TIV in 2024, with passenger vehicle and commercial vehicle TIV falling by 7.4% and 8.2% respectively. BNM's decision to maintain the OPR at 3.0% and is expected to continue with an accommodative monetary policy is supportive of the automotive industry.



The fertilizer industry is expected to be challenging and competitive in 2024. Fertilizer prices continues to be affected by the stronger US Dollar, commodity price movements and uncertainties of global fertilizer supply and demand. The fertilizer trading operations will continue to monitor its supply chain as well as to match supply with demand to the extent possible, while capturing any potential opportunities that may arise in the constantly changing environment.

The general trading business is also expected to remain challenging in 2024 due to inflationary pressures but is expected to benefit from growth in the construction sector coupled with the revival and acceleration of several mega infrastructure projects, especially the rail and road network infrastructure. The general trading operations will continue to implement prudent credit control to mitigate credit risk amid focussing on cost control and profitability improvement.

The construction sector in Malaysia is expected to maintain its recovery in 2024 as the Government forecast the construction sector to grow by 6.8% supported by the several large infrastructure projects in the country. For the building materials division, large infrastructure projects such as the ongoing Pan Borneo Highway and Sepanggar Bay Port will drive demand for quarry products.



In Singapore, the Government forecast GDP growth for 2024 to be in between 1% and 3% in anticipation of easing monetary policy as inflationary pressures recedes. The construction sector grew by 5.2% in 2023 and is expected to continue its growth in 2024 driven by both public sector via its public housing, institutional building and infrastructure projects, and private sector via an expected increase in commercial building developments. The division is cautiously optimistic that demand in both its General and Project segments will remain positive in 2024 with the continuing growth in renovation and construction activities in Singapore.



### 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 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 Wong Yoke Nyen**  
Independent Non-Executive Director

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

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

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

**5 Thomas Karl Rapp**  
Independent Non-Executive  
Chairman

**6 Datuk Edward Lee  
Ming Foo, JP**  
Managing Director

**7 Lee Wee Yong**  
Executive Director

**8 Cheah Yee Leng**  
Executive Director

**9 Tan Boon Peng**  
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 67, 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

He attended all the seven board meetings held during the financial year ended 31 December 2023.

## DIRECTORS' PROFILE



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

Datuk Edward Lee Ming Foo, JP, male, a Malaysian, aged 69, 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

He attended all the seven board meetings held during the financial year ended 31 December 2023.

## DIRECTORS' PROFILE



**Lee Wee Yong**  
Executive Director

Lee Wee Yong, male, a Malaysian, aged 76, 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

He attended all the seven board meetings held during the financial year ended 31 December 2023.

## DIRECTORS' PROFILE



**Cheah Yee Leng**  
Executive Director

Cheah Yee Leng, female, a Malaysian, aged 55, 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 Laws Degree and Bachelor of Economics 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

She attended all the seven board meetings held during the financial year ended 31 December 2023.

## DIRECTORS' PROFILE



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

Datuk Simon Shim Kong Yip, JP, male, a Malaysian, aged 67, 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

He attended six out of the seven board meetings held during the financial year ended 31 December 2023.

## DIRECTORS' PROFILE



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

Leow Ming Fong @ Leow Min Fong, male, a Malaysian, aged 74, 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

He attended six out of the seven board meetings held during the financial year ended 31 December 2023.

## 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 58, 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 Labuan Financial Services Authority (Labuan FSA). He is also an independent non-executive director of Zurich General Takaful Malaysia Berhad and V.S International Group Limited, a company listed on the Stock Exchange of Hong Kong Limited. 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

He attended all the seven board meetings held during the financial year ended 31 December 2023.

## DIRECTORS' PROFILE



**Tan Boon Peng**  
Independent Non-Executive Director

Tan Boon Peng, male, a Malaysian, aged 57, 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

He attended all the seven board meetings held during the financial year ended 31 December 2023.

## DIRECTORS' PROFILE



**Wong Yoke Nyen**  
Independent Non-Executive Director

Wong Yoke Nyen, male, a Malaysian, aged 65, 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 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) in Accountancy 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

He attended six out of the seven board meetings held during the financial year ended 31 December 2023.

# SENIOR MANAGEMENT TEAM



**1 Voon Thau Vui**

Chief Executive  
Trading Division

**2 Tan Boon Siong**

Chief Financial Officer

**3 Cheah Yee Leng**

Director of Corporate Affair &  
Group Legal Counsel

**4 Datuk Edward  
Lee Ming Foo, JP**

Group Managing Director

**5 Lee Wee Yong**

Group Finance Director

**6 Chong Chee Wooi**

Deputy Group Finance Director

**7 Au Yong Siew Fah**

Chief Executive  
Plantation Division

▶▶ Front row - Standing from left to right

**8 Andrew Talling**

Chief Operating Officer  
Quarry, Asphalt and Bricks Business

**9 Lim Kwan-Sek**

Group Human Resource Director

**10 Khor Soo Beng**

Chief Operating Officer  
Property Division

**11 Puan Chen Keck**

Chief Executive  
Credit Financing Division

**12 Chia Nam Liang**

Chief Information Officer

**13 Yong Teak Jan @  
Yong Teck Jan**

Chief Operating Officer  
Building Materials /  
General Trading Business

**14 Harald Uwe Behrend**

Group Chief Operating Officer &  
Chief Executive  
Automotive Division

▶▶ Back row - 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 63, 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

## 2 Chong Chee Wooi

Deputy Group Finance Director

Chong Chee Wooi, male, a Malaysian, aged 52, 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

## SENIOR MANAGEMENT TEAM'S PROFILE

### 3 **Tan Boon Siong** Chief Financial Officer

Tan Boon Siong, male, a Malaysian, aged 56, 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 as well as the Interpretation Committee of Malaysian Accounting Standards Board.

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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

### 4 **Au Yong Siew Fah** Chief Executive – Plantation Division

Au Yong Siew Fah, male, a Malaysian, aged 73, 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

## SENIOR MANAGEMENT TEAM'S PROFILE

### 5 Puan Chen Keck Chief Executive – Credit Financing Division

Puan Chen Keck, male, a Malaysian, aged 66, 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 31,000 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

### 6 Voon Thau Vui Chief Executive – Trading Division

Voon Thau Vui, male, a Malaysian, aged 60, 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

### 7 Khor Soo Beng Chief Operating Officer – Property Division

Khor Soo Beng, male, a Malaysian, aged 61, 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

## 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 53, 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

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

Andrew Talling, male, British, aged 60, 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 offence in the past five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

## SENIOR MANAGEMENT TEAM'S PROFILE

**10 Lim Kwan-Sek** Group Human Resource Director

Lim Kwan-Sek, male, Malaysian, aged 51, is the Group Human Resource Director of Hap Seng Consolidated Berhad and was appointed to this position on 1 November 2021.

Mr. Lim began his career in Andersen Consulting (now known as Accenture) in 1996. He has more than 25 years of experience in multiple industries ranging from management consulting, financial services to manufacturing, among others. During his career, he has held various senior leadership roles which include the Chief Human Resources Officer at AIA Berhad, Human Resources Director at Heineken Malaysia Berhad and Organisational Performance at Sime Darby Berhad.

Mr. Lim holds a Master of Science (Econs) Degree in Management from the London School of Economics in United Kingdom and a Bachelor of Arts (Hons) Degree in Sociology from the University of Reading in United Kingdom.

Mr. Lim 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

**11 CHIA NAM LIANG** Chief Information Officer

Chia Nam Liang, male, a Malaysian, aged 62, is the Chief Information Officer of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 1 July 2004.

Mr Chia started his career with Arthur Andersen & Co's Management Information Consulting Division (now known as Accenture Consulting) in 1985. After Arthur Andersen, he has held several senior consulting positions in Unisys, PwC, Deloitte Consulting and IBM.

Apart from being a consultant, Mr Chia also headed the Group IT divisions in both UMW Toyota Sdn Bhd and Malaysian Mosaics Sdn Bhd (formerly Malaysian Mosaics Berhad) group of companies.

Mr Chia holds a Bachelor of Engineering (Honours) Degree from Universiti Malaya. He is a member of the Institution of Engineers (IEM) and PIKOM CIO Chapter.

Mr Chia 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 five years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

# 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 (4<sup>th</sup> 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](http://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 2023 is as follows:

Directors	Board	AC	RC	NC
Thomas Karl Rapp	7/7	6/6	2/2	3/3
Datuk Edward Lee Ming Foo, JP	7/7			
Lee Wee Yong	7/7			
Cheah Yee Leng	7/7			
Datuk Simon Shim Kong Yip, JP	6/7	5/6	1/2	2/3
Leow Ming Fong @ Leow Min Fong	6/7	6/6	1/2	
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	7/7			3/3
Tan Boon Peng	7/7			
Wong Yoke Nyen	6/7			

 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.

In the previous 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.

### 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 2023.

Presently, the Chairman is a member of the Board Committees. Although the Board acknowledges the perceived or potential risk of self-review by the Chairman assuming membership of the various Board Committees, there is no basis to conclude that such risk has been actualised.

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. NC will assess and evaluate whether the candidate fulfills the fit and proper criteria as stated in the fit & proper policy.

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.

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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### 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 that arises, persists or may arise 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 2023 are outlined below:

Programme Title	Date
<b>Thomas Karl Rapp</b>	
Transfer Pricing Regulations – What are the Implications for Your Organisation?	16 February 2023
Singapore Budget 2023	9 March 2023
Why ESG? A Governance Perspective	28 March 2023
Transforming business with the power of Artificial Intelligence	17 May 2023
2023 Board and Audit Committee Priorities	6 July 2023
2023 AGMs & EGMs – What have we learned?	8 August 2023
Briefing on e-Invoice Overview	23 August 2023
Environmental, Social and Governance – IFRS S1 and S2: Beyond Compliance	13 September 2023
ESG Advocates Circle 2023: Talent Management	21 September 2023
Board Oversight of Climate Risks and Opportunities	10 October 2023
Navigating AI Governance and ESG Reporting for the Future	17 October 2023
Malaysia Budget 2024 – What You Need to Know About Personal and Corporate Taxes	9 November 2023
<b>Datuk Edward Lee Ming Foo, JP</b>	
Advocacy Sessions for Directors and CEOs of Main Market Listed Issuers	17 August 2023
Briefing on e-Invoice Overview	23 August 2023
Post-Budget 2024 Thoughts	17 October 2023
Briefing on Bursa Enhanced Sustainability Reporting Requirements together with IFRS S1 and IFRS S2	20 November 2023
<b>Lee Wee Yong</b>	
Tax and Business Summit 2022	15 March 2023
Advocacy Sessions for Directors and CEOs of Main Market Listed Issuers	17 August 2023
Briefing on e-Invoice Overview	23 August 2023
Tax and Business Summit 2023	2 November 2023
Briefing on Bursa Enhanced Sustainability Reporting Requirements together with IFRS S1 and IFRS S2	20 November 2023
<b>Cheah Yee Leng</b>	
Using e-Signatures & Digital Signatures - On My Corporate Documents	15 June 2023
Provision of Financial Assistance & RPT	20 July 2023
Advocacy Sessions for Directors and CEOs of Main Market Listed Issuers	17 August 2023
Briefing on e-Invoice Overview	23 August 2023
Employee Share Scheme	24 October 2023

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Programme Title	Date
<b>Cheah Yee Leng</b>	
Directors' Conflict of Interests - How Company Secretary is to Advise	2 November 2023
Briefing on Bursa Enhanced Sustainability Reporting Requirements together with IFRS S1 and IFRS S2	20 November 2023
<b>Datuk Simon Shim Kong Yip, JP</b>	
Briefing on e-Invoice Overview	23 August 2023
Briefing on Bursa Enhanced Sustainability Reporting Requirements together with IFRS S1 and IFRS S2	20 November 2023
<b>Leow Ming Fong @ Leow Min Fong</b>	
MIA Webinar Series: Global Macroeconomics and Capital Markets	17 February 2023
Risk Culture Building - The Future of Risk Management	9 May 2023
Contract & Procurement Fraud - Internal Controls, 3 <sup>rd</sup> Party Due Diligence and Reporting Mechanism	15 May 2023
Sustainability E-Training for Directors	10 June 2023
2023 Board and Audit Committee Priorities	6 July 2023
Briefing on e-Invoice Overview	23 August 2023
Invitation to Virtual Event – The Arrival of ISSB Standards and the Continued Relevance of Integrated Reporting	4 September 2023
Environmental, Social and Governance – IFRS S1 and S2: Beyond Compliance	13 September 2023
Navigating AI Governance and ESG Reporting for the Future	17 October 2023
Role of Governance in Ensuring Commitment and Effective Implementation of Client Protection in Banks and Financial Institutions	23 October 2023
Management of Cyber Risk	25 October 2023
Demystifying MFRS 17 Insurance Contracts - A Comprehensive Guide to Insurance Contracts (Module 1)	30 October 2023
Briefing on Bursa Enhanced Sustainability Reporting Requirements together with IFRS S1 and IFRS S2	20 November 2023
<b>Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah</b>	
BNM-Fide Forum Dialogue: Digital Insurers and Takaful Operators Exposure Draft	12 April 2023
2023 Board and Audit Committee Priorities	6 July 2023
Management of Cyber Risk	3 October 2023
Syariah Committee & Engagement Session with Zurich General Takaful Malaysia Berhad	16 October 2023
National Resolution Symposium 2023	18 to 19 October 2023
JC3 Journey to Zero Conference 2023	23 to 25 October 2023
Distinguished Board Leadership Series 2023 – Empowering Change through Diversity	2 November 2023
<b>Tan Boon Peng</b>	
National Economic Forum 2023	18 May 2023
ICDM Power Talk: Generative AI – An Opportunity or Risk?	20 July 2023
Malaysia Economics Update and Insights on Upcoming State Elections	26 July 2023
National Integrity Forum 2023: "Leading Governance with Integrity"	31 July 2023
Briefing on e-Invoice Overview	23 August 2023
Governance for Growth: Rejecting Corruption for Better & More Sustainable Businesses	3 November 2023

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Programme Title	Date
<b>Wong Yoke Nyen</b>	
Briefing on e-Invoice Overview	23 August 2023
12 Malaysia Plan – Challenges and Opportunities	1 September 2023
ChatGPT: A Game Changer for Wealth Managers and Investors	3 September 2023
Environmental, Social and Governance – IFRS S1 and S2: Beyond Compliance	13 September 2023

### 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. The ESG-related KPIs are linked to the remuneration of senior management team as per recommended by the MCCG.

The LRs of Bursa Securities have been amended to mandate all directors to attend the sustainability training under Mandatory Accreditation Programme Part II by 1 August 2025. As at 31 March 2024, seven out of nine directors have participated in the training.

### 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### 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 2023 was issued 28 days prior to AGM ("AGM 2023"). 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 2023 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 2023. 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 2023.

AGM 2023 was conducted virtually through RPEV. All the non-executive directors participated the AGM 2023 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 2023 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 2023, the Chairman duly advised the shareholders that they were encouraged to submit their questions or queries using the messaging window facility throughout the AGM 2023 proceeding. The Chairman shared at the AGM 2023 questions submitted by Minority Shareholders Watch Group. The questions and the corresponding replies were also read out by the Chairman during the AGM 2023. 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 Securities on the same day for the benefit of all shareholders.

Minutes of the AGM 2023 as well as questions and answers posted by the shareholders and proxies were made available on the Company's website at [www.hapseng.com](http://www.hapseng.com).

# AUDIT COMMITTEE REPORT

Members of the Audit Committee	
<b>Mr. Leow Ming Fong @ Leow Min Fong</b>	Independent Non-Executive Director – Chairman
<b>Mr. Thomas Karl Rapp</b>	Independent Non-Executive Director
<b>Datuk Simon Shim Kong Yip, JP</b>	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](http://www.hapseng.com).

## Meetings

During the financial year ended 31 December 2023, six meetings were held. Attendance details of each member of Audit Committee are set out in the Corporate Governance Overview Statement on page 65 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 2023 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 28 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 meetings with the external auditors in the absence of the executive Board members and management representatives on 21 November 2023 and 28 February 2024 respectively. During the meetings, 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.

## AUDIT COMMITTEE REPORT

- 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”) and International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA”).
- 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 and IESBA.
- 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 disposals of HS Credit (Manchester) Ltd and Richmore Development Sdn Bhd (“Proposed Disposals”) and recommended to the Board that the Proposed Disposals were 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 2023 is set out in the Statement on Risk Management and Internal Control on page 77 of this annual report.

# NOMINATING COMMITTEE REPORT

Members of the Nominating Committee	
<b>Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah</b>	Independent Non-Executive Director – Chairman
<b>Mr. Thomas Karl Rapp</b>	Independent Non-Executive Director
<b>Datuk Simon Shim Kong Yip, JP</b>	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](http://www.hapseng.com).

## Meetings

During the financial year ended 31 December 2023, three meetings were held. Attendance details of each member of Nominating Committee are set out in the Corporate Governance Overview Statement on page 65 of this annual report.

## Summary of Activities of the Nominating Committee

During the meetings held on 24 August 2023 and 4 December 2023, members of the Nominating Committee had performed activities summarised below:

- Reviewed the board charter and terms of reference of the Board Committees adopted by the Board by expanding the scope of the Audit Committee's review and report to the Board of the conflict of interest ("COI") situations that arises, persist or may arise within the Group and the measures taken to resolve, eliminate or mitigate the COI.
- Reviewed the succession plan for the senior management team.
- Reviewed and recommended the renewal of service contracts of the senior management team members for Board approval.

During the meeting held on 28 February 2024, members of the Nominating Committee had performed activities summarised below for the financial year 2023:

- 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.
- Conducted various assessments, including assessment of the collective performance of the board as a whole as well as assessment of individual director's performance, fit and proper assessment of each director, independence assessment of each independent director, which recommendations thereof have been made to the Board that 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"):

- (i) Datuk Edward Lee Ming Foo, JP (Managing Director);
- (ii) Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah (Independent Non-Executive Director);
- (iii) Mr. Leow Ming Fong @ Leow Min Fong (Independent Non-Executive Director); and
- (iv) Mr. Wong Yoke Nyen (Independent Non-Executive Director).

# REMUNERATION COMMITTEE REPORT

Members of the Remuneration Committee	
<b>Mr. Thomas Karl Rapp</b>	Independent Non-Executive Director – Chairman
<b>Mr. Leow Ming Fong @ Leow Min Fong</b>	Independent Non-Executive Director
<b>Datuk Simon Shim Kong Yip, JP</b>	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](http://www.hapseng.com).

## Meetings

During the financial year ended 31 December 2023, two meetings were held. Attendance details of each member of Remuneration Committee are set out in the Corporate Governance Overview Statement on page 65 of this annual report.

## Summary of Activities of the Remuneration Committee

- During the Remuneration Committee meeting held on 4 December 2023, the members of Remuneration Committee had reviewed and recommended to the Board, the executive directors and senior management team emoluments inclusive of benefits for the financial year ending 31 December 2024 and bonus for the financial year ended 31 December 2023. Such reviewed was to ensure that the remuneration package of executive directors and senior management team remain attractive and in line with the remuneration policy and industry forecast for 2023/2024 for the average salary increment and bonus.
- During the Remuneration Committee meeting held on 28 February 2024, 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 2023 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 2023 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 optimal 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 executives lead the risk management function of the various business units.

## 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 Certified Internal Auditor (“CIA”) and Chartered Member of The Institute of Internal Auditors Malaysia. He is assisted by a team of qualified personnel, including members of the Malaysian Institute of Accountants (“MIA”).

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 2023 was approximately RM3.07 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 73 to 76 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 2023, 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 SUSTAINABILITY STATEMENT

This sustainability statement describes the sustainability strategy, initiative and value created from our sustainability journey at Hap Seng Consolidated Berhad (the Group or Hap Seng), aligning 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) 2023, commencing 1 January 2023 to 31 December 2023, 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. The hospitality business segment, which is a new segment operating under the Property division has been included as part of the reporting scope. There was no restatement of information in this report.

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 sustainability 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](https://www.hafary.com.sg/investor_relations/annual_reports).

This sustainability statement excludes operations outside of Malaysia. We are committed to incorporating operating units from all geographical areas in which we operate within the next three years.

### 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 (3<sup>rd</sup> Edition), Global Reporting Initiative (GRI) Universal Standards 2021, the recently published sector standards, GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022 and FTSE Russell’s ESG requirements. Carbon emissions disclosure is aligned to the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard and Roundtable on Sustainable Palm Oil (RSPO) PalmGHG methodology.

### Assurance

The data and information presented in this sustainability statement has not been internally reviewed by our internal auditor nor has it been assured by a third-party. The Group however is planning to have the sustainability statement internally reviewed within the next three years, with the goal of conducting qualified third-party assurance in the future.

This sustainability statement has been reviewed by our Annual Report Committee and presented to the Board of Directors prior to publishing.

### Feedback

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

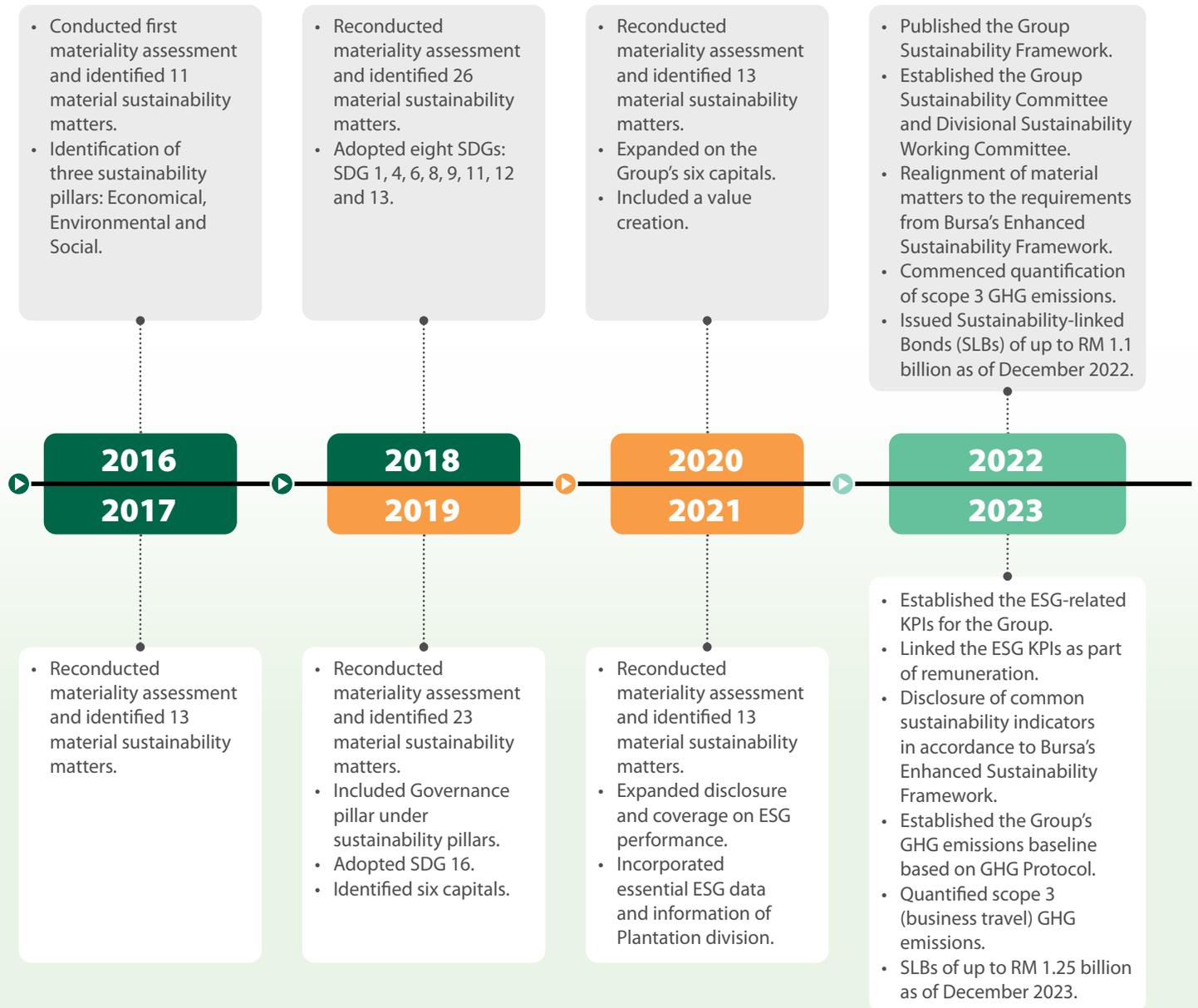
**Name** : Andrew Kuan  
**Designation** : Senior General Manager  
**Department** : Corporate Planning & Investor Relations  
**Email** : andrewkuanyc@hapseng.com

Further information can also be found on our website here.



# SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

## HAP SENG'S SUSTAINABILITY JOURNEY



# SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

## Key Sustainability Highlights in FY2023

### Governance

- Reporting **ESG-related KPIs** and linked the KPIs as part of remuneration.
- Alignment to Bursa's Enhanced Sustainability Framework and disclosure of common sustainability matters and indicators.



### Economy

- Improved to **67.2%** average procurement and services spending on local suppliers.
- Supported 11 FFB suppliers in their sustainability certification journey.



### ESG Ratings

- FTSE4Good ESG Score improved to **2.8** out of 5.0.
- SPOTT ESG Policy Transparency Assessments score improved to **83%**.



### Energy

- Derived **75.9%** of energy requirement from renewable energy sources.
- Biogas plants generated **16.5 million kWh** of renewable electricity for plantation operations.
- Derived **1.4 million kWh** from solar energy for Autohaus operations and excess electricity sold to the grid.



### Greenhouse Gas Emissions

- 235,943 t CO<sub>2</sub>-e** GHG emissions were sequestered from existing oil palm trees and conservation efforts.
- Quantification of additional **scope 3 GHG emission category – Business travel**.
- Installed **26 units of electric vehicle charger** at 11 of the Hap Seng Star's Autohaus throughout Malaysia.



### Waste

- Established waste management system within all business divisions.
- 333,931 MT** of generated non-scheduled waste was recycled and reused.
- Avoided **209,488 t CO<sub>2</sub>-e** of emission by diverting recyclable waste from landfill.



### Health & Safety

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



### Corporate Social Responsibilities

- Contributed more than **RM2.4 million** for education and community programmes that benefited more than 27,000 participants.



## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

### ACHIEVEMENTS & RECOGNITIONS

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
	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
	Zero Off Spec CPO by IOI Edible Oils	Bukit Mas Palm Oil Mill
	Highest Quantity CPO Supplier by IOI Edible Oils	Tomanggung Palm Oil Mill
Property	Leadership in Energy and Environmental Design (LEED) Certified	Menara Hap Seng 3 Plaza Shell
	Green Building Index (GBI) Certified	Menara Hap Seng 2
	Green Real Estate (GreenRE) Certified	Mercedes-Benz Setia Alam Autohaus Mercedes-Benz Bukit Tinggi Autohaus
	Asia Pacific Space Designer Association Award (APSDA)	Menara Hap Seng 3
	Sabah Housing and Real Estate Developers Association (SHAREDA) Excellence Award 2023	Bandar Sri Indah Township
	FIABCI World Prix D'Excellence Award (Gold - Office Category)	Menara Hap Seng 3
Automotive	Environmental Management System (ISO 14001) Certified	Hap Seng Star Jalan Sultan Ismail
	Quality Management Systems (ISO 9001) Certified	Hap Seng Star Kinrara Hap Seng Star Jalan Sultan Ismail
	<b>Mercedes-Benz Retail Partner of The Year Award 2023</b>	
	Retail Partner of The Year – Champion	Hap Seng Star Bukit Tinggi
	Retail Partner of The Year – 1 <sup>st</sup> Runner-up	Hap Seng Star Kinrara
	Best in Customer Service – Champion	Hap Seng Star Setia Alam
	Best in Customer Service – 2 <sup>nd</sup> Runner-up	Hap Seng Star Bukit Tinggi
	Best in CSI (5 Star Rater) – Champion	Hap Seng Star Bukit Tinggi
	Best in Financial Services – Champion	Hap Seng Star Bukit Tinggi
	Best in Financial Services – 1 <sup>st</sup> Runner-up	Hap Seng Star Kinrara
Best in Business Excellence – 2 <sup>nd</sup> Runner-up	Hap Seng Star Kinrara	

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Business Division	Achievement/Recognition	Operating Unit
<b>Automotive</b>	<b>Service Excellence Award</b>	
	Service Excellence Award 2023 (Champion League) – Champion	Hap Seng Star Bukit Tinggi
	Service Excellence Award 2023 (Champion League) – 1 <sup>st</sup> Runner-up	Hap Seng Star Kinrara
	Service Excellence Award 2023 (Champion League) – 2 <sup>nd</sup> Runner-up	Hap Seng Star Jalan Ipoh
<b>Building Materials</b>	Service Excellence Award 2023 (Super League) – Champion	Hap Seng Star Kota Kinabalu
	Brick certified by SIRIM and BOMBA for Integrity, Insulation, Strength and Hose Stream Test	Sin On Tiku Bricks Factory

Hap Seng's ESG performance was independently assessed by internationally recognised ESG rating bodies. These external assessments enabled us to identify potential gaps for continuous improvement and assures that our performance is aligned to the industry's expectation.

	FY2023	FY2022	FY2021
 FTSE4Good	2.8 out of 5.0	2.3 out of 5.0	2.3 out of 5.0
 SPOTT	83.0%	81.8%	79.6%

## 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	Malaysian-German Chamber of Commerce (MGCC)
		Malaysian Collective Impact Initiative (MCII)
		Public Listed Companies Transformation (PLCT) Programme
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)
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)
		Association of Hire Purchase Companies Malaysia (AHPCM)
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)
	Hap Seng Trading (M) Sdn. Bhd.	Building Materials Distributors Association of Malaysia (BMDAM)
	Hap Seng Trading (BM) Sdn. Bhd.	Master Builders Association Malaysia (MBAM)

# SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

## OUR RESPONSIBILITY TOWARDS SUSTAINABLE DEVELOPMENT

### Supporting the United Nations Sustainable Development Goals

In line with our dedication to the United Nations Sustainable Development Goals (SDGs), we have identified and embraced nine out of the 17 SDGs set forth by the United Nations. These SDGs have been strategically aligned with our potential for value creation by leveraging our operational nature and extensive network.

### Our contribution in FY2023 under the respective SDGs are: -



- Provided 2,510 new employment opportunities.
- Provided financial services to 2,653 Small and Medium Enterprises (SMEs).



- Contributed RM2.4 million for education and development programmes.
- More than 2,400 students and teachers benefited from our education and development programmes.
- Accepted 34 graduate students for internship programme.
- Sponsored 10 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 in the plantation.
- Equipped with water-efficient dual flush toilet and automatic faucets to reduce water consumption.



- Supported local economy development by procuring 67.2% 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 2.18 training hours per employee.



- Incorporated eco-friendly fittings in constructed properties.
- Renewable energy generation from biogas, biomass, biofuel 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 page 85 to 86).
- Developed 2.037 million sq. ft. of certified green buildings.

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL



- Implemented reuse and recycle measures to optimise resource consumption and waste generation.
- Recovered 333,931 MT of recyclable wastes through recycle and reuse.
- Achieved various industry and international quality certifications (refer to Achievements & Recognitions section on page 85 to 86).
- Continuous improvement through proactive customer satisfaction survey (refer to Quality Products & Services section on page 105).
- Implemented an Integrated Pest Management (IPM) approach to control pests in plantation.



- Derived 75.9% 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 235,943 t CO<sub>2</sub>-e through carbon sequestration from conservation area and oil palm plantings.
- Renewable energy from biogas was utilised in three out of four palm oil mills.
- Solar energy was utilised by two Autohaus and the Body & Paint Competence Centre.
- No reported incident of deforestation and fire within and surrounding the plantation.



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

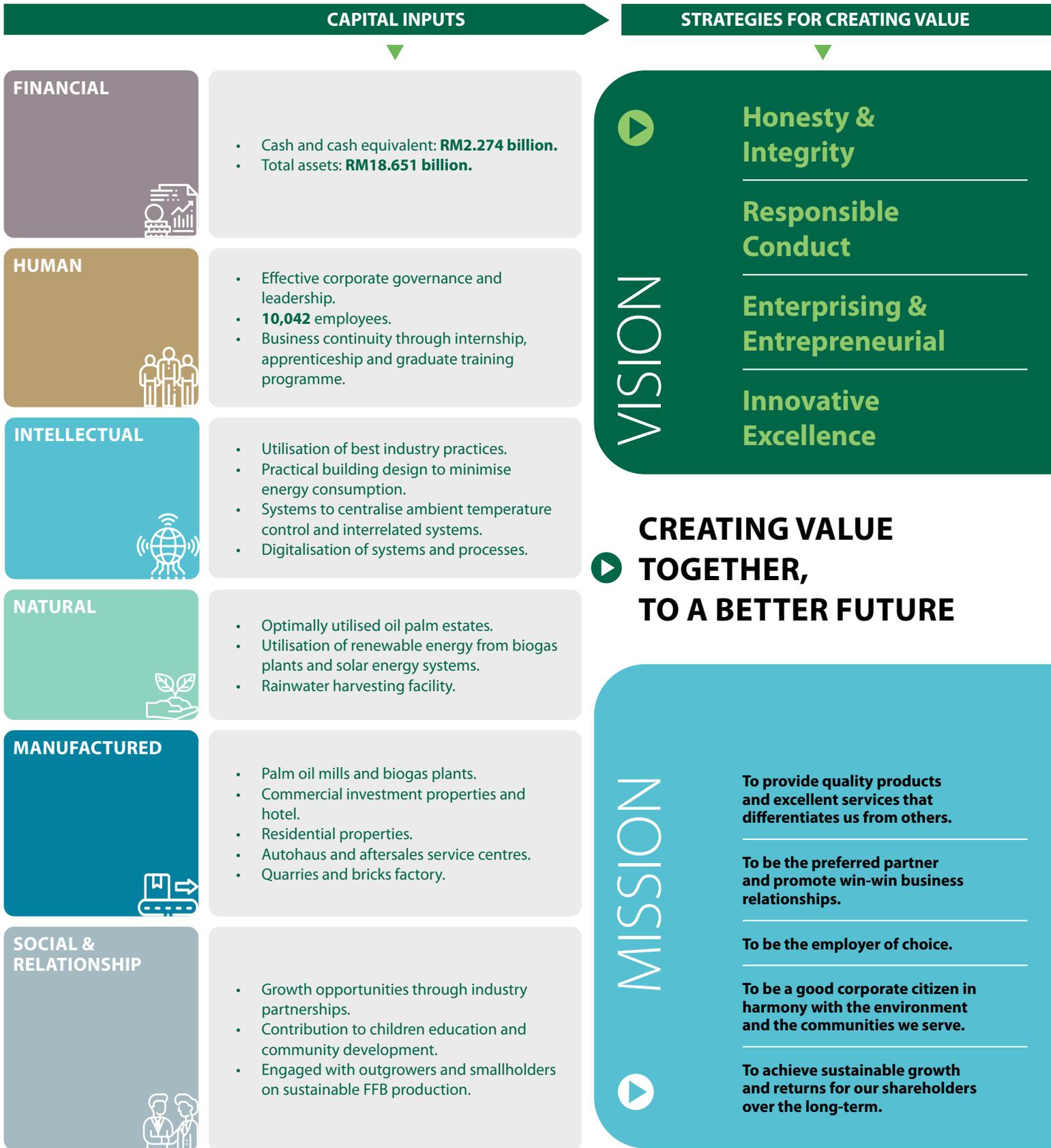
### Our Approach to Sustainability

To ensure alignment between the business priorities and sustainability performance, the Group has integrated ESG performance into the KPIs which is linked to the remuneration of senior management. This approach incentivises management to focus on sustainability initiatives and address areas of improvement that are material to our businesses.

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

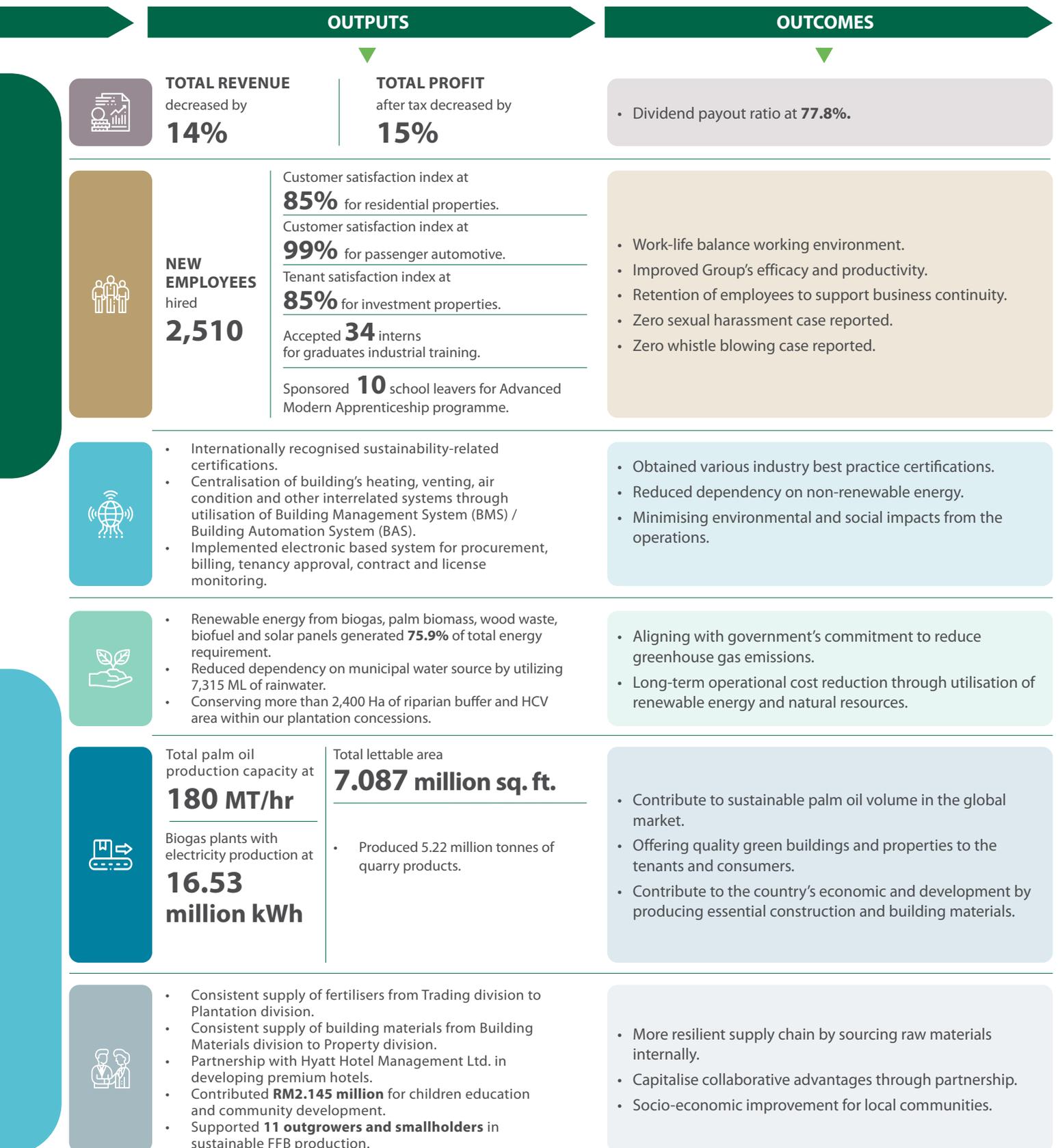
People and Community Development	Environmental Protection	Responsible Governance	Economic Resilience
Safeguarding a conducive workplace which retains and attracts talents that contribute to the achievement of our strategies and goals. We also contribute to the community outside the workplace through 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.



# SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

## OUR MATERIAL SUSTAINABILITY MATTERS

A list of 14 material matters were identified in FY2023. The material matters were selected upon survey and deliberation with the Sustainability Committee by taking into consideration expectation from regulators, industry, stakeholders and latest local and global ESG requirements. The material matters are aligned to the latest Bursa Malaysia’s Enhanced Sustainability Disclosure requirement on common sustainability matters. Outcome of the materiality assessment was presented to the board of directors.

### Stakeholder Ranking

Key stakeholder group was assigned a ranking based on priority to the Group.

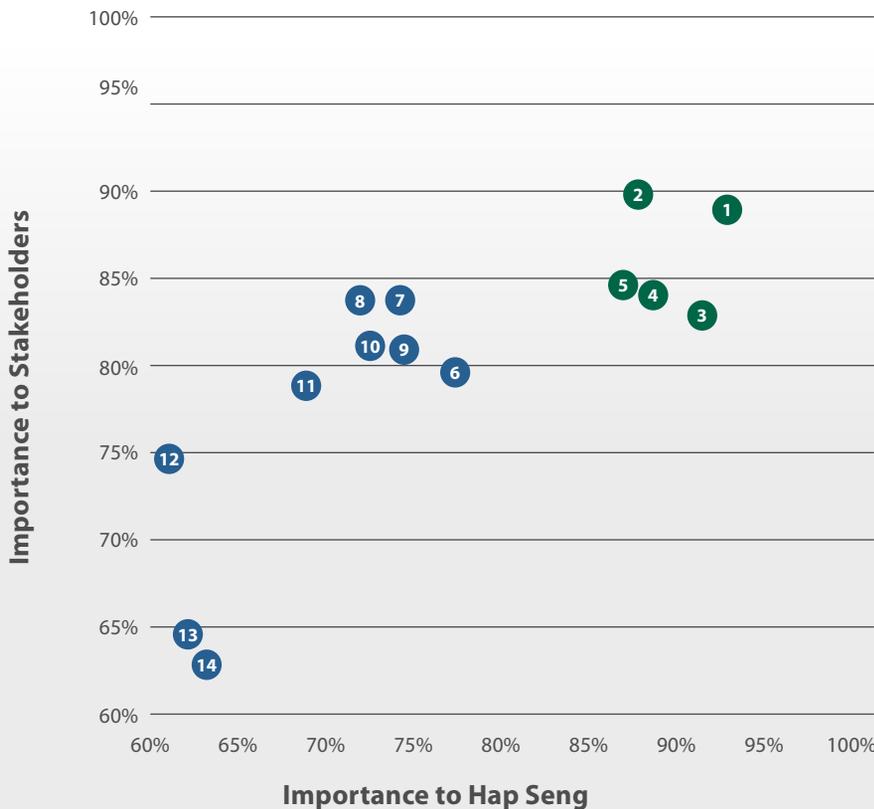
### Importance of Material Matter to Business Operations

A ranking was assigned to each material matter in accordance with its importance for the continuity and strengthening of business performance and operations.

### Importance of Material Matter to Stakeholders

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.

**Materiality Matrix**



### Most Important Material Matters

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

### Other Important to Moderately Important Material Matters

6. Supply Chain Management
7. Labour Practices and Standards
8. Emissions Management
9. Energy Management
10. Waste Management
11. Water Management
12. Community/ Society
13. Supporting Small & Medium Enterprises
14. Diversity

### Changes in FY2023 materiality assessment:

- Economic performance was rated as the most important material matter, up from third position.
- Other material matters, such as supply chain management, emissions management, water management, and community/society, were repositioned to a higher level of importance compared to last year.
- Affordable housing was excluded as it was deemed immaterial to the Group and stakeholders.

# 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
<b>Economic Performance</b>	Consistent and strong economic growth will create long-term value to the company and stakeholders.	<ul style="list-style-type: none"> <li>Limited local economic development and low employment rate.</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to economic development and provide employment opportunity.</li> </ul>		Financial	<ul style="list-style-type: none"> <li>Employees.</li> <li>Communities.</li> <li>Regulators and government bodies.</li> <li>Shareholders, investors and analysts.</li> </ul>
<b>Corporate Governance, Transparency and Anti-corruption</b>	Robust governance structure and good business ethics will strengthen reputation long-term value creation.	<ul style="list-style-type: none"> <li>Increased cost from non-compliance and losing brand reputation.</li> </ul>	<ul style="list-style-type: none"> <li>Improve stakeholders' confidence by demonstrating ability to meet ESG requirements.</li> </ul>	 	Human, Social and relationship	<ul style="list-style-type: none"> <li>Regulators and government bodies.</li> <li>Shareholders, investors and analysts.</li> <li>Customers.</li> </ul>
<b>Data Privacy and Security</b>	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"> <li>Leaking of confidential and personal data can be reputationally and financially detrimental.</li> </ul>	<ul style="list-style-type: none"> <li>Improved stakeholders' confidence.</li> </ul>		Social and relationship	<ul style="list-style-type: none"> <li>Employees.</li> <li>Regulators and government bodies.</li> <li>Suppliers.</li> <li>Customers.</li> </ul>
<b>Quality Products &amp; Services</b>	Continuous improvement in products quality and services will ensure the business remains relevant to the market.	<ul style="list-style-type: none"> <li>Diminishing brand value and reputation.</li> </ul>	<ul style="list-style-type: none"> <li>Competitive advantage through improved products and services.</li> </ul>	 	Manufactured	<ul style="list-style-type: none"> <li>Employees.</li> <li>Customers.</li> <li>Shareholders, investors and analysts.</li> <li>Media.</li> </ul>
<b>Health &amp; Safety</b>	Ensuring a healthy and safe working environment and optimal productive workforce.	<ul style="list-style-type: none"> <li>Poor health and safety practices would lead to operational inefficiency and legal non-compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Improved working environment, productivity and regulatory compliance.</li> </ul>		Social and relationship	<ul style="list-style-type: none"> <li>Employees.</li> <li>Regulators and government bodies.</li> <li>Media.</li> </ul>
<b>Supply Chain Management</b>	Reliable and consistent supply chain will ensure seamless raw materials procurement and product distribution.	<ul style="list-style-type: none"> <li>Disruption in supply chain may increase cost of production.</li> </ul>	<ul style="list-style-type: none"> <li>Well managed supply chain ensures sustainable business growth.</li> </ul>		Social and relationship	<ul style="list-style-type: none"> <li>Suppliers.</li> <li>Customers.</li> </ul>
<b>Labour Practices and Standards</b>	Well managed, effective and functional workforce are important for continuous business development.	<ul style="list-style-type: none"> <li>Under motivated and incompetent workforce may limit the organisation's growth.</li> </ul>	<ul style="list-style-type: none"> <li>Effective and skilled workforce increase competitive advantage and continuous innovation.</li> </ul>	 	Human	<ul style="list-style-type: none"> <li>Employees.</li> </ul>

# 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
<b>Emissions Management</b>	Supporting the global climate agenda by mitigating climate change through best operational practices and low carbon operations.	<ul style="list-style-type: none"> <li>Delayed transition to low-carbon operations could result in missed opportunities in the low-carbon economy.</li> </ul>	<ul style="list-style-type: none"> <li>Contributing to the global climate agenda.</li> <li>Improved competitive advantage by capturing opportunities in low-carbon economy.</li> </ul>		Natural	<ul style="list-style-type: none"> <li>Employees.</li> <li>Communities.</li> <li>Regulators and government bodies.</li> <li>Suppliers.</li> <li>Customers.</li> <li>Shareholders, investors and analysts.</li> <li>Media.</li> </ul>
<b>Energy Management</b>	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"> <li>Increasing stakeholder's requirements on energy efficient products and services.</li> </ul>	<ul style="list-style-type: none"> <li>Enable businesses to operate at higher efficiency, reducing cost of operation and minimising impacts to environment.</li> </ul>	  	Intellectual, Natural	<ul style="list-style-type: none"> <li>Employees.</li> <li>Customers.</li> <li>Shareholders, investors and analysts.</li> </ul>
<b>Waste Management</b>	Efficient waste management leads to long-term sustainable growth and maximising resources use efficiency.	<ul style="list-style-type: none"> <li>Irresponsible production may lead to negative environmental impact and potential legal non-compliances.</li> </ul>	<ul style="list-style-type: none"> <li>Minimising direct environmental impact and expenses on waste management.</li> </ul>	  	Natural	<ul style="list-style-type: none"> <li>Employees.</li> <li>Communities.</li> <li>Regulators and government bodies.</li> <li>Media.</li> </ul>
<b>Water Management</b>	Proper water management reduces operational costs, mitigates risks, and protects the environment.	<ul style="list-style-type: none"> <li>Inefficient water management may lead to scarcity, higher costs, fines, and negative environmental impacts.</li> </ul>	<ul style="list-style-type: none"> <li>Efficient water resources management can reduce operating costs.</li> </ul>	 	Natural	<ul style="list-style-type: none"> <li>Communities.</li> <li>Regulators and government bodies.</li> <li>Media.</li> </ul>
<b>Community/Society</b>	Value creation to local communities through our Corporate Social Responsibility (CSR) and educational programmes.	<ul style="list-style-type: none"> <li>Deprived local community may negatively impact the overall economic development.</li> </ul>	<ul style="list-style-type: none"> <li>Empowered community will directly elevate socio-economy and business opportunities.</li> </ul>	   	Social and Relationship	<ul style="list-style-type: none"> <li>Communities.</li> <li>Media.</li> </ul>

## 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
<b>Supporting Small &amp; Medium Enterprises</b>	Provide opportunity for SMEs to grow their businesses through financing products and services, consequently supporting the local economy.	<ul style="list-style-type: none"> <li>Inadequate support to SMEs may limit businesses growth opportunity.</li> </ul>	<ul style="list-style-type: none"> <li>SME contributing significantly to the Malaysia's Gross Domestic Product (GDP).</li> </ul>		Social and Relationship	<ul style="list-style-type: none"> <li>Regulators and government bodies.</li> <li>Customers.</li> </ul>
<b>Diversity</b>	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"> <li>Lack of diversity may result in reduced innovation, discrimination, and affect company reputation.</li> </ul>	<ul style="list-style-type: none"> <li>Ability to foster a more inclusive culture and customer loyalty through better understanding of diverse customer needs.</li> </ul>		Human	<ul style="list-style-type: none"> <li>Employees.</li> </ul>

### 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
<b>Employees</b>	<ul style="list-style-type: none"> <li>Employees' intranet</li> <li>Internal emails</li> <li>Annual performance appraisal</li> <li>Training</li> <li>Internal meetings</li> <li>Interviews</li> </ul>	Ongoing, Annually	<ul style="list-style-type: none"> <li>Corporate governance and transparency</li> <li>Occupational health and safety</li> <li>Talent management</li> </ul>	<ul style="list-style-type: none"> <li>Continuous feedback and rectification through grievance and whistleblowing channels.</li> <li>Regularly provide updates on health and safety preventive measures.</li> <li>Career development, attractive remuneration and benefits package.</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>Community engagement sessions and community programmes</li> <li>Corporate website and social media</li> </ul>	Ongoing, Annually	<ul style="list-style-type: none"> <li>Climate change</li> <li>Environmental stewardship</li> <li>Empowering local communities</li> </ul>	<ul style="list-style-type: none"> <li>Organising programmes to uplift socio-economy of communities.</li> <li>Minimising potential impact to the communities through resources use efficiency and pollution prevention measures.</li> <li>Regular engagement and socialisation with local communities.</li> <li>Respecting Free, Prior and Informed Consent (FPIC) on new development involving community land rights.</li> </ul>
<b>Regulators</b>	<ul style="list-style-type: none"> <li>Regular compliance reporting</li> <li>Participating in government led initiatives</li> <li>Continuous engagement</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>Corporate governance and transparency</li> <li>Occupational health and safety</li> <li>Environmental stewardship</li> </ul>	<ul style="list-style-type: none"> <li>Establishing and implementing robust corporate governance across the Group.</li> <li>Adhering to the Anti-bribery &amp; Corruption Policy.</li> <li>Adopting health and safety management system and preventive measures to minimise potential workplace accident.</li> <li>Regular monitoring on environmental and social compliance.</li> </ul>

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Stakeholder Groups	Channels of Engagement	Frequency of Engagement	Material Matters	Our Response
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Tender process and supplier feedback mechanism</li> <li>Regular communication</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>Supply chain management</li> <li>Supporting SMEs</li> </ul>	<ul style="list-style-type: none"> <li>Practised equal business opportunity through tendering process.</li> <li>Procure from responsible and sustainable suppliers to minimise supply chain disruption.</li> <li>Supporting SMEs' growth by providing optimal financial solutions.</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Customer networking event</li> <li>Customer satisfaction survey</li> <li>Online feedback</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>Data protection</li> <li>Products quality and services</li> <li>Supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>Proactively request feedback from customers through customer satisfaction survey.</li> <li>Strengthening internal cybersecurity and data management system to safeguard customer's data.</li> <li>Timely product and service delivery to customer.</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Investor engagement sessions</li> <li>Regular communication</li> </ul>	Ongoing, Quarterly	<ul style="list-style-type: none"> <li>Corporate governance and transparency</li> <li>Economic performance</li> </ul>	<ul style="list-style-type: none"> <li>Annual General Meeting is organised every year to update shareholders, investors and analysts on the Group's performance and strategy.</li> <li>Analyst briefings are conducted quarterly or as and when required to discuss financial performance of the Group.</li> <li>Press release is published as and when required to communicate latest business developments.</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>Press release</li> <li>Information on the company's websites</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>Corporate governance and transparency</li> <li>Economic performance</li> </ul>	<ul style="list-style-type: none"> <li>Direct engagement to communicate latest and upcoming developments from the Group.</li> </ul>

### OUR ACHIEVEMENTS AND TARGETS

Our ESG-related KPIs were developed based on industry priorities and identification of our internal strength and potential value creation with the business divisions. The ESG-related KPIs were deliberated in the Group Sustainability Committee and approved by the Board in February 2023. Effective 2023, the Group has linked the identified ESG-related KPIs to the overall remuneration of the senior management.

Material Matter	ESG-related KPI	Performance	Remarks
<b>Responsible Governance</b>			
<b>Data Privacy and Security</b>	Zero substantiated breach of customer privacy and losses of customer data	<b>Achieved</b> No breach was reported	To maintain.
<b>Economic Resilience</b>			
<b>Economic Performance</b>	Providing returns to shareholders with not less than 50% dividend payout rate	<b>Achieved</b> Dividend payout rate = 77.8%	To maintain.
<b>Supply Chain Management</b>	Supporting local economy by maintaining more than 60% procurement and services from local suppliers	<b>Achieved</b> Local Suppliers: 67.2% Foreign Suppliers: 32.8%	To maintain.

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Material Matter	ESG-related KPI	Performance	Remarks
<b>Economic Resilience</b>			
<b>Supply Chain Management</b>	Performing ESG due diligence on all new and existing suppliers by 2024	<b>Future commitment</b>	To develop sourcing procedure and supplier's due-diligence process in FY2024.
	Maintaining 100% traceability to the oil palm supply chain	<b>Achieved</b> FFB sources are fully traceable to the 11 supplying smallholders.	To maintain.
<b>Quality Products &amp; Services</b>	Maintaining Customer Satisfaction Index scoring of more than 75% for Property Development (West Malaysia) and Automotive (Passenger Vehicles)	<b>Partially achieved</b> 72.0%: Property Development 98.8%: Passenger Vehicles	Lower property development satisfaction scores were partly affected by the lack of survey responses.  Potential improvement: - To improve customer service. - Engage with buyers on the survey feedback.
	Maintaining Tenant Satisfaction Index scoring of more than 80%	<b>Achieved</b> Averaged score of 85% (Menara Hap Seng 1, 2, 3 and Plaza Shell)	To maintain.
	All new investment properties developed from 2025 onwards are certified with recognised green building certification	<b>Future commitment</b>	To disclose performance in 2025.
<b>Supporting Small &amp; Medium Enterprises</b>	Supporting the growth of SMEs by providing more than 70% of our credit financing services to SME customers	<b>Achieved</b> 77.5% customers are operating SME businesses.	To maintain.
<b>Environmental Management</b>			
<b>Emissions Management</b>	Continuous reduction of scope 1 and scope 2 GHG emissions intensity from baseline year 2022	<b>Not Achieved</b> Emission Intensity (t CO <sub>2</sub> -e/ RM'million Revenue): +64.4% Absolute Emission (t CO <sub>2</sub> -e): +30.6%	Refer to page 106 for details on GHG emissions.
<b>Energy Management</b>	Continuous reduction in energy use intensity through efficient energy management	<b>Not Achieved</b> Energy Intensity (MJ/ RM'million Revenue): +30.7% Absolute Energy (MJ): +4.5%	Refer to page 110 for details on energy consumption.

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Material Matter	ESG-related KPI	Performance	Remarks
<b>Environmental Management</b>			
<b>Energy Management</b>	Maintaining more than 31% share of renewable energy by 2025 as per Malaysia's target	<b>Achieved</b>  Overall, 75.9% energy consumption derived from renewable energy.	To maintain.
<b>Water Management</b>	Continuous reduction of water usage intensity from baseline year 2022	<b>Not Achieved</b>  Water Consumption Intensity (m <sup>3</sup> /RM'million Revenue): +2.6%  Absolute Water Consumption (m <sup>3</sup> ): -18.0%	Refer to page 114 for details on water consumption.
<b>Waste Management</b>	Establishing a recycling system in every business division by 2023	<b>Achieved</b>	Potential improvement:  - Effectiveness of the system will be monitored from the record of recycled waste.
<b>People and Community Development</b>			
<b>Health &amp; Safety</b>	Maintaining zero workplace-related fatality and high-consequence injury	<b>Achieved</b>  No workplace fatality and high consequence injury recorded.	To maintain.
<b>Labour Practices and Standards</b>	Zero substantiated discrimination and harassment case at workplace	<b>Achieved</b>  No case reported.	To maintain.

# SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

## RESPONSIBLE GOVERNANCE

Align to SDG:



### Our Approach

The Board leads the Group, overseeing its management, objectives, and initiatives, including those of the Group Sustainability Committee. Both the Board and Hap Seng's management are dedicated to upholding robust corporate governance and business ethics. Details regarding the Board's duties and responsibilities are outlined in the Board Charter which is accessible on our corporate website, the Annual Report (page 64) and the 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, commitments, implementation strategy, as performance measurement for continuous improvement.

Within the Sustainability Framework, a set of Sustainability Focus Areas consisting of environmental, social and governance were identified to create additional value to our businesses. Refer to the published Sustainability Framework for more information<sup>1</sup>.

The sustainability governance structure is laid out in the diagram on the right.

The Corporate Planning & Investor Relations Department (CPIR) manages and coordinates the sustainability activities within the Group and continuously engages with relevant internal and external stakeholders on the Group's sustainability matters.

The Group Sustainability Committee has held one meeting in FY2023.

### Board of Directors

- Oversight of the Group's overall sustainability implementation and progress.
- To provide guidance on the alignment of Sustainability Focus Areas into the Group's business strategy.



### Group Managing Director

- Heads the Sustainability Committee.
- Oversees the Group's sustainability implementation and update its progress at the Board level.



### Sustainability Committee

- To conduct meeting(s) chaired by the Group Managing Director (GMD) with participation from Heads of Business Division.
- To discuss sustainability performance, initiatives, and risks from respective business division.
- To align Board's expectation and business strategy to the Sustainability Focus Areas.



### Divisional Sustainability Working Committee

#### Plantation – Property – Credit Financing – Automotive – Trading – Building Materials

- To conduct working group meeting(s) at business division level to review the sustainability performance and brainstorm on continuous improvement.
- To set targets and track performance of Sustainability Focus Areas at the business division level.
- To compile the Sustainability Performance Matrix on a bi-annual basis.

*Group Sustainability Committee Structure and Responsibilities*

<sup>1</sup> [https://www.hapseng.com.my/en/download/termsreference/HSCB\\_Sustainability\\_Framework.pdf](https://www.hapseng.com.my/en/download/termsreference/HSCB_Sustainability_Framework.pdf)

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Full list of training programme in which the Board of Directors engaged during FY2023 is available on page 68 of this Annual Report.

	Total Training Hours	ESG-related Topics
Training attended by the Board of Directors in FY2023	416	- ESG governance
	Training Hours per Director	- Climate risks & opportunities
	46.2	- International Sustainability Standards Board (ISSB) requirements
		- Cybersecurity

As the Group transitions to a more structured approach in sustainability management, it has implemented the following improvements recommended by the Sustainability Committee in FY2023:

- Incorporated ESG performance as part of employees' KPI
- Aligning sustainability disclosures to the Bursa Malaysia reporting requirements
- Disclosure of scope 3 emissions from employees business travel
- Establishing GHG emissions baseline in accordance to the GHG Protocol methodology

### Business Ethics and Policies

Hap Seng emphasizes business ethics and integrity through five core principles, integral to all employees' expected conduct. These principles are communicated during induction training and documented in the Employee Handbook and the Group's Code of Conduct, accessible via the employee intranet portal.

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



## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

To ensure the effectiveness of ABC Policy, Hap Seng established an Integrity Management Committee (IMC), which conducts annual corruption risk assessments. Assessment in FY2023 revealed low corruption risk, with no reported breaches or disciplinary actions against employees for non-compliance with the ABC Policy.

In FY2019, the Group conducted a comprehensive anti-bribery and anti-corruption training for all the employees as part of its anti-corruption program. Subsequently, an Integrity Declaration process was implemented, mandating all the employees to make annual declaration to reaffirm their commitment to the ABC policy. New employees are also required to acknowledge their understanding of the ABC policy as part of the onboarding process. The policy is accessible on the Group's website for reference by employees and stakeholders. For further details on the anti-corruption and bribery training received by our employees in FY2023, please refer to the capacity building section on page 122.

### Whistleblowing and Grievance Management

Hap Seng has established a whistleblowing channel for employees and third parties to report suspected ABC Policy violations. Incidents involving employees are reported to the Industry Relations or Employee Relations Manager, while those involving Board members and management are reported to a designated Senior Independent Director.

Employees are also encouraged to report any other unethical behaviour via the grievance procedure. They can report incidents to their immediate superiors for prompt resolution, with escalation to the Group's Human Resources Department if necessary. The procedure is outlined in the Employee Handbook.

The identity of the whistleblower and grievance raiser will be protected throughout the investigation process to prevent potential threats and retaliation. There were no reported cases through either the whistleblowing or grievance channels in FY2023.

Potential future land dispute issue at the Plantation division will be addressed using the Land Dispute Management<sup>1</sup> document which is publicly accessible. The document covers negotiation, investigation and compensation processes in accordance to free, prior and informed consent principles.

### Regulatory Compliance

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

<sup>1</sup> <https://www.hapsengplantations.com.my/download/sustainabilitypolicies/land-dispute-management.pdf>

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

The risk of legal non-compliance has been adequately identified and mitigated through our internal controls and risk management process. In FY2023, there were no reported incidents of non-compliance with environmental, social, and governance-related laws.

The Group does not engage in any lobbying practices or make political contributions.

### Risk Management

The Risk Management Committee of Hap Seng is responsible for conducting 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 page 77 of this Annual Report.

### Data Privacy and Security

We strictly adhere to the requirements of the Personal Data Protection Act (PDPA) 2010 in managing customer data, supported by a clear policy governing its collection, storage, and usage. Regular employee training on handling sensitive information reinforces this policy.

The Group IT Department ensures data privacy and security through regular group-wide security assessments and phishing email tests to identify risks and vulnerabilities. Collaborating with a trusted security service provider enables comprehensive data monitoring and protection measures.

Access to customer personal data is restricted to authorized personnel within our operations. Annual reviews of user access to business systems across divisions are conducted by the Group IT Department to maintain security standards. Additionally, each division appoints a PDPA officer to oversee data privacy and security matters. Our commitment to data protection is strengthened by established policies, such as the Employee Personal Data Privacy Policy, ensuring proper management of employee data.

The Group IT Department proactively shields the organization from phishing attacks by continuously monitoring email systems. Reminders and alert notifications are issued to employees upon detecting suspicious emails, ensuring both staff and the company are protected from cyber threats.

Cybersecurity Training	FY2022	FY2023
Employees Participated	305	297
Total Training Hours	763	740

In cases of data breach, the Group IT Department promptly conducts a thorough investigation. Within 24 hours of the breach report, a risk assessment is initiated to gauge its impact on affected individuals and the Group. Remedial measures are then developed to contain the breach and prevent further harm. Upon investigation completion, a report is provided to the Chief Information Officer, outlining findings, causes, impact, and recommendations for strengthening the security system to prevent future incidents.

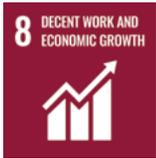
Throughout the year under review, the Group did not receive any substantiated complaints concerning breaches in customer privacy or data loss.

Customer Complaints on Privacy Breaches or Data Loss	FY2021	FY2022	FY2023
	0	0	0

# SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

## ECONOMIC RESILIENCE

Align to SDG:



### Our Approach

As a leading conglomerate, our Group's economic stability hinges on the success of our business partners and stakeholders. Leveraging our size and reach, we aim to create positive impacts and opportunities throughout our value chain. Through long-term strategic planning, we enhance operational resilience while ensuring fair business opportunities and delivering top-quality products and services to meet stakeholder expectations.

## CORPORATE GOVERNANCE, TRANSPARENCY AND ANTI-CORRUPTION

### Economic Performance

Economic resilience forms the bedrock of our business culture and practice. 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 our stakeholders.

Investments in sustainability are an integral part of our Group's business strategy and value creation. To this end, we have issued Sustainability-linked Bonds (SLBs) of up to RM1.25 billion as of December 2023. 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 harvesting initiatives.

### Supply Chain Management

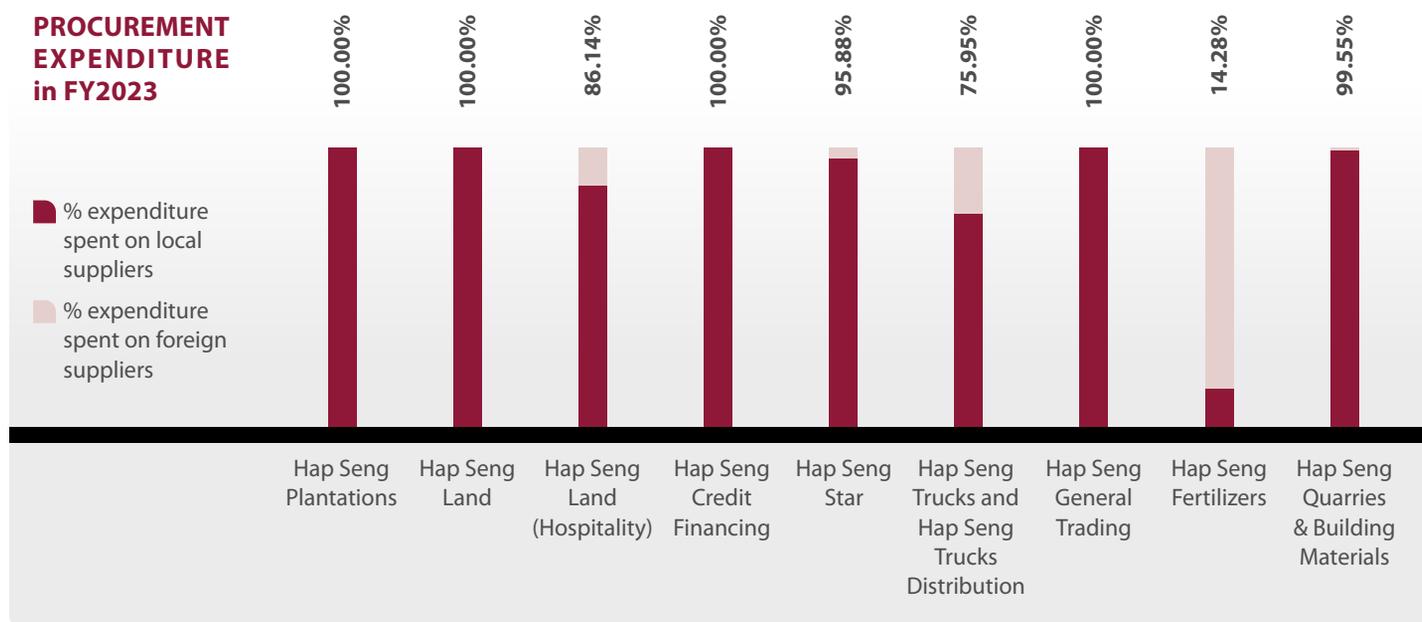
The challenges posed by geopolitical and pandemic issues have underscored the significance of robust supply chain management and the importance of local sourcing. To an extent, Hap Seng mitigated the impact of global supply chain disruptions through its diverse range of businesses which strategically 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 tendering 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. Going forward, we are also planning to perform ESG due diligence on all new and existing suppliers.

In FY2023, 67.2% of the Group's procurement expenditure was allocated to local companies. Hap Seng Trucks Distribution and Hap Seng Fertilizers had a significant proportion of their procurement expenditure go towards overseas suppliers due to the nature of their businesses and limited local suppliers.

	FY2021	FY2022	FY2023
<b>Procurement Expenditure Allocated to Local Companies (%)</b>	60.4	62.9	<b>67.2</b>

## 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 and Global GreenTag. The ecolabels are certification programmes that aim to promote environmentally friendly products and services by assessing them against specific environmental criteria.

### Supporting Small, Medium-sized Enterprises and Smallholders

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.

Proportion of SME Customer (%)	FY2021	FY2022	FY2023
	76.0	77.5	77.5

Our Plantation division supports the 11 outgrowers and smallholders by facilitating the adoption of sustainable practices through training and certification. We are actively assisting the outgrowers and smallholders in their certification journey to ensure a supply of sustainable Fresh Fruit Bunches (FFB) for our mills. Close engagement with the outgrowers and smallholders also ensures we are maintaining full traceability of our FFB to legal and sustainable sources. In FY2023, we conducted two internal audits on seven smallholders supplying FFB to us. To expedite RSPO certification, we have also partnered with our key palm oil buyer to support four smallholders in their preparation for their RSPO certification journey.

Certification Status of Outgrowers and Smallholders	
RSPO and MSPO certified	5
MSPO certified only	3
<b>Total certified outgrowers and smallholders</b>	<b>8</b>

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

### Quality Products & Services

In our Plantation division, we ensure compliance with palm oil buyers' ESG requirements by sourcing responsibly and sustainably. All our produced palm oil is traceable, with 79.5% also RSPO certified. Our palm oil holds various food quality certifications like HACCP, MeSTI, and HALAL. It consistently meets or exceeds the industry's vital quality parameters, resulting in our Plantation division being awarded Zero Off Spec CPO and Highest Quantity CPO Supplier by one of our major buyers, IOI Edible Oils in FY2023. 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, a type of contaminant commonly formed in heat-processed oil. Compliance with food safety requirements and certifications enables us to cater to the stringent requirements of global buyers.

We regulate the quality of our property developments through an internal Quality Management System (QMS) guided by standard operating procedures. Our division conducts purchaser satisfaction surveys assessing property quality, cleanliness, purchase experience, and overall service. Complaints or feedback from customers are handled by assigned sales consultants or customer service officers according to QMS timelines. In FY2023, quality of the property developed by us was recognised in the SHAREDADA Excellence Award 2023, where Bandar Sri Indah Township won the award under the Best Mixed – Used Development. For our investment properties, we actively engage with tenants, offering ongoing customer management support and conducting Tenant Satisfaction Surveys to gather feedback. In FY2023, Menara Hap Seng 3 received the gold award (office category) from the esteemed FIABCI World Prix D'Excellence Award.

Property (Development)			
	FY2021	FY2022	FY2023
Customer Satisfaction Index (%)	79	83	85

Property (Investment)			
	FY2021	FY2022	FY2023
Tenant Satisfaction Index (%)	83	86	85

Our Automotive division continues to focus on providing customers with end-to-end premium service experience, in both sales and aftersales. Several of our Autohaus also emerged as champion and runners-up in the Retail Partner of The Year Award 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 page 85 to 86 for more information.

Automotive (Passenger Vehicle)			
	FY2021	FY2022	FY2023
Customer Satisfaction Index (%)	92.8 to 100*	97 to 100*	98.8

\* A score range was reported in FY2021 and FY2022

# SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

## ENVIRONMENTAL PROTECTION

Align to SDG:



### Our Approach

As a natural resource-dependent Group, we prioritize environmental preservation and minimizing operational impact for sustainable growth. We aspire to transition to low environmental footprint operation through utilization of renewable energy, recycle and reuse. As a certified sustainable producer, our Plantation division commits to no deforestation and protects areas with high carbon stock (HCS) and high conservation value (HCV).

### Emissions Management

Our carbon footprint is calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard to ensure consistent reporting and future comparability across different business divisions. Data for emissions generated was based on internationally recognised calculation tools i.e. 2006 Intergovernmental Panel on Climate Change (IPCC) Guidelines and local emission factors (where applicable). Emission from the grid electricity was based on the Grid Emission Factor published by the Energy Commission of Malaysia. Global warming potential from CH<sub>4</sub>, N<sub>2</sub>O, and HFCs were converted into CO<sub>2</sub> equivalents from the IPCC Sixth Assessment Report (AR6).

The control approach is used to consolidate the GHG emissions where we fully account the GHG emissions from operations over which we have control. The reporting coverage includes business divisions in Peninsular Malaysia, Sabah and Sarawak. This involves mills, plantations, Autohaus, service centres, warehouses, quarry, brick, asphalt plants and offices at the operating unit.

We measure our emissions in three scopes:

- Scope 1: Direct GHG emissions from sources that are owned, such as company-owned vehicles, machineries and generators.
- Scope 2: Indirect CO<sub>2</sub>-e emissions from the generation of purchased electricity.
- Scope 3: Indirect CO<sub>2</sub>-e emissions that occur outside the organization, such as business travel, employee commuting, waste generation and emission from downstream leased assets.

Emission from land use change is based on RSPO PalmGHG calculation. A recalculation of land use change emissions will be conducted according to the GHG Protocol's land sector guidance and removal guidance once it is published.

Biogenic emissions are reported separately from the scopes according to GHG Protocol which cover CO<sub>2</sub> emissions from biomass combustion, biofuel consumption and application of biomass as organic manure.

Following are the key changes to the emissions disclosure for this reporting period:

- Calculation method for the Plantation division has been updated to adhere to the GHG Protocol standards. Previously, it relied on the output of RSPO PalmGHG and subsequently categorized into scope 1 and scope 2 classifications.
- Company's car used by the employees was quantified under scope 1 instead of scope 3.
- Fugitive emission calculation was based on average annual leakage rate instead of record from refilling of refrigerant.
- Emission from consumption of biomass was calculated instead of considered as carbon neutral.
- Overall improvement in data completeness.

As a result of different methodology and emission factors used, the emission in FY2023 is not entirely comparable to the previous years.

Our focus was on quantifying and exploring opportunity to reduce emissions through renewable or environmentally friendly energy options. We have established ESG-related KPIs to continuously reduce our scope 1 and scope 2 GHG emission intensity while enhancing the completeness and accuracy of our scope 3 emissions. In this reporting period, we have disclosed one more category of scope 3 GHG emissions (business travel) to improve our completeness in scope 3 quantification.

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

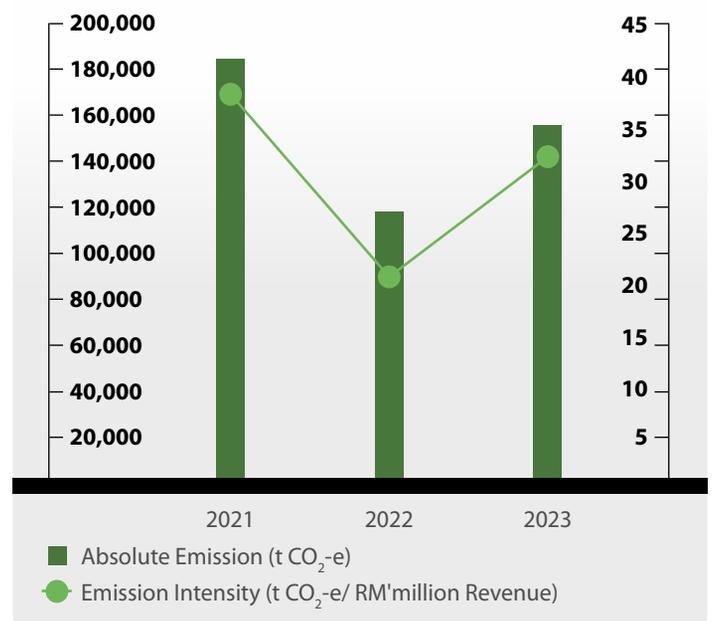
Table below describes Hap Seng's preliminary approach in managing climate-related risks and opportunities based on the requirements in accordance with the International Financial Reporting Standards (IFRS) S2 climate-related disclosures with the aim of progressively achieving full disclosure in subsequent years.

IFRS S2 Climate-related Disclosures	Our Approach
<b>Governance</b>	<ul style="list-style-type: none"> <li>We have established our Sustainability Framework and formed the Sustainability Committee to create value and address sustainability matters including climate change. Refer to page 99 for details on Hap Seng's sustainability governance structure.</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>KPI on continuous reduction on GHG emissions intensity has been incorporated as part of the group's KPI from FY2023 onwards. Sustainability Working Committee from each business division to drive the identified initiatives and continuous improvement through change of practices and adoption of practical renewable energy technology in minimizing GHG emissions.</li> <li>Business divisions are exploring renewable energy options such as solar and biogas to replace non-renewable energy where practical. Energy sources with lower GHG emission are also being explored to reduce emission and operating cost.</li> </ul>
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>Transition and physical risk assessments in alignment to IFRS S2 requirements will be conducted in near future.</li> <li>Climate-related risks and measures to mitigate the risks will be assessed and discussed by the Sustainability Committee after the assessment has been conducted.</li> </ul>
<b>Metrics and Targets</b>	<ul style="list-style-type: none"> <li>Combined scope 1 and 2 GHG emissions in FY2023 valued at 155,165 t CO<sub>2</sub>-e.</li> <li>Carbon emission from land use change was at 204,562 t CO<sub>2</sub>-e (based on RSPO PalmGHG).</li> <li>Carbon sequestered from conservation areas and oil palms was at -235,943 t CO<sub>2</sub>-e.</li> <li>Biogenic emissions were at 210,627 t CO<sub>2</sub>-e.</li> <li>Quantified scope 3 emissions were at 26,093 t CO<sub>2</sub>-e.</li> </ul>

Emissions Source	t CO <sub>2</sub> -e
<b>Scope 1 - Direct emissions</b>	<b>135,413.44</b>
<b>Scope 1: Mechanical</b>	<b>31,413.39</b>
Fossil Fuel Combustion	30,824.69
Fugitive Emissions (Refrigerants)	588.70
<b>Scope 1: Non-Mechanical</b>	<b>104,000.05</b>
Fertiliser	42,376.50
POME Treatment	47,337.77
Land Application	10,812.21
Biogenic Emissions (CH <sub>4</sub> and N <sub>2</sub> O)	3,473.57
<b>Scope 2 - Indirect emissions</b>	<b>19,249.31</b>
Purchased electricity	19,249.31
<b>Scope 1 &amp; Scope 2 Emissions (Business Divisions)</b>	<b>154,662.75</b>
<b>Scope 1 &amp; Scope 2 Emissions (Corporate Office)</b>	<b>502.67</b>
<b>Total Scope 1 &amp; Scope 2 Emissions</b>	<b>155,165.42</b>
<b>Land Use Change (based on RSPO PalmGHG)</b>	<b>204,562.00</b>
<b>Carbon Sequestration</b>	<b>(235,942.53)</b>
<b>Biogenic Emissions (CO<sub>2</sub>)</b>	<b>210,627.48</b>

### GHG Emissions by Emission Sources in FY2023

### ABSOLUTE EMISSION AND INTENSITY (FY2021 TO FY2023)



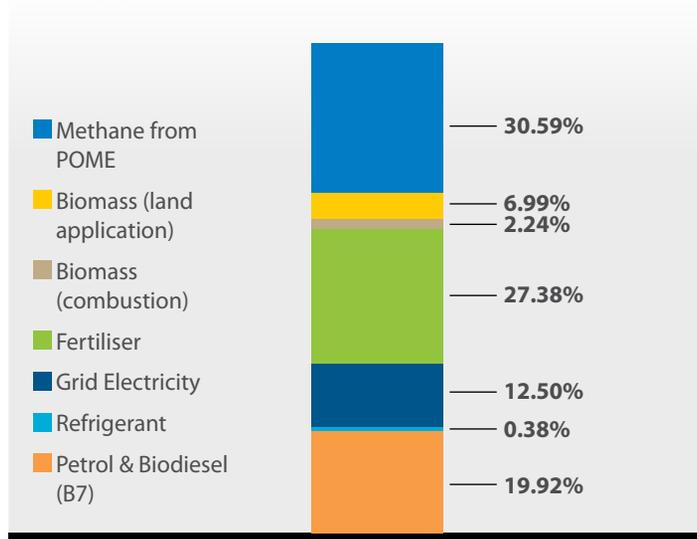
The increase in Group GHG intensity is mainly due to changes in calculation methodology. Apart from that, lower revenue recorded in FY2023 also contributed to the higher emission intensity.

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

GHG emission intensity and absolute GHG emission by operating divisions are as follows:

Business Division	GHG Consumption Intensity		Difference (%)	Intensity Unit	Absolute GHG Emission (t CO <sub>2</sub> -e)		Difference (%)
	FY2022	FY2023			FY2022	FY2023	
Plantation	0.70	0.83	19.3	t CO <sub>2</sub> -e/ MT Sales	88,721.48	123,618.77	39.33
Property Investment	17.24	20.18	17.0	t CO <sub>2</sub> -e/ RM' million Revenue	8,594.21	10,277.28	19.58
Credit Financing	0.67	1.25	85.3	t CO <sub>2</sub> -e/ RM' million Revenue	150.67	277.55	84.22
Automotive	2.09	2.85	36.1	t CO <sub>2</sub> -e/ RM' million Revenue	3,700.21	3,967.26	7.22
Trading (Fertilizer Trading)	0.00041	0.00039	-4.4	t CO <sub>2</sub> -e/ MT Sales	406.45	363.34	-10.61
Trading (General Trading)	0.51	0.29	-43.7	t CO <sub>2</sub> -e/ RM' million Revenue	242.05	141.04	-41.73
Building Materials	110.20	94.02	-14.7	t CO <sub>2</sub> -e/ RM' million Revenue	16,640.74	16,017.51	-3.75
	19.62	32.26	64.4	t CO <sub>2</sub> -e/ RM' million Revenue	118,455.81	154,662.75	30.57

### GHG EMISSIONS BY EMISSION SOURCES IN FY2023



Emissions from fuel consumption and methane from POME are anticipated to decrease significantly once the biogas plant at Tomanggong Palm Oil Mill is operational. Additionally, investments in the palm fibre mat technology which is currently in construction will allow estates to repurpose empty fruit bunches, and minimising natural methane leakages from EFB. The Group has also allocated substantial land for conservation which enables carbon offset through sequestration from both conservation areas and existing oil palm trees.

Carbon Sequestration (t CO <sub>2</sub> -e)	FY2021	FY2022	FY2023
	184,977*	190,915*	235,943

\* Carbon offset from sequestration for FY2021 and FY2022 was based on RSPO PalmGHG.

Reducing emissions in other business divisions relies on gradual transitioning to energy-efficient machinery and vehicles. We are actively exploring opportunities to install more solar panels at our properties and export surplus energy to reduce our grid electricity grid consumption. We are set to commission an additional solar facility in FY2024. Hap Seng Star has also installed 26 electric vehicle chargers nationwide, offering complimentary charging to customers and promoting the transition to electric vehicles in the community.

We have been quantifying four categories of scope 3 emissions since FY2022. In this reporting cycle, we have included the employee's business travel data as an additional disclosure category for scope 3 emission. Given our diversified businesses, full quantification of scope 3 emissions is complex and time-consuming. Thus, we aim to disclose this data gradually as we enhance our internal capacity and improve data completeness and accuracy.

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

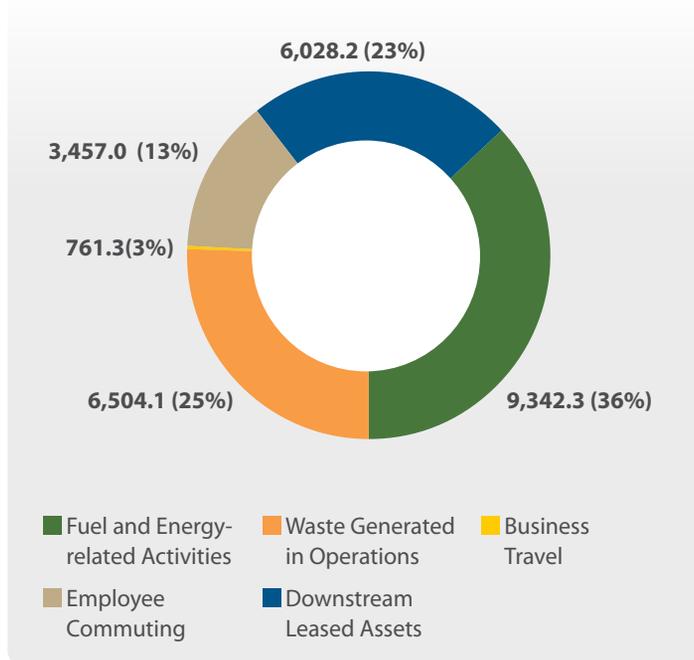
Scope 3 Emissions Category	Description	Data Quality
<b>Fuel and Energy-related Activities</b>	<ul style="list-style-type: none"> <li>Emissions from fuel usage encompassed emissions associated with extraction, refining and transportation of the raw fuel sources prior to combustion.</li> <li>Emissions from electricity usage is associated with transmission and distribution losses with purchased electricity.</li> </ul>	Fair
<b>Waste Generated in Operations</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	Fair
<b>Employee Commuting</b>	<ul style="list-style-type: none"> <li>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 (round trip) in FY2022.</li> <li>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 the number of employees ending FY2023.</li> <li>The survey did not include the field workers from Plantation division as they are staying in the plantation and transportation is usually provided to them when necessary.</li> <li>Survey on employee commuting will be conducted in every two years interval.</li> </ul>	Fair
<b>Business Travel</b>	<ul style="list-style-type: none"> <li>Business travel data was extracted from the group's internal business travel application system, which has been customized to capture distances travelled via different modes of transport requirement for the trip.</li> </ul>	Fair
<b>Downstream Leased Assets</b>	<ul style="list-style-type: none"> <li>Emissions from indirect electricity usage from assets not operating by the Group.</li> </ul>	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

## PROPORTION OF SCOPE 3 GHG EMISSIONS IN FY2023



Total Scope 3 Emission (t CO <sub>2</sub> -e)	FY2022	FY2023
	25,478	26,093

Analysis of scope 3 emissions has revealed that 36% of the emissions were attributed to indirect fuel and energy-related activities utilised by our operations. A long-term transition plan towards increasing utilisation of renewable fuel is essential to lowering indirect emissions resulting from the production of energy.

Indirect emissions from waste generation contributed 25% to the quantified scope 3 emission. Our recycling efforts have helped mitigate emissions from waste generation by diverting it from landfills. In FY2023, we avoided an estimated 209,488 t CO<sub>2</sub>-e by diverting 333,931 tonnes of waste through recycling and reusing. Most recycled waste came from oil palm biomass, such as oil palm fibre, empty fruit bunches, decanter solids, and boiler ash. Oil palm fibre was reused for renewable energy generation, while empty fruit bunches, decanter solids, and boiler ash were composted to improve soil nutrient content in oil palm estates.

Electricity usage by downstream leased assets was found to be the third largest source of emissions among the measured scope 3 emissions. In addition to our ongoing group-wide conversion to energy-efficient equipment,

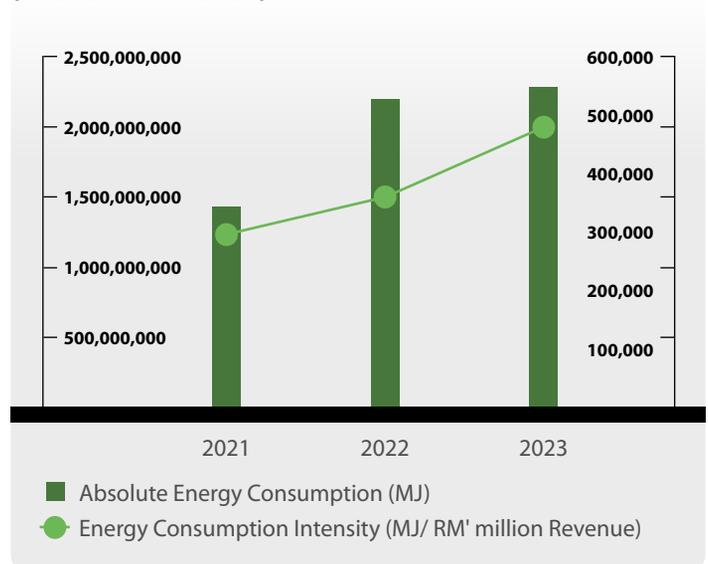
we plan to gradually raise awareness of energy-saving measures and collaborate with the tenants of our buildings to promote best practices in energy management.

Emissions from both business travel and employee commuting contributed about 16% of the overall measured scope 3 emission. Emission for business travel and employee commuting is expected to reduce gradually in line with the global vehicle electrification plan.

### Energy Management

In FY2023, the Group consumed a total of 2.31 billion MJ of energy. The Group’s energy consumption is sourced from both renewable and non-renewable sources.

### ABSOLUTE EMISSION AND INTENSITY (FY2021 TO FY2023)



Most divisions recorded reduction in energy use intensity, except for Credit Financing, Automotive and Fertilizer Trading divisions. Energy intensity reduction in the Building Materials division was attributed to transitioning from diesel gensets to grid electricity at the Jesselton quarry, coupled with a 13% increase in revenue.

The increase in the absolute energy consumption in the Plantation division was primarily attributed to a 17% rise in CPO sales volume.

Increase in energy intensity and absolute energy in the Credit Financing division was due to incorporation of fuel consumption from company cars which was not accounted in previous year.

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

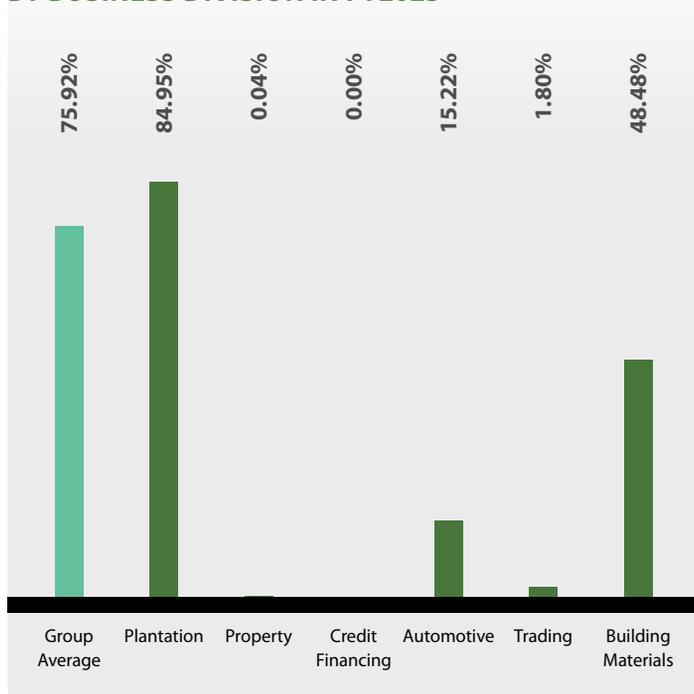
The increased energy intensity and consumption in the Automotive division resulted from higher electricity consumption associated with the launch of a new Autohaus in Bukit Tinggi, compounded by a decrease in revenue compared to FY2022.

Similarly, the Trading (Fertilizer) division experienced higher energy intensity primarily due to a reduction in fertilizer sales volume.

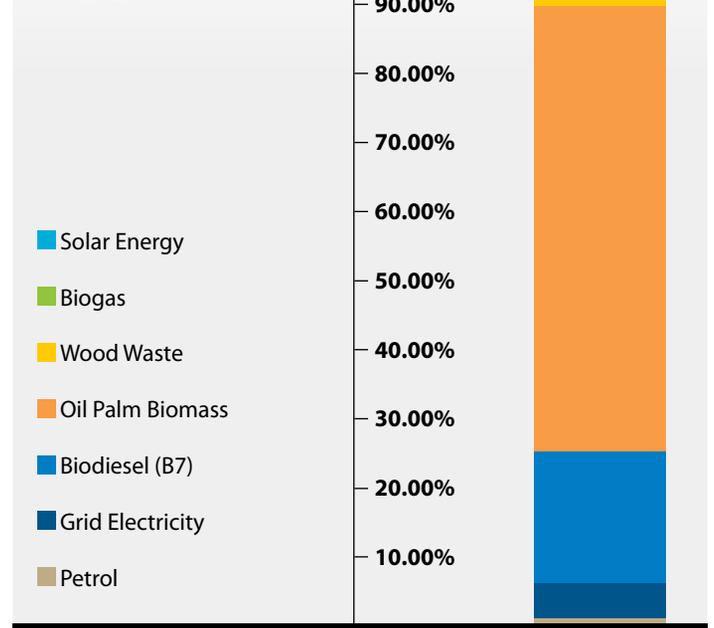
Energy consumption intensity and absolute energy consumption by operating divisions are as follows:

Business Division	Energy Consumption Intensity		Difference (%)	Intensity Unit	Absolute Energy Consumption (MJ)		Difference (%)
	FY2022	FY2023			FY2022	FY2023	
Plantation	13,860.83	12,530.47	-9.6	MJ/ MT Sales	1,758,191,185.53	1,855,662,580.51	5.5
Property Investment	108,140.10	105,958.33	-2.0	MJ/ RM' million Revenue	53,892,914.76	53,974,961.94	0.2
Property (Hospitality)	-	310,700.12	-	MJ/ RM' million Revenue	-	10,291,009.23	-
Credit Financing	4,398.63	10,881.34	147.4	MJ/ RM' million Revenue	986,173.20	2,425,558.76	146.0
Automotive	13,833.50	19,885.13	43.7	MJ/ RM' million Revenue	24,491,666.67	27,724,535.59	13.2
Trading (Fertilizer Trading)	3.35	4.33	29.0	MJ/ MT Sales	3,300,000.18	3,982,197.73	20.7
Trading (General Trading)	5,500.27	2,692.07	-51.1	MJ/ RM' million Revenue	2,605,699.00	1,319,802.60	-49.3
Building Materials	2,403,348.39	2,057,382.15	-14.4	MJ/ RM' million Revenue	362,929,639.99	350,483,562.80	-3.4
	365,413.24	477,625.56	30.7	MJ/ RM' million Revenue	2,206,397,279.33	2,305,864,209.16	4.5

### RENEWABLE ENERGY CONSUMPTION BY BUSINESS DIVISION IN FY2023



### ENERGY CONSUMPTION BY SOURCES IN FY2023



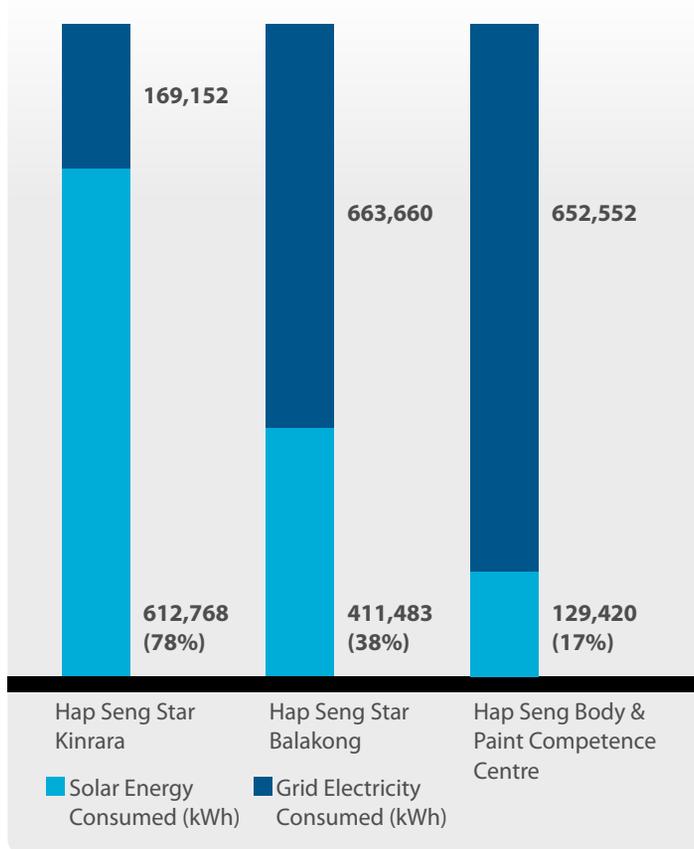
## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

In 2024, the Group utilises 76% of its energy consumption from renewable sources. The Plantation division utilised 85% of its total energy demand from renewable sources, primarily derived from oil palm fibre, biodiesel, and biogas. Construction of a biogas plant at Tomanggong Palm Oil Mill is scheduled for completion by FY2024. Upon commissioning, all of the palm oil mills will be fully equipped with biogas plants and is expected to further reduce the consumption of fossil fuel for energy generation.

The Building Materials division exhibited high energy consumption primarily due to substantial fuel requirements for transportation, electricity usage for machineries, and the energy-intensive bricks heating process. Nevertheless, 48% of its energy demand was met through renewable sources, mainly wood waste utilization in the bricks heating process.

In FY2023, the Automotive division expanded its use of solar energy by commissioning a new solar energy facility at the Body & Paint Competence Centre, marking the third facility equipped with renewable energy. This addition increased Hap Seng Star's solar energy harvesting, reducing its reliance on grid electricity. In addition, surplus energy generated by the solar panels was fed back into the national grid as electricity offset.

### ELECTRICITY CONTRIBUTION FROM SOLAR ENERGY IN FY2023



Note: Solar energy system at Body & Paint Competence Centre was commissioned in June 2023.

Energy Surplus Fed to National Grid (MJ)	FY2021	FY2022	FY2023
	1.33 million	0.94 million	1.06 million

Recognising the importance of incorporating sustainable design in the buildings, the Group has committed to ensuring all new investment properties developed from 2025 onwards are certified with recognised green building certification. The Group currently has five buildings with the total built-up area of 2.037 million sq. ft. were certified with green building certification: -

Property	Green Building Certificate
Menara Hap Seng 2	Green Building Index
Menara Hap Seng 3	Leadership in Energy and Environmental Design (Gold)
Plaza Shell	Leadership in Energy and Environmental Design (Silver)
Mercedes-Benz Setia Alam Autohaus	Green Real Estate (Bronze)
Mercedes-Benz Bukit Tinggi Autohaus	Green Real Estate (Bronze)

The Property division ensures that efficient lighting is considered during project design to allow more natural daylight to illuminate the buildings and maximising the natural cooling effects.

General groupwide implementation of energy management practices:

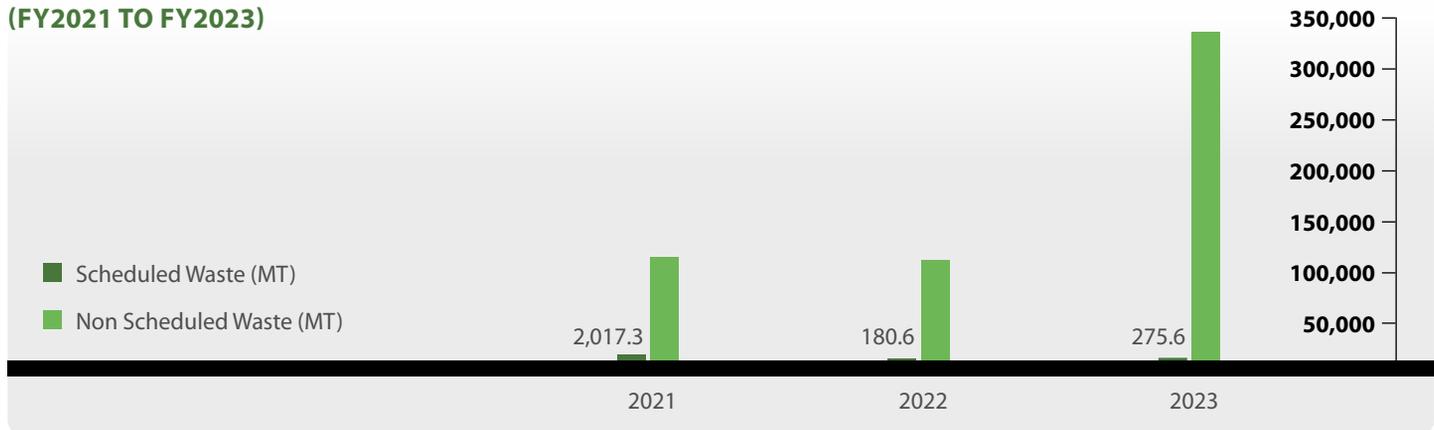
- Auto-adjusted air conditioning system.
- Lights-off during non-office hours and vacant sections.
- Timer and motion sensor-controlled lighting system.
- Progressive replacement of existing conventional lighting to energy saving light-emitting diode (LED) lighting.
- Utilisation of solar energy.
- Utilisation of biomass to generate renewable energy.

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

### Waste Management

The Group strives to manage resources in a responsible manner, reducing waste generation through efficient utilisation of resources, reuse, and recycling.

### WASTE GENERATED (FY2021 TO FY2023)



Waste Management	Unit	Scheduled Waste	Non-scheduled Waste	Total
Waste Generated		275.63	337,244.51	337,520.14
Waste Diverted from Disposal	MT	0.00	333,931.37	333,931.37
Waste Disposed		275.63	3,313.14	3,588.77

Each business division has developed waste management systems focusing on waste reduction, segregation, recycling and continuous improvement. In FY2023, we recorded 337,520 MT of waste, mainly from oil palm biomass which was reused as renewable fuel and mulch in our operations. Metal and wood waste from construction and machinery disposal were recycled through licensed collectors. In the hospitality segment, various practices were adopted to reduce waste such as providing refillable drinking water, eco-friendly amenities like large-format soap dispensers and recycling of cooking oil.

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 year under review.

Collaborations on waste recycling in FY2023: -

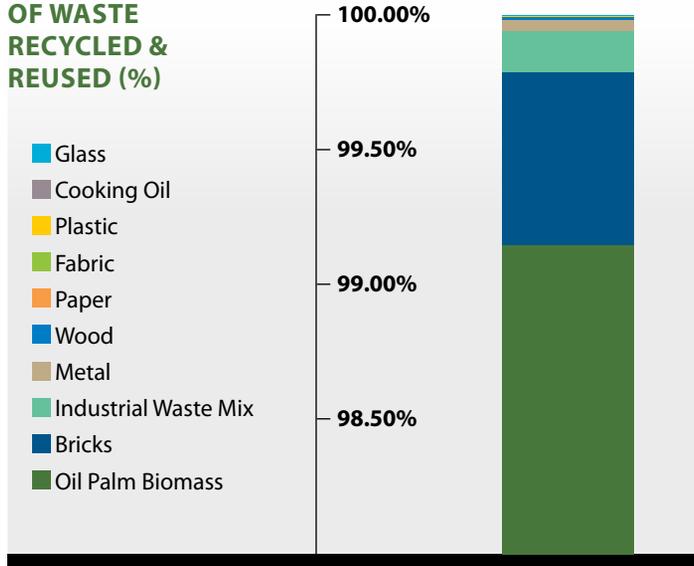
Partnership	Type of Waste	Quantity (Kg)
Pertubuhan Amal Seri Sinar (P.A.S.S.)	Paper and plastics	290
McDermott Asia Pacific Sdn Bhd Kloth Cares	Fabric	2,884

In our other business divisions operating in an office environment, the majority of generated waste consists of general waste and office paper. We have implemented initiatives to raise employee awareness, including waste segregation and promoting paperless documents through digitalization. We encourage electronic document sharing and advocate for printing only when necessary, emphasizing double-sided printing practices.



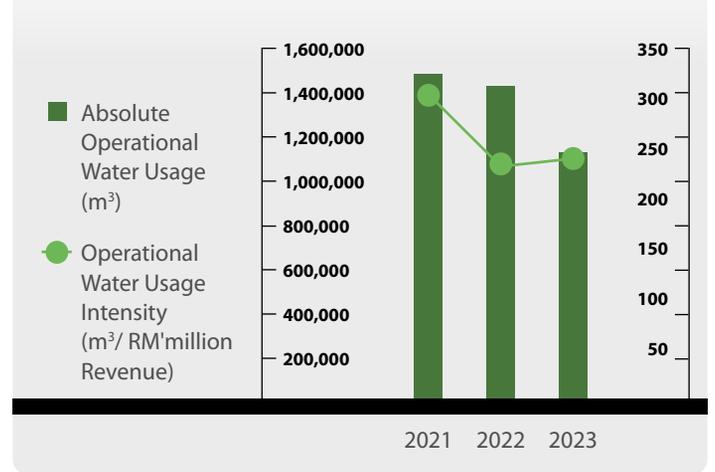
## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

### PROPORTION OF WASTE RECYCLED & REUSED (%)



### Water Management

#### ABSOLUTE OPERATIONAL WATER USAGE AND INTENSITY (FY2021 TO FY2023)



The slight increase in operational water consumption intensity is primarily due to lower revenue. However, the reduction in absolute water consumption is primarily due to lower consumption by our Plantation division for processing of FFB.

Operational water consumption intensity and absolute water consumption by operating divisions are as follows:

Business Division	Operational Water Usage Intensity		Difference (%)	Intensity Unit	Absolute Operational Water Usage (m³)		Difference (%)
	FY2022	FY2023			FY2022	FY2023	
Plantation	1.88	1.28	-31.9	m³/ MT FFB Processed	1,205,366.00	909,259.00	-24.6
Property Investment	259.00	266.47	2.9	m³/ RM' million Revenue	129,075.82	135,741.57	5.2
Property (Hospitality)	-	1,322.75	-	m³/ RM' million Revenue	-	43,812.00	-
Credit Financing	2.83	2.79	-1.5	m³/ RM' million Revenue	634.00	621.00	-2.1
Automotive	32.68	35.06	7.3	m³/ RM' million Revenue	57,861.96	48,877.00	-15.5
Trading (Fertilizer Trading)	0.012	0.016	38.0	m³/ MT Sales	11,737.00	15,147.00	29.1
Trading (General Trading)	7.39	7.98	8.0	m³/ RM' million Revenue	3,500.00	3,911.00	11.7
Building Materials	210.27	136.80	-34.9	m³/ RM' million Revenue	31,753.00	23,300.88	-26.6
	238.47	244.56	2.6	m³/ RM' million Revenue	1,439,927.78	1,180,669.46	-18.0

Water consumption intensity at Fertilizer Trading operations increased due to the result of reduced sales volume in comparison to FY2022. Plantation division achieved significantly lower water usage due to implementation of water management initiatives such as rainwater harvesting and recycling of turbine cooling water. Building Material division was more water efficient after streamlining of operations by ceasing its asphalt plant production in Bukit Mor and Ulu Choh.

In FY2023, 97% of the overall water withdrawal came from surface water sources. Rainwater harvesting system is available at the Plantation, Property, Automotive and Trading divisions. Rainwater harvesting systems are usually installed during the construction of our buildings and serve as a permanent facility to collect rainwater. Rainwater harvesting system was also installed at our landed house development in Bandar Sri Indah, Sabah.

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Source of Water Withdrawal	Unit	Freshwater (≤1,000 mg/l Total Dissolved Solids)		
		FY2021	FY2022	FY2023
Surface Water	ML	2,661.55	21,952.78	9,145.06
Groundwater		0.00	0.00	0.00
Seawater		0.00	0.00	0.00
Third-party Water		350.50	483.70	271.41
<b>Total</b>		<b>3,012.05</b>	<b>22,436.48</b>	<b>9,416.47</b>

\* ML: Megalitre

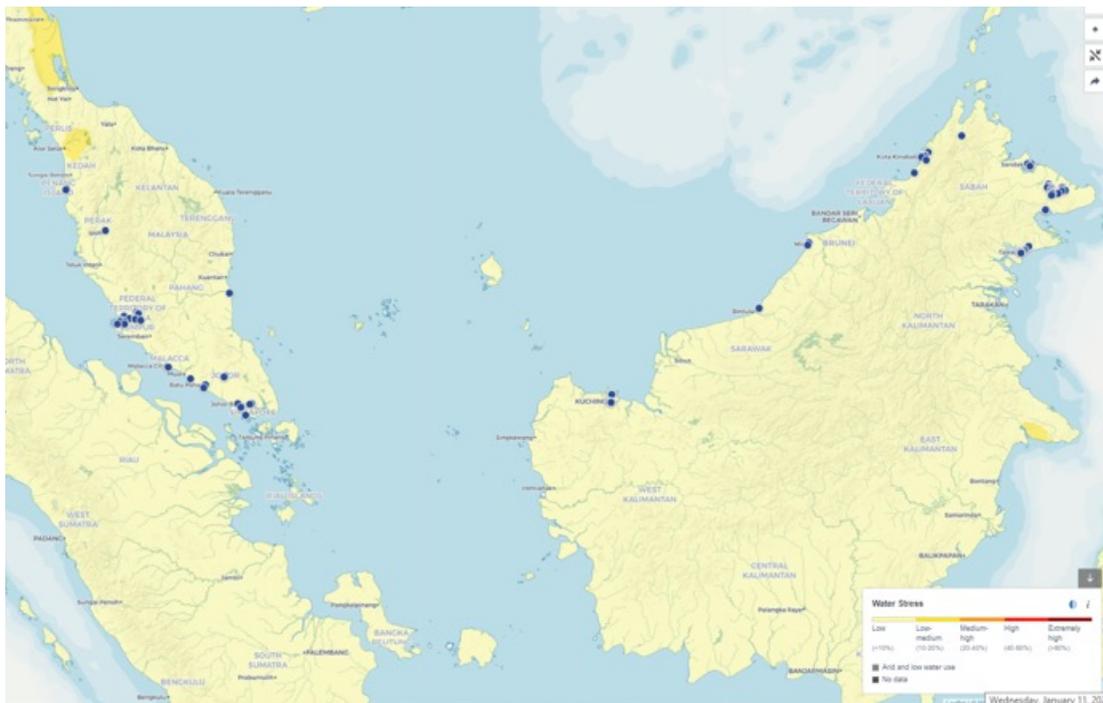
Destination of Water Discharge	Volume (ML)		
	FY2021	FY2022	FY2023
Surface Water	767.98	979.15	817.16
Groundwater	0.00	0.00	0.00
Seawater	0.00	0.00	0.00
Third-party Water	0.00	0.00	0.00
<b>Total</b>	<b>767.98</b>	<b>979.15</b>	<b>817.16</b>

Water Consumption (ML)	FY2021	FY2022	FY2023
	3,011.28	21,457.33	8,599.32

Currently, the Group faces minimal risk of operational disruption from water stress. Our Plantation and Building Materials divisions, which rely on natural water sources, have installed permanent water reservoirs in the form of ponds to store excess surface water. Planting of leguminous cover crops, stacking of oil palm fronds, application of EFB as mulch to enhance soil moisture retention and carry out land irrigation with palm oil mill effluent (POME) are some of the practices implemented to alleviate the impact of water stress within our plantation operations.

Water stress analysis conducted using the World Resources Institute's Aqueduct Tool shows that none of the operating units are located in water-stressed areas. Nevertheless, we continue to install rainwater harvesting facilities at our buildings as a cost-saving measure. Rainwater uses also reduces the need for water treatment, especially in areas without access to treated water.



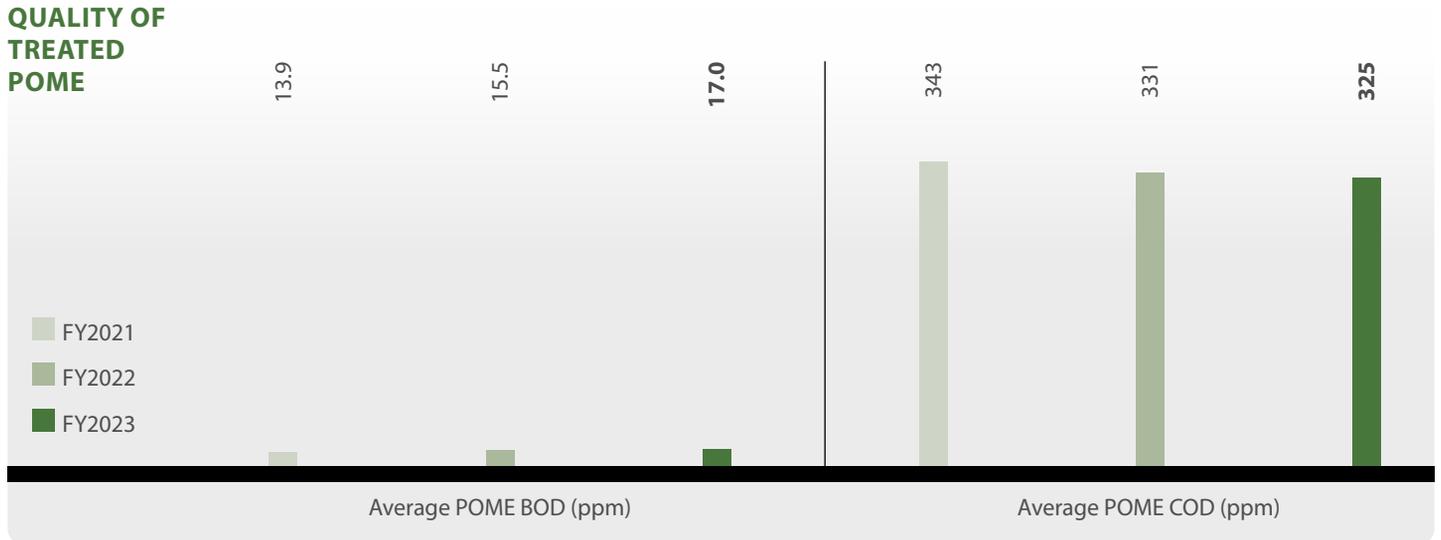
**Description:** Baseline water stress measures the ratio of total water withdrawals to available renewable surface and groundwater supplies. Water withdrawals include domestic, industrial, irrigation, and livestock consumptive and non-consumptive uses. Available renewable water supplies include the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

Source: WRI Aqueduct 2019

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

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 (Industrial Effluent) Regulations 2009. Plantation division generated 817.16 ML wastewater in the form of palm oil mill effluent (POME) in FY2023. The generated wastewater was eventually diverted to the treatment pond.

### QUALITY OF TREATED POME



Management of POME is governed by strict environmental regulations, such as ensuring that the Biological Oxygen Demand (BOD) does not surpass 20 ppm prior to its release. Treated POME is channeled to the adjacent estate for land irrigation to enhance the soil's nutrient and moisture content for the oil palms.

We do not use pesticides and chemicals that are categorized by the World Health Organization (WHO) as Class 1A and 1B and committed to reducing and phasing out pesticides and chemicals specified in the Rotterdam and Stockholm conventions. Additionally, pollution prevention measures are implemented to prevent surface water runoff from the oil palm fields. Our employees are trained not to spray any chemical within the riparian buffer, which is maintained along the natural waterways to minimise chemical runoff. Regular monitoring of stream water quality is also conducted to ensure compliance with the requirements set forth by the Department of Environment of Malaysia.

Pesticide Hazard Level	Unit	FY2023
Pesticide categorised as extremely hazardous (Class Ia)	Kg or Litre	0.00
	Volume per Ha	0.00
Pesticide categorised as highly hazardous (Class Ib)	Kg or Litre	0.00
	Volume per Ha	0.00
Pesticide categorised as moderately hazardous (Class II)	Kg or Litre	907.00
	Volume per Ha	0.40
Pesticide categorised as slightly hazardous (Class III)	Kg or Litre	49,637.55
	Volume per Ha	17.09
Pesticide categorised as unlikely to present an acute hazardous (Class IV)	Kg or Litre	25,183.53
	Volume per Ha	7.78

### Air Quality Management

We are taking steps to mitigate the impact of air pollutants by adhering to the Environmental Quality (Clean Air) Regulations 2014 and the Malaysian Ambient Air Quality Standards 2020. Dust and chemical vapors are identified as potential air pollutants in our Plantation, Automotive, and Building Materials divisions.

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

The following initiatives are taken to manage air quality within our operation: -

Division	Initiatives
<b>Plantation</b>	<ul style="list-style-type: none"> <li>Installation of Electrostatic Precipitator System in all four palm oil mills to reduce dust emission to less than the permissible emission level of 150 mg/m<sup>3</sup>.</li> </ul>
<b>Automotive</b>	<ul style="list-style-type: none"> <li>Use fully enclosed vehicle painting booths.</li> <li>Air filters to ensure air pollutants such as sulphur dioxide and paint particles are confined and filtered within the booths.</li> </ul>
<b>Building Material – Quarry Operations</b>	<ul style="list-style-type: none"> <li>Water sprinklers installed at strategic locations to minimise particulate matter in the air.</li> <li>Retention ponds to capture the dust-water mixture.</li> <li>Quarry operations achieved an averaged air particulate matter of 38.4 µg/m<sup>3</sup>, significantly lower than the permissible limit of 260 µg/m<sup>3</sup>.</li> </ul>

### Biodiversity Management

We place a high priority on allocating resources towards managing biodiversity in our Plantation division, as some of our estates are located near areas with HCV. Due to the nature of our businesses, Credit Financing, Automotive, and Trading divisions have negligible impact on biodiversity.

Commitments by the Plantation division in biodiversity management: -

- No deforestation and no new planting on peatland.
- Legality screening of external FFB sources.
- Full traceability to FFB sources.
- Monthly deforestation monitoring via Global Forest Watch's deforestation alerts to ensure all of the FFB sources are deforestation free.
- Maintaining HCV and riparian buffer.
- Prohibition of hunting, logging, possession, and trafficking of wildlife, including species categorised as rare, threatened, and endangered on the International Union for Conservation of Nature (IUCN) Red List.
- Monitoring of illegal boundary encroachment.
- Boundary patrolling.
- Collaboration with Wildlife Department and Forestry Department.

Type of Conservation Area	Area (Hectares)
<b>HCV</b>	1,401.98
<b>Riparian Buffer</b>	1,056.74

We employed satellite imaging technologies such as the Global Forest Watch Fire Portal to detect fires within and surrounding of our estates. Report on fire hotspot detection will be disclosed at monthly basis on our Plantation division's website<sup>1</sup> and our internal Emergency Response Team is prepared to respond promptly in the event of a fire.

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

No. of Detected Fire Hotspot	FY2021	FY2022	FY2023
	0	0	0

The Property division's development projects have minimal impact on biodiversity, as they are located in urban areas. Potential biodiversity risks were assessed during planning, with measures integrated to enhance surrounding biodiversity through greenery. Additionally, Hyatt Centric Kota Kinabalu emphasises responsible sourcing of food and beverages, complying with Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) certifications.

Potential environmental risks at the quarries were thoroughly assessed through Environmental Impact Assessment (EIA) prior to development. We periodically submit environmental quality monitoring reports to the DOE to ensure ongoing compliance. We are required to rehabilitate any decommissioned quarry site to expedite regeneration of natural vegetation and restore ecological functions to support biodiversity. As at FY2023, none of our quarry was decommissioned.



# SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

## PEOPLE AND COMMUNITY DEVELOPMENT

Align to SDG:



### Our Approach

Our priority in sustainability is creating value for employees and local communities. At Hap Seng, we recognize their vital role in fostering a sustainable business that contributes to socio-economic development. We uphold the fundamental rights outlined in International Labour Organization conventions and promote fair labor practices across all operations.

### Health and Safety

Creating a healthy and safe working environment across all our businesses has always been our priority, with the aim of ensuring zero fatality and zero lost time incident in our workplace. 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.

Health and Safety Performance	Unit	FY2021	FY2022	FY2023
<b>Work-related Injury</b>				
Fatality case	No. of case	0	0	0
High-consequence injury	No. of case	0	0	0
Other work-related injury	No. of case	32	28	20
Fatality rate	No. of case/ Million hours worked	0.00	0.00	0.00
High-consequence injury rate	No. of case/ Million hours worked	0.00	0.00	0.00
Lost time injury frequency rate	No. of case/ Million hours worked	1.49	1.21	1.65
<b>Work-related Ill Health</b>				
Fatality case	No. of case	0	0	0
Work-related ill health	No. of case	0	0	0

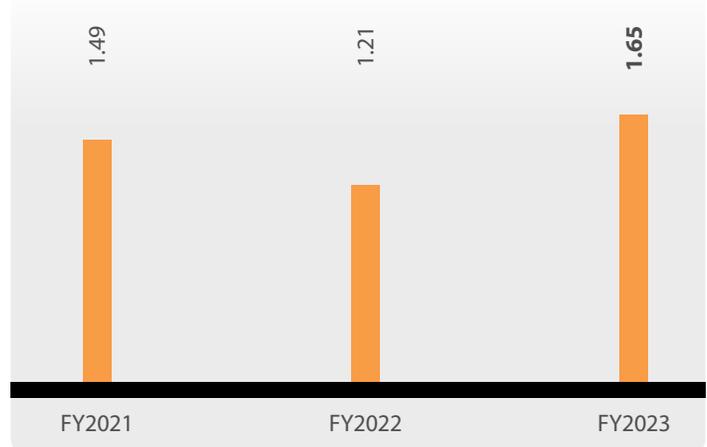
Potential health and safety related risks from operations are reviewed through Hazard Identification, Risk Assessment and Risk Control (HIRARC). Review is conducted when there are changes in process or activities which may affect the risk level at the workplace. Chemical Health Risk Assessment (CHRA) 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 by each business division. Regular health and safety practices training based on training needs analysis are provided to the employees and contractors to improve their awareness of relevant best practices.

Health & Safety Training	FY2021	FY2022	FY2023
No. of Employees Trained	Not Recorded	Not Recorded	794
Total Training Hours	Not Recorded	2,583	3,270

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 which adhere to the similar health and safety standards as practiced by our employees.

### LOST TIME INJURY FREQUENCY RATE (FY2021 TO FY2023)



## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Reported workplace injury cases generally involved incidents such as cuts, falls from height, fractures, vehicle accidents and minor burns which required medical attention and resulted in one or more loss of workday. No injury cases were recorded at the Property, Credit Financing, Automotive and Trading divisions during the year under review. Furthermore, no work-related ill health case was reported.

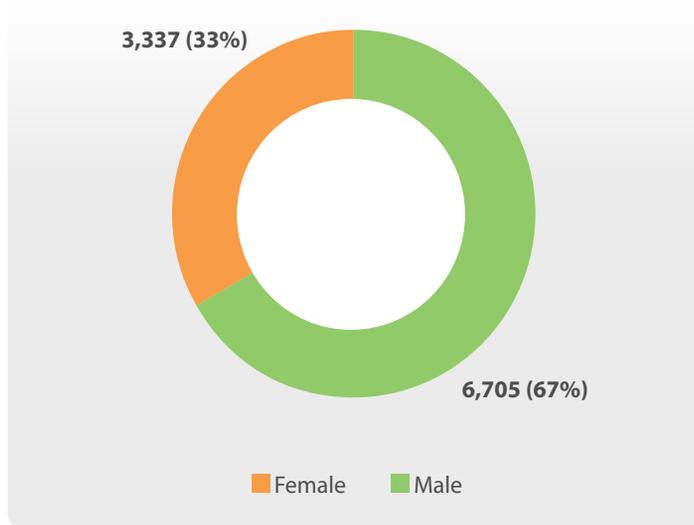
### Diversity

At Hap Seng, 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.

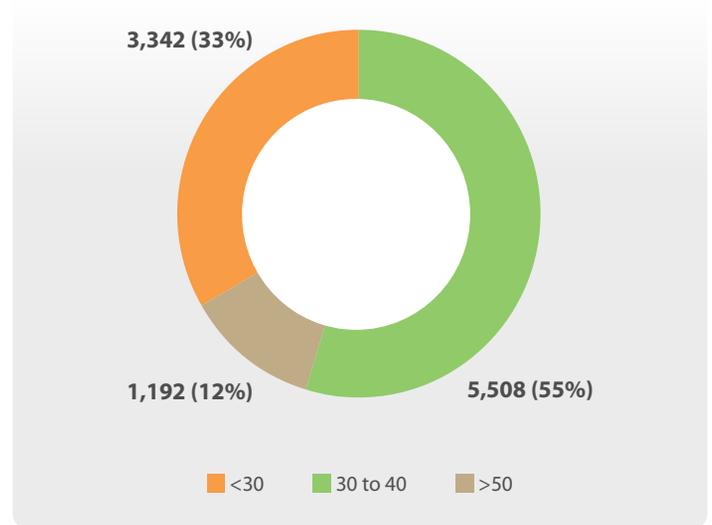
33% of our employees are represented by women. Women also make up 34% of all managerial positions. Lower representation of female employees can be partly attributed to the physically demanding job nature of the plantation industry, which constitute 80% of our total workforce. Gender committee was established 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 2023, our overall workforce consists of 10,042 employees with operations in Sabah and Sarawak accounting for 87.6% of the workforce, mostly from the Plantation division. Our Group values a diverse age range among our employees, with 88% of our workforce are not more than 50 years old.

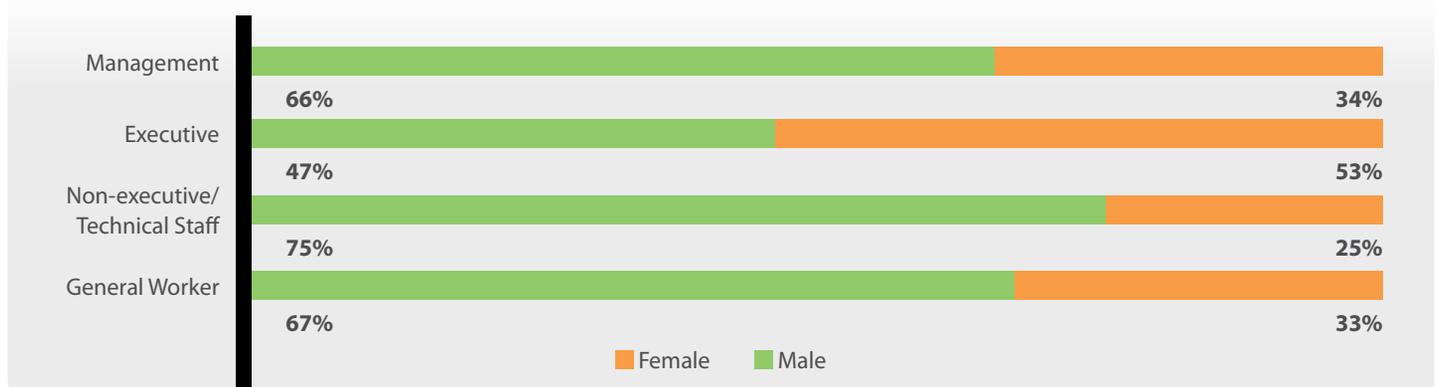
**WORKFORCE DIVERSITY BY GENDER IN FY2023**



**WORKFORCE DIVERSITY BY AGE IN FY2023**

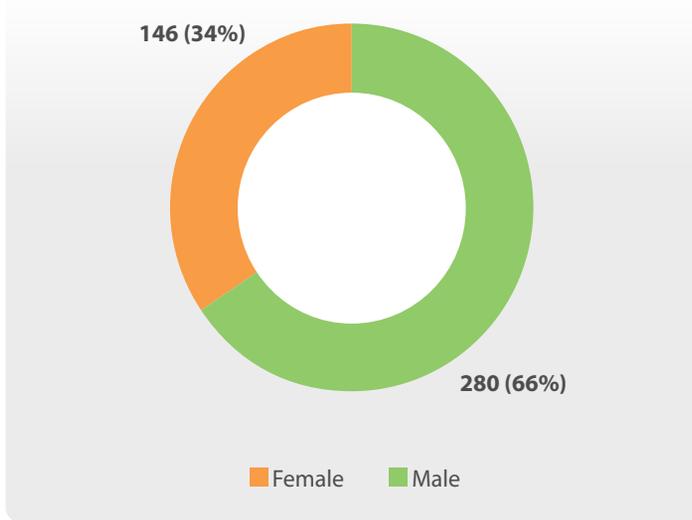


**GENDER DIVERSITY BY EMPLOYEE CATEGORY IN FY 2023**

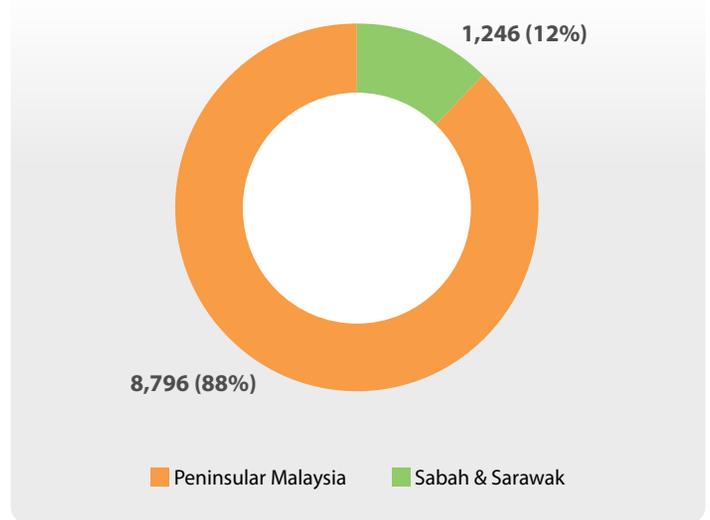


## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

### MANAGERIAL POSITION BY GENDER IN FY2023



### REGIONAL DISTRIBUTION OF WORKFORCE IN FY2023

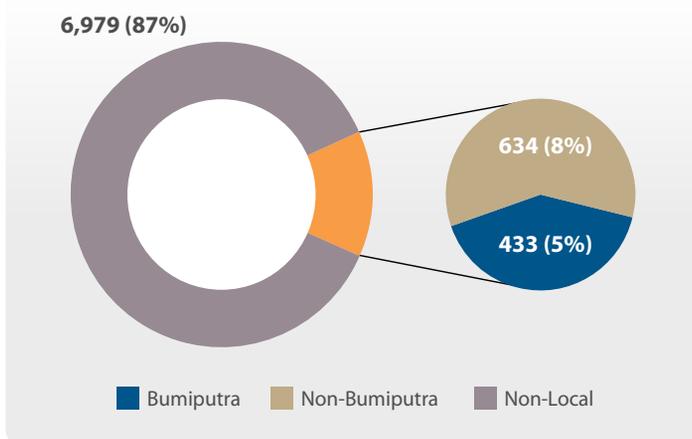


### Labour Practices and Standards

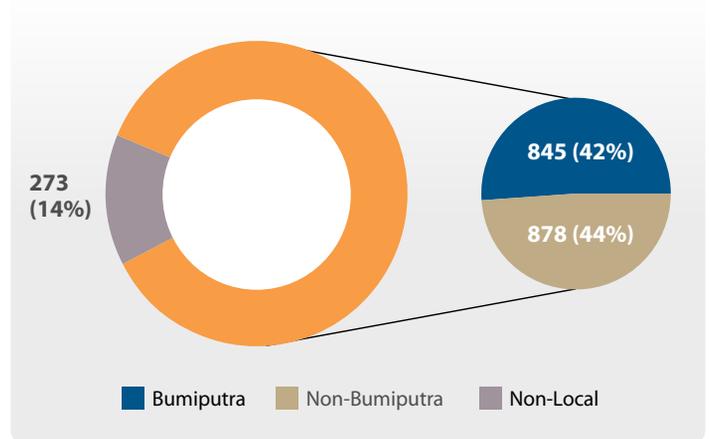
As part of our responsibility to contribute to local socio-economy development, we prioritise attracting and retaining local talents across our businesses. As at 31 December 2023, 86% of our employees (excluding Plantation division) are locals. Only 13% of the employees in the Plantation division consist of locals. Various efforts are being taken by the management to attract more locals to work in the plantation industry. The Plantation division is also implementing automation and mechanisation to reduce reliance on human resources and achieve higher productivity. Drones are utilised in physically demanding and time intensive tasks such as field surveys and large-scale spraying activity.

Non-local workers for our Plantation division are being recruited directly through referral from our existing workers. Direct recruitment eliminates 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. Additionally, it is strictly prohibited for management to retain workers' passports.

### EMPLOYEE NATIONALITY IN PLANTATION DIVISION IN FY2023



### EMPLOYEE NATIONALITY IN HAP SENG (EXCLUDING PLANTATION DIVISION) IN FY2023



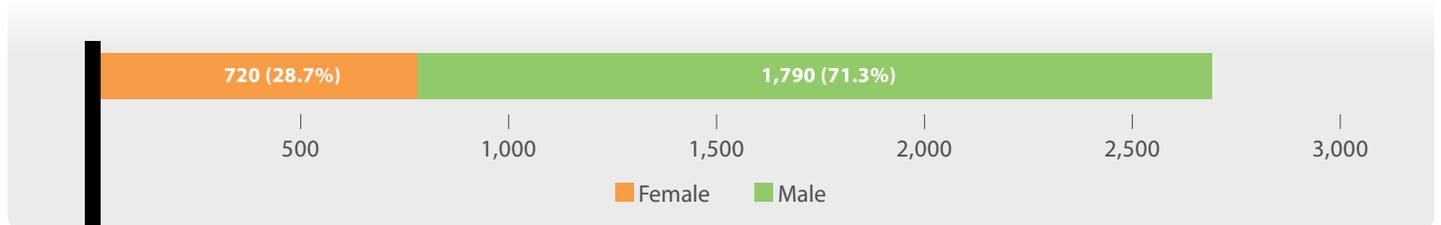
Note: Bumiputra is a term used in Malaysia to describe Malays, the Orang Asli of Peninsular Malaysia, and various indigenous peoples of East Malaysia.

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

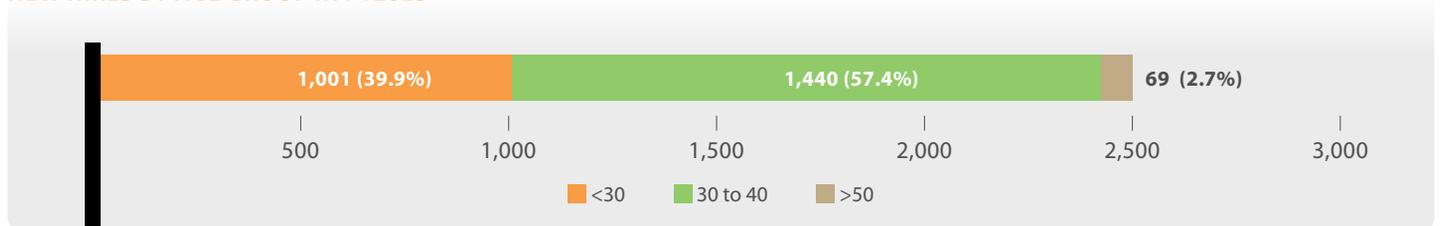
Our recruitment practice is non-discriminatory where the applicant's qualifications, merits and personal characters are the main determining factors in the selection process. Terms and conditions of employment are transparently communicated to potential employees prior to signing the employment agreement. 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 FY2023, the Group hired 2,510 new employees. Males constitute major proportion of new hires due to 84.7% of the new hiring happened in the Plantation division.

About 40% of our recent hires in FY2023 were under the age of 30 and 57% were between the age of 30 to 50, which aligns with the age profile of our existing employees within the Group.

### NEW HIRES BY GENDER IN FY2023



### NEW HIRES BY AGE GROUP IN FY2023



All employees receive salaries meeting or exceeding local regulatory standards. We ensure equitable salary and compensation based on employees' roles and performance by employing Key Performance Indicators (KPIs) as part of the annual performance appraisals process. Alongside evaluating achievements, the annual performance appraisal also identifies training needs for future career development. All employees underwent the annual performance appraisal process in FY2023.

### Employee Remuneration and Entitlement

#### Leave Entitlement

- Annual leave
- Examination leave
- Medical leave
- Marriage leave
- Compassionate leave
- Maternity leave
- Paternity leave
- Prolonged illness leave

#### Fringe Benefits

- Medical and hospitalisation benefits
- Groups personal accident insurance
- Long service/ retirement awards
- Outstation meal, accommodation and travel allowances
- Education assistance
- Membership in professional association
- Sports facilities & health initiatives

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

To safeguard our employees' interests, we acknowledge their rights to collective bargaining and freedom to join recognized trade unions or associations. Additionally, we have established the Joint Consultative Committee in our plantations, enabling employees to engage with management and address pertinent topics or concerns. For this reporting period, we recorded an average full-time voluntary turnover rate of 24.3%.

Hap Seng is committed to maintaining a secure, healthy, and harassment-free workplace for all its employees. The Group respects and values the dignity of every employee and will not tolerate any form of harassment, including sexual harassment. Guidelines for addressing harassment, including sexual harassment, are provided to employees through the employee handbook and posted on notice boards at each operating unit. There was no harassment case reported throughout the year under review.

Number of Reported Harassment Case	FY2021	FY2022	FY2023
	0	0	0

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

We prioritize the development of our employees' skills and capacities to accelerate their career growth. Training recommendations are personalized during annual performance reviews, and employees are encouraged

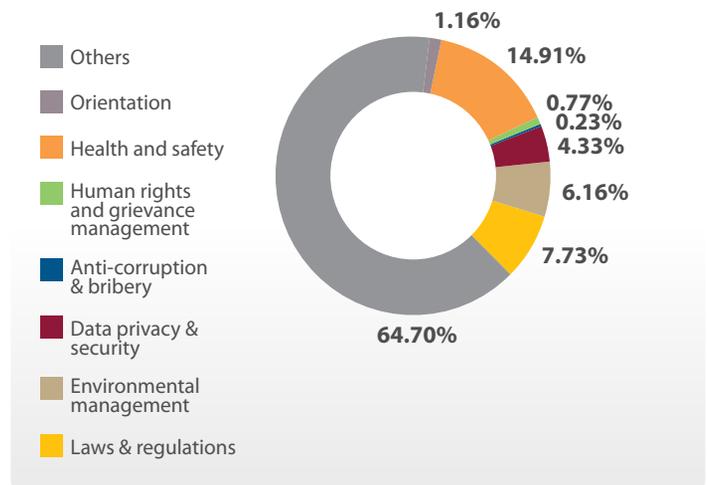
to suggest additional training opportunities. Our Talent Management Team supports employees in acquiring new skills. We provide education assistance covering fees to eligible employees. In FY2023, we recorded 21,924 training hours, averaging 2.18 hours per employee. Scope of training include skill enhancement, health and safety, laws and regulations, environmental management, and data privacy and security.

Total Training Hours	FY2021	FY2022	FY2023
	1,909	24,239	21,924

TOTAL TRAINING HOURS PER TYPE OF TRAINING IN FY2023			
Orientation	Health and Safety	Human Rights and Grievance Management	Anti-Corruption & Bribery
254.00	3,269.85	168.60	50.00
Data Privacy & Security	Environmental Management	Laws & Regulations	Others
949.50	1,351.60	1,695.00	14,185.30

AVERAGE TRAINING HOUR IN FY2023		
Per Employee	Per Female Employee	Per Male Employee
2.18	2.55	2.00
Per Management	Per Executive & Supervisory Employee	Per Graded Employee and Workers
14.83	8.22	1.05

### ALLOCATION OF EMPLOYEES TRAINING HOUR IN FY2023



## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

### Community & Society

The Group prioritises social responsibility programmes targeted at children and young people, with over 89% of our contribution allocated towards improving children's education. We also invested in infrastructure that benefits the local communities, including free medical care at our estate clinics, maintenance of roads for accessibility, and development of facilities such as community hall and grocery shops. In addition, the Group also organised various social activities such as social contributions and blood donation campaigns. The Group contributed more than RM257,000 to various society development and engagement programmes.

Year	Total Contribution (RM)	Total Beneficiaries
FY2021	Not Recorded	Not Recorded
FY2022	> 1.9 million	3,563
<b>FY2023</b>	<b>&gt; 2.4 million</b>	<b>&gt; 27,000</b>

We promote employee participation in community programs, recognizing the benefits for both the community and our employees. Involvement in such programs aids in skill development, fosters relationships, and instills a sense of purpose and fulfillment through meaningful contributions. We had recorded 1,717 employees' man-hour spent in various volunteering programmes which involved 125 employees in FY2023.

Category	Programmes	Monetary Contribution (RM)	%	No. of Beneficiaries
Education	<b>Expenditure for HUMANA</b>	787,000	89%	794 students
	<b>HSG EXPLORE 2.0</b>	357,000		700 students and 65 teacher
	<b>HSG Ignite Digital Maker 4.0</b>	343,000		650 students and 60 teacher
	<b>HSG Giving Back Together: Education Roundtable</b>	60,000		150 participants
	<b>Mercedes-Benz Advance Modern Apprenticeship Program</b>	598,000		10 students
Social Responsibility and Community Engagement	<b>CSR and Social Contributions</b>	247,000	11%	24,950 community members and students
	<b>HSPD Caring Developer 2.0</b>	10,000		40 participants
<b>Total</b>		<b>2,402,000</b>		<b>&gt;27,000</b>

We acknowledge and respect both the legal and customary land rights of local communities. This commitment is outlined in our Sustainable Agriculture Policy, which includes a robust Free, Prior, and Informed Consent (FPIC) process for all new developments affecting these communities. We have also influenced nine independent local outgrowers and smallholders who supply FFB to Hap Seng Plantations to make similar commitments to respect legal and customary land rights, as well as the rights of indigenous and local communities.

Following are some of the highlights of CSR programmes conducted in FY2023. Please visit our website for all the activities conducted within this reporting period.

## SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

### Empowering Humana

Contributed RM787,367 to 9 Humana schools accommodating 794 students and 21 teachers in our plantation.

### HSG EXPLORE 2.0

Collaborated with the M.A.D. (Make a difference) Movement and dedicated RM356,584 to the "EXPLORE!" program to develop leadership skills in 700 students and 65 teachers.

### HSG Ignite Digital Maker 4.0

Contributed RM343,382 to promote science, technology, engineering and mathematics (STEM) education and enhance digital literacy skills of 650 students and 60 teachers.

### HSG Giving Back Together: Education Roundtable

Initiative spearheaded by Hap Seng Group to catalyze collaboration and instigate positive transformations within Malaysia's educational framework.

### Empowering Graduates and School Leavers

Sponsored 10 school leavers into the Mercedes-Benz Advance Modern Apprentice Program.

### Saving Coral Reef

Coral reef protection and conservation initiative involved 21 employees at Sepanggar Bay.

### Donation Campaign with Salvation Army Malaysia

Collaborated with Salvation Army Malaysia for the "Donate Goods" campaign and successfully gathered a total of 1,553kg pre-loved items.

### Blood Donation Campaigns

Collaborated with tenants in 5 blood donation campaigns organized at Menara Hap Seng and Plaza Shell. Successfully collected a total of 410 pints of blood jointly donated by tenants, employees and public throughout FY2023.

### Charity Drive for the Good Samaritan Home

In August 2023, Hap Seng's property division hosted a charitable Succulent Workshop to support the Good Samaritan Home (GSH), in collaboration with CLUB 21. The event featured charity booths offering homemade goods and included a special singing performance by the children of GSH.



# ESG PERFORMANCE INDICATORS

Indicator	Measurement Unit	2021	2022	2023
<b>Bursa (Community/Society)</b>				
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	-	1,940,889.47	2,402,478.61
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	-	3,563	27,419
<b>Bursa (Anti-corruption)</b>				
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category				
Management	Percentage	-	100.00	100.00
Executive	Percentage	-	100.00	100.00
Non-executive/Technical Staff	Percentage	-	100.00	100.00
General Workers	Percentage	-	100.00	100.00
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	100.00	100.00	100.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0	0	0
<b>Bursa (Diversity)</b>				
Bursa C3(a) Percentage of employees by gender and age group, for each employee category				
Age Group by Employee Category				
Management Under 30	Percentage	0.20	0.50	0.20
Management Between 30-50	Percentage	54.80	56.00	60.00
Management Above 50	Percentage	45.00	43.60	39.80
Executive Under 30	Percentage	15.90	17.40	15.70
Executive Between 30-50	Percentage	68.10	66.10	68.80
Executive Above 50	Percentage	16.00	16.50	15.50
Non-executive/Technical Staff Under 30	Percentage	12.70	13.40	41.60
Non-executive/Technical Staff Between 30-50	Percentage	69.70	70.70	48.20
Non-executive/Technical Staff Above 50	Percentage	17.60	15.90	10.20
General Workers Under 30	Percentage	32.30	36.70	35.60
General Workers Between 30-50	Percentage	57.80	54.30	54.50
General Workers Above 50	Percentage	9.90	9.00	9.90
Gender Group by Employee Category				
Management Male	Percentage	65.60	67.20	65.70
Management Female	Percentage	34.40	32.80	34.30
Executive Male	Percentage	47.30	44.00	46.70
Executive Female	Percentage	52.70	56.00	53.30
Non-executive/Technical Staff Male	Percentage	48.00	46.40	75.40
Non-executive/Technical Staff Female	Percentage	52.00	53.60	24.60
General Workers Male	Percentage	64.70	67.10	67.30
General Workers Female	Percentage	35.30	32.90	32.70
Bursa C3(b) Percentage of directors by gender and age group				
Male	Percentage	90.00	90.00	88.90
Female	Percentage	10.00	10.00	11.10
Under 30	Percentage	0.00	0.00	0.00
Between 30-50	Percentage	0.00	0.00	0.00
Above 50	Percentage	100.00	100.00	100.00

Internal assurance

External assurance

No assurance

(\*)Restated

## ESG PERFORMANCE INDICATORS

Indicator	Measurement Unit	2021	2022	2023
<b>Bursa (Energy management)</b>				
Bursa C4(a) Total energy consumption	Megawatt	395,255.63	612,978.16	640,517.84
<b>Bursa (Health and safety)</b>				
Bursa C5(a) Number of work-related fatalities	Number	0	0	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	1.49	1.21	1.65
Bursa C5(c) Number of employees trained on health and safety standards	Number	-	350	794
<b>Bursa (Labour practices and standards)</b>				
Bursa C6(a) Total hours of training by employee category				
Management	Hours	-	5,206	6,258
Executive	Hours	-	8,903	6,402
Non-executive/Technical Staff	Hours	-	10,095	9,264
General Workers	Hours	-	No Data Provided	No Data Provided
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	-	-	0.00
Bursa C6(c) Total number of employee turnover by employee category				
Management	Number	-	-	76
Executive	Number	-	-	242
Non-executive/Technical Staff	Number	-	-	416
General Workers	Number	-	-	1,701
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	1	0	0
<b>Bursa (Supply chain management)</b>				
Bursa C7(a) Proportion of spending on local suppliers	Percentage	60.42	62.92	67.19
<b>Bursa (Data privacy and security)</b>				
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0	0	0
<b>Bursa (Water)</b>				
Bursa C9(a) Total volume of water used	Megalitres	3,011.280000	21,457.330000	8,599.320000

Internal assurance

External assurance

No assurance

(\*)Restated

Note: The training hour data for General Workers was combined into the data for Non-executive/Technical Staff

# GRI CONTENT INDEX

Statement of use	Hap Seng Consolidated Berhad has reported the information cited in this GRI content index for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard	GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022

GRI Standard	Disclosure	Location	GRI Sector Standard Ref. No.
<b>General Disclosures</b>			
GRI 2: General Disclosures 2021	2-1	Organisational details	9 to 47
	2-2	Entities included in the organisation's sustainability reporting	82
	2-3	Reporting period, frequency and contact point	82
	2-4	Restatements of information	82
	2-5	External assurance	82
	2-6	Activities, value chain and other business relationships	9 to 47
	2-7	Employees	119 to 122
	2-9	Governance structure and composition	64 to 66
	2-10	Nomination and selection of the highest governance body	67
	2-11	Chair of the highest governance body	65 to 66
	2-12	Role of the highest governance body in overseeing the management of impacts	64 to 65, 99
	2-13	Delegation of responsibility for managing impacts	64 to 65, 99
	2-14	Role of the highest governance body in sustainability reporting	99
	2-15	Conflicts of interest	49 to 57
	2-16	Communication of critical concerns	101
	2-17	Collective knowledge of the highest governance body	65 to 66
	2-18	Evaluation of the performance of the highest governance body	96 to 98
	2-19	Remuneration policies	67
	2-20	Process to determine remuneration	64
	2-23	Policy commitments	99
	2-24	Embedding policy commitments	99
	2-25	Processes to remediate negative impacts	101
	2-26	Mechanisms for seeking advice and raising concerns	101
	2-27	Compliance with laws and regulations	101 to 102
	2-28	Membership associations	87
	2-29	Approach to stakeholder engagement	95 to 96

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GRI Standard	Disclosure	Location	GRI Sector Standard Ref. No.
<b>Material Topics</b>			
GRI 3: Material Topics 2021	3-1	Process to determine material topics	92
	3-2	List of material topics	92
<b>Corporate Governance, Transparency and Anti- corruption</b>			
GRI 3: Material Topics 2021	3-3	Management of material topics	99 13.24.1 13.26.1
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	100 to 101 13.26.2
	205-2	Communication and training about anti- corruption policies and procedures	100 to 101 13.26.3
	205-3	Confirmed incidents of corruption and actions taken	100 to 101 13.26.4
GRI 415: Public Policy 2016	415-1	Political contributions	101 to 102 13.24.2
<b>Data Privacy and Security</b>			
GRI 3: Material Topics 2021	3-3	Management of material topics	102 13.24.2
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	102
<b>Economic Performance</b>			
GRI 3: Material Topics 2021	3-3	Management of material topics	103
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	3 to 5 13.22.2
<b>Supply Chain Management</b>			
<b>Supporting Small &amp; Medium Enterprises</b>			
GRI 3: Material Topics 2021	3-3	Management of material topics	103 13.22.1
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	104 13.22.3
	203-2	Significant indirect economic impacts	103 to 104 13.22.4
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	104
<b>Quality Products &amp; Services</b>			
GRI 3: Material Topics 2021	3-3	Management of material topics	103 13.10.1
GRI 13.10 Food safety	13.10.4	Percentage of production volume from sites certified to internationally recognized food safety standards, and list these standards	85

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GRI Standard	Disclosure	Location	GRI Sector Standard Ref. No.
<b>Emissions Management</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	106	13.1.1 13.2.1
GRI 305: Emissions 2016	305-1 Direct (scope 1) GHG emissions	106 to 108	13.1.2
	305-2 Energy indirect (scope 2) GHG emissions	106 to 108	13.1.3
	305-3 Other indirect (scope 3) GHG emissions	108 to 110	13.1.4
	305-4 GHG emissions intensity	108 to 110	13.1.5
	305-5 Reduction of GHG emissions	108 to 110	13.1.6
<b>Energy Management</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	106	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	110 to 112	
	302-3 Energy intensity	110 to 112	
	302-4 Reduction of energy consumption	110 to 112	
<b>Waste Management</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	106	13.5.1 13.8.1
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	113 to 114	13.8.2
	306-2 Management of significant waste-related impacts	113 to 114	13.8.3
	306-3 Waste generated	113	13.8.4
	306-4 Waste diverted from disposal	113	13.8.5
	306-5 Waste directed to disposal	113	13.8.6
<b>Water Management</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	106	13.6.1 13.7.1
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	114 to 116	13.7.2
	303-2 Management of water discharge-related impacts	114 to 116	13.7.3
	303-3 Water withdrawal	115	13.7.4
	303-4 Water discharge	115	13.7.5
	303-5 Water consumption	115	13.7.6
GRI 13.6: Pesticides Use	13.6.1 Pest management plan and actions taken to prevent, minimise and remediate negative impacts, and plans to switch to less hazardous pesticides	116	
	13.6.2 Volume and intensity of pesticide use by toxicity hazard levels	116	

## GRI CONTENT INDEX

GRI Standard	Disclosure	Location	GRI Sector Standard Ref. No.
<b>Biodiversity</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	106	13.3.1 13.4.1 13.23.1
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products, and services on biodiversity	117	13.3.3
	304-3 Habitats protected or restored	117	13.3.4
GRI 13.4: Natural Ecosystem Conversion	13.4.3 Assessment method and percentage of production volume sourced from own land determined to be deforestation-free	117	
<b>Health and Safety</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	118	13.19.1
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	118 to 119	13.19.2
<b>Health and Safety</b>			
GRI 3: Material Topics 2021	403-2 Hazard identification, risk assessment, and incident investigation	118 to 119	13.19.3
GRI 403: Occupational Health and Safety 2018	403-4 Worker participation, consultation, and communication on occupational health and safety	118 to 119	13.19.5
	403-5 Worker Training on Occupational Health and Safety	122	13.19.6
	403-9 Work-related injuries	118 to 119	13.19.10
	403-10 Work-related ill health	118 to 119	13.19.11
<b>Diversity and Inclusion</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	118	13.15.1
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	119 to 120	13.15.2
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	122	13.15.4

## GRI CONTENT INDEX

GRI Standard	Disclosure	Location	GRI Sector Standard Ref. No.
<b>Labour Practices and Standards</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	118	13.16.1 13.18.1 13.20.1
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	121	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	121	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	122	
	404-2 Programs for upgrading employee skills and transition aid programs	122	
	404-3 Percentage of employees receiving regular performance and career development reviews	121	
<b>Community/ Society</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	118	13.12.1 13.14.1
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	123 to 124	
	203-2 Significant indirect economic impacts	123 to 124	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	123 to 124	13.12.2
GRI 13.13: Land and Resource Rights	13.13.1 Commitments to respect land and natural resource rights	123	
GRI 13.14: Rights of Indigenous Peoples	13.14.1 Approach to engaging with Indigenous peoples	123	

## 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 2023 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.

# FINANCIAL STATEMENTS

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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 2023.

## 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 2023 are as follows:

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit before tax	1,101,919	682,164
Tax expense	(193,427)	(4,504)
<b>Profit for the year</b>	<b>908,492</b>	<b>677,660</b>
Attributable to:		
Owners of the Company	800,325	677,660
Non-controlling interests	108,167	-
<b>Profit for the year</b>	<b>908,492</b>	<b>677,660</b>

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 25 May 2023, 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 2023, 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:

	<b>RM'000</b>
In respect of the financial year ended 31 December 2023:	
- First interim dividend of 10 sen per ordinary share under the single tier system approved by the Board of Directors on 25 May 2023 and paid on 22 June 2023	248,967
- Second interim dividend of 15 sen per ordinary share under the single tier system approved by the Board of Directors on 21 November 2023 and paid on 21 December 2023	373,450
	622,417

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2023.

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

\*\* 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 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 Hamisa Binti Samat  
Eugene Lee Chin Jin  
Foo Yong How  
Harald Uwe Behrend  
Joanne Wendy Chung  
Khor Soo Beng  
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	
Pang Min Hiung	(Appointed on 24 January 2024)
Datuk Yong Foo San	(Resigned on 9 May 2023)
Lim Hin Soon	(Resigned on 26 May 2023)
David Wan Young Yin	(Resigned on 24 January 2024)
Andrew John Barber	(Retired on 24 May 2023)
Late Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	(Deceased on 23 September 2023)

### 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 31.12.2023
	As at 1.1.2023	Acquired	Sold	
<b>Hap Seng Plantations Holdings Berhad, a listed subsidiary</b>				
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:

	<b>Group RM'000</b>	<b>Company RM'000</b>
Fees	1,217	895
Other emoluments	9,658	8,229
Benefits-in-kind	129	129
	<b>11,004</b>	<b>9,253</b>

### 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 RM1,126,000 and RM190,000 respectively.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2024.

**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 148 to 276 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 2023 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 22 April 2024.

**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 148 to 276 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 22 April 2024.

**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 2023 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 material accounting policy information, as set out on pages 148 to 276.

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 2023, 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 2023, the carrying amount of investment properties of the Group is approximately RM2.8 billion, which represented 23% 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 professional 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, estimated rental value per square foot, expected market rental growth, yield rate, outgoings rate, void rate, reversion rate and discount rate and market knowledge.

The Group recognised a net loss from changes in fair value of approximately RM99.1 million for the financial year ended 31 December 2023 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 professional 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 amongst others, rental income data and 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 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 2.7, 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 RM866.1 million and RM1.0 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 2023, the Group has recognised approximately RM123.5 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 2.13, 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. 03236/04/2026 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
22 April 2024

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Non-current assets</b>					
Property, plant and equipment	4	<b>4,650,184</b>	4,761,399	<b>235</b>	359
Investment properties	5	<b>2,775,011</b>	2,239,728	-	-
Investment in subsidiaries	6	-	-	<b>5,893,519</b>	5,812,045
Investment in associates	7	<b>500,795</b>	488,213	<b>70,990</b>	65,789
Investment in joint ventures	8	<b>672</b>	9,295	-	-
Land held for property development	9	<b>2,628,022</b>	2,458,233	-	-
Intangible assets	10	<b>67,248</b>	37,834	-	-
Trade and other receivables	11	<b>1,170,257</b>	1,661,169	-	-
Other financial assets	12	<b>1,314</b>	48,118	-	-
Deferred tax assets	24	<b>67,356</b>	54,620	-	-
		<b>11,860,859</b>	11,758,609	<b>5,964,744</b>	5,878,193
<b>Current assets</b>					
Inventories	13	<b>1,608,515</b>	1,955,393	-	-
Property development costs	14	<b>107,191</b>	178,691	-	-
Biological assets	15	<b>20,433</b>	28,508	-	-
Trade and other receivables	11	<b>1,435,075</b>	1,718,239	<b>434</b>	1,007
Contract assets	16	<b>13,272</b>	22,420	-	-
Tax recoverable		<b>130,070</b>	125,710	<b>338</b>	3,209
Other financial assets	12	<b>54,287</b>	10,749	-	-
Money market deposits	17	<b>1,146,549</b>	1,423,946	<b>348,498</b>	713,151
Cash and bank balances	18	<b>2,274,383</b>	1,431,980	<b>97,648</b>	161,770
		<b>6,789,775</b>	6,895,636	<b>446,918</b>	879,137
<b>Total assets</b>		<b>18,650,634</b>	18,654,245	<b>6,411,662</b>	6,757,330

## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Equity attributable to owners of the Company</b>					
Share capital	25	3,519,554	3,519,554	3,519,554	3,519,554
Reserves	26	4,357,006	4,154,220	2,354,881	2,299,638
		<b>7,876,560</b>	7,673,774	<b>5,874,435</b>	5,819,192
Less: Treasury shares	25	(113)	(113)	(113)	(113)
		<b>7,876,447</b>	7,673,661	<b>5,874,322</b>	5,819,079
<b>Non-controlling interests</b>	6(a)	<b>1,398,287</b>	1,320,562	-	-
<b>Total equity</b>		<b>9,274,734</b>	8,994,223	<b>5,874,322</b>	5,819,079
<b>Non-current liabilities</b>					
Trade and other payables	19	186,199	191,970	530,600	931,500
Contract liabilities	16	37,028	55,323	-	-
Employee benefits	21	1,412	3,122	-	-
Borrowings	22	4,141,221	4,547,235	-	-
Lease liabilities	23	109,387	117,515	11	-
Deferred tax liabilities	24	497,478	494,110	25	8
		<b>4,972,725</b>	5,409,275	<b>530,636</b>	931,508
<b>Current liabilities</b>					
Trade and other payables	19	1,216,684	1,235,811	6,688	6,734
Contract liabilities	16	76,327	85,932	-	-
Provisions	20	319,321	318,166	-	-
Tax payable		64,108	47,616	-	-
Borrowings	22	2,693,040	2,521,765	-	-
Lease liabilities	23	24,609	22,301	16	9
Other financial liabilities	12	9,086	19,156	-	-
		<b>4,403,175</b>	4,250,747	<b>6,704</b>	6,743
<b>Total liabilities</b>		<b>9,375,900</b>	9,660,022	<b>537,340</b>	938,251
<b>Total equity and liabilities</b>		<b>18,650,634</b>	18,654,245	<b>6,411,662</b>	6,757,330

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

# STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Revenue</b>	27	<b>6,086,118</b>	7,110,496	<b>690,309</b>	796,622
Cost of sales	27	<b>(4,740,635)</b>	(5,450,558)	-	-
Gross profit		<b>1,345,483</b>	1,659,938	<b>690,309</b>	796,622
Other operating income		<b>223,485</b>	164,879	<b>35,382</b>	30,093
Distribution costs		<b>(291,910)</b>	(295,723)	-	-
Administrative expenses		<b>(344,872)</b>	(320,962)	<b>(27,798)</b>	(26,557)
Other operating expenses		<b>(247,125)</b>	(163,713)	<b>(156)</b>	(254)
		<b>685,061</b>	1,044,419	<b>697,737</b>	799,904
Finance costs	28	<b>(206,296)</b>	(155,872)	<b>(29,408)</b>	(16,073)
Other gain items	29	<b>600,284</b>	425,099	<b>13,835</b>	77,818
Other loss items	29	<b>(11,094)</b>	(10,590)	-	(2,714)
Share of results of associates	7	<b>32,992</b>	26,208	-	-
Share of results of joint ventures	8	<b>972</b>	1,196	-	-
<b>Profit before tax</b>	30	<b>1,101,919</b>	1,330,460	<b>682,164</b>	858,935
Tax expense	33	<b>(193,427)</b>	(267,577)	<b>(4,504)</b>	(830)
<b>Profit for the year</b>		<b>908,492</b>	1,062,883	<b>677,660</b>	858,105
<b>Profit attributable to:</b>					
Owners of the Company		<b>800,325</b>	950,655	<b>677,660</b>	858,105
Non-controlling interests	6(a)	<b>108,167</b>	112,228	-	-
		<b>908,492</b>	1,062,883	<b>677,660</b>	858,105
<b>Earnings per share (sen)</b>					
Basic	34	<b>32.15</b>	38.18		

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

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Profit for the year</b>	<b>908,492</b>	1,062,883	<b>677,660</b>	858,105
<b>Other comprehensive income/(loss), net of tax:</b>				
<b><i>Items that will be reclassified subsequently to profit or loss</i></b>				
Foreign currency translation differences for foreign operations	<b>35,077</b>	(34,458)	-	-
Share of foreign currency translation differences of associates	<b>6,074</b>	3,005	-	-
Share of foreign currency translation differences of joint ventures	<b>138</b>	(122)	-	-
Foreign currency translation differences for foreign operations reclassified to profit or loss	<b>(12,519)</b>	(14,898)	-	-
Change in fair value of cash flow hedge	<b>7,439</b>	3,686	-	-
	<b>36,209</b>	(42,787)	-	-
<b><i>Items that will not be reclassified subsequently to profit or loss</i></b>				
Revaluation of property, plant and equipment prior being transferred to investment properties	<b>916</b>	10,983	-	-
Remeasurement loss on defined benefit liabilities	<b>(1,382)</b>	-	-	-
	<b>(466)</b>	10,983	-	-
<b>Total other comprehensive income/(loss) for the year, net of tax</b>	<b>35,743</b>	(31,804)	-	-
<b>Total comprehensive income for the year, net of tax</b>	<b>944,235</b>	1,031,079	<b>677,660</b>	858,105
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	<b>825,203</b>	910,935	<b>677,660</b>	858,105
Non-controlling interests	<b>119,032</b>	120,144	-	-
	<b>944,235</b>	1,031,079	<b>677,660</b>	858,105

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	← Attributable to owners of the Company →							Total equity RM'000
	Share capital RM'000	Non-distributable RM'000	← Reserves →		Treasury shares RM'000	Total RM'000	Non-controlling interests RM'000	
Distributable Retained profits RM'000			Total RM'000					
<b>Group</b>								
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 prior being transferred to investment properties	-	10,983	-	10,983	-	10,983	-	10,983
Total other comprehensive loss 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(d))	-	-	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			

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	← Attributable to owners of the Company →							Total equity RM'000
	Share capital RM'000	Non-distributable RM'000	← Reserves →		Treasury shares RM'000	Total RM'000	Non-controlling interests RM'000	
Distributable Retained profits RM'000			Total RM'000					
<b>Group (continued)</b>								
At 1 January 2023	3,519,554	118,654	4,035,566	4,154,220	(113)	7,673,661	1,320,562	8,994,223
Profit for the year	-	-	800,325	800,325	-	800,325	108,167	908,492
Foreign currency translation differences for foreign operations	-	25,858	-	25,858	-	25,858	9,219	35,077
Share of foreign currency translation differences of associates	-	5,780	-	5,780	-	5,780	294	6,074
Share of foreign currency translation differences of joint ventures	-	70	-	70	-	70	68	138
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	(12,519)	-	(12,519)	-	(12,519)	-	(12,519)
Change in fair value of cash flow hedge	-	6,155	-	6,155	-	6,155	1,284	7,439
Revaluation of property, plant and equipment prior being transferred to investment properties	-	916	-	916	-	916	-	916
Remeasurement loss on defined benefit liabilities (Note 21)	-	-	(1,382)	(1,382)	-	(1,382)	-	(1,382)
Total other comprehensive income for the year	-	26,260	(1,382)	24,878	-	24,878	10,865	35,743
Total comprehensive income for the year	-	26,260	798,943	825,203	-	825,203	119,032	944,235
Acquisition of subsidiaries (Note 6(c))	-	-	-	-	-	-	15,170	15,170
Dividends (Note 35)	-	-	(622,417)	(622,417)	-	(622,417)	-	(622,417)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(56,477)	(56,477)
At 31 December 2023	3,519,554	144,914	4,212,092	4,357,006	(113)	7,876,447	1,398,287	9,274,734
	Note 25			Note 26	Note 25			

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital RM'000	Reserves Distributable Retained profits RM'000	Treasury shares RM'000	Total equity RM'000
<b>Company</b>				
At 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 2022/1 January 2023	<b>3,519,554</b>	<b>2,299,638</b>	<b>(113)</b>	<b>5,819,079</b>
Profit for the year	-	<b>677,660</b>	-	<b>677,660</b>
Dividends (Note 35)	-	<b>(622,417)</b>	-	<b>(622,417)</b>
At 31 December 2023	<b>3,519,554</b>	<b>2,354,881</b>	<b>(113)</b>	<b>5,874,322</b>
	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 2023

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Cash flows from operating activities</b>				
Profit before tax	1,101,919	1,330,460	682,164	858,935
Adjustments for:				
Depreciation of property, plant and equipment	209,095	195,278	156	254
Amortisation of intangible assets	2,359	102	-	-
Property, plant and equipment written off	4,390	3,700	-	-
Investment properties written off	1,321	18	-	-
Bad debts written off	111	90	-	-
Employee benefits	(666)	577	-	-
Gains on equity investment at fair value through profit or loss	(7)	(706)	-	-
Net loss from fair value adjustments of investment properties	99,090	19,601	-	-
Net loss from fair value adjustments of biological assets	8,075	29,213	-	-
Gain on money market deposits at fair value	(36,349)	(30,057)	(12,053)	(6,864)
Impairment loss on investment in associates	11,094	10,590	-	2,714
Impairment loss on property, plant and equipment	12,309	4,563	-	-
Impairment loss on trade receivables	64,865	10,470	-	-
Impairment loss on net investment in lease	-	1,004	-	-
Net inventories written down	53,931	11,016	-	-
Reversal of provisions	(303)	(4,037)	-	-
Reversal of impairment loss on investment in associates	-	-	(5,201)	-
Reversal of impairment loss on investment in subsidiaries	-	-	(8,634)	(33,479)
Reversal of impairment loss on trade receivables	(21,165)	(4,142)	-	-
Gain on disposal of subsidiaries	(600,284)	(425,099)	-	-
Gain on remeasurement of a joint venture to a subsidiary	(26,143)	-	-	-
Gain on disposal of property, plant and equipment	(1,894)	(5,390)	-	-
Gain on disposal of equity interest in a subsidiary	-	-	-	(44,339)
Interest expense	206,296	155,872	29,408	16,073
Interest income	(50,380)	(30,965)	(11,738)	(3,479)
Dividend income	(23,021)	(3,364)	(698,469)	(797,345)
Share of results of associates	(32,992)	(26,208)	-	-
Share of results of joint ventures	(972)	(1,196)	-	-
Unrealised foreign exchange (gain)/loss	(17,300)	7,588	(19,829)	11,466
<b>Operating profit/(loss) before changes in working capital</b>	<b>963,379</b>	<b>1,248,978</b>	<b>(44,196)</b>	<b>3,936</b>

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Operating profit/(loss) before changes in working capital</b>	<b>963,379</b>	1,248,978	<b>(44,196)</b>	3,936
Changes in working capital:				
Inventories	<b>416,135</b>	266,099	-	-
Property development costs	<b>(10,340)</b>	16,670	-	-
Loan receivables	<b>263,964</b>	295,418	-	-
Receivables	<b>321,149</b>	(226,156)	<b>(868)</b>	(1,124)
Contract assets	<b>9,148</b>	4,394	-	-
Payables	<b>(70,079)</b>	111,176	<b>(400,570)</b>	568,969
Contract liabilities	<b>(22,410)</b>	21,520	-	-
Provisions	<b>1,234</b>	3,900	-	-
<b>Cash flows generated from/(used in) operations</b>	<b>1,872,180</b>	1,741,999	<b>(445,634)</b>	571,781
Income tax paid	<b>(211,387)</b>	(377,210)	<b>(4,535)</b>	(468)
Income tax refunded	<b>13,601</b>	14,513	<b>2,919</b>	2,302
Interest paid	<b>(312,258)</b>	(223,222)	<b>(29,784)</b>	(14,682)
Interest received	<b>47,682</b>	26,914	<b>13,179</b>	4,201
Net changes in land held for property development	<b>(77,773)</b>	(1,268,910)	-	-
<b>Net cash flows generated from/(used in) operating activities</b>	<b>1,332,045</b>	(85,916)	<b>(463,855)</b>	563,134
<b>Cash flows from investing activities</b>				
Proceeds from disposal of property, plant and equipment	<b>7,709</b>	15,356	-	-
Proceeds from disposal of equity investment at fair value through profit or loss	-	722	-	-
Proceeds from disposal of interest in a subsidiary (Note 6(d))	-	128,348	-	128,348
Proceeds from redemption of equity investment at fair value through other comprehensive income	<b>15,000</b>	-	-	-
Disposal of subsidiaries (Note 6(b))	<b>831,836</b>	627,442	-	-
Dividends received from subsidiaries	-	-	<b>686,655</b>	791,973
Dividends received from associates	<b>14,690</b>	8,044	<b>3,654</b>	4,649
Dividends received from a joint venture	-	431	-	-
Dividends received from equity investment at fair value through other comprehensive income	<b>1,804</b>	1,350	-	-
Dividends received from money market deposits	<b>22,279</b>	2,614	<b>8,160</b>	723
Purchase of property, plant and equipment	<b>(434,978)</b>	(632,240)	-	(12)
Acquisition of subsidiaries (Note 6(c))	<b>2,155</b>	-	-	-
Acquisition of shares from non-controlling interests (Note 6(d))	-	(47,543)	-	-

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Cash flows from investing activities (continued)</b>				
Additions to investment properties	(482,299)	(97,958)	-	-
Decrease/(increase) in money market deposits	332,908	454,373	395,868	(648,944)
Increase in investment in subsidiaries	-	-	(349,715)	(328,430)
Capital reduction in subsidiaries (Note 6(e))	-	-	276,875	259,287
<b>Net cash flows generated from investing activities</b>	<b>311,104</b>	460,939	<b>1,021,497</b>	207,594
<b>Cash flows from financing activities</b>				
Dividends paid	(622,417)	(746,901)	(622,417)	(746,901)
Dividends paid to non-controlling interests	(56,477)	(78,218)	-	-
Net (repayment)/drawdown of borrowings (Note 22)	(100,940)	679,791	-	-
Payment of lease liabilities	(24,939)	(27,633)	(14)	(15)
<b>Net cash flows used in financing activities</b>	<b>(804,773)</b>	(172,961)	<b>(622,431)</b>	(746,916)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>838,376</b>	202,062	<b>(64,789)</b>	23,812
<b>Effects on exchange rate changes on cash and cash equivalents</b>	<b>4,027</b>	3,961	<b>667</b>	8,001
<b>Cash and cash equivalents as at 1 January</b>	<b>1,431,980</b>	1,225,957	<b>161,770</b>	129,957
<b>Cash and cash equivalents as at 31 December (Note 18)</b>	<b>2,274,383</b>	1,431,980	<b>97,648</b>	161,770

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 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 22 April 2024.

## 2. MATERIAL 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 2023.

#### ***Effective for annual periods beginning on or after 1 January 2023***

- MFRS 17, Insurance Contracts
- Amendments to MFRS 17, Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information
- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
- Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.2 Effects of adopting new and amended Malaysian Financial Reporting Standards (continued)**

The adoption of the above MFRS and amendments have no significant impact to the financial statements of the Group and of the Company except as discussed below:

Amendments to MFRS 101, Presentation of Financial Statements and MFRS Practice Statement 2: Disclosure of Accounting Policies

The amendments to MFRS 101 and MFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's and the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's and the Company's financial statements.

Amendments to MFRS 112, Income Taxes International Tax Reform – Pillar Two Model Rules, upon their release on 2 June 2023

This amendments provide a temporary mandatory relief from deferred tax accounting for the top-up tax which is applied retrospectively. Since the newly enacted tax legislation in Malaysia will only come into effect in year 2025, there is no current tax impact for the current year ended 31 December 2023. The Group and the Company will continue to assess the impact that may arise from the adoption.

**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:

<b>Standards/Amendments</b>	<b>Effective date</b>
Amendments 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 107, Statement of Cash Flow and MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121, The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability	1 January 2025
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 2023

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 2.4 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.

### 2.5 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.

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.

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.6 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.

**2.7 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.

Investment property under construction ["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.

**2.8 Investment in subsidiaries**

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

**2.9 Investment in associates and joint ventures**

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.

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.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 2.10 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.

### 2.11 Intangible assets

#### (a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

#### (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.

Amortisation is recognised in profit or loss on a straight-line basis over its estimated useful lives of five to six 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.

Amortisation is recognised in profit or loss on a straight-line basis over its estimated useful lives of fifteen years.

### 2.12 Financial assets

#### (a) 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.12 Financial assets (continued)****(b) Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in three categories:

- (i) Financial assets at amortised cost (debt instruments)

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.

- (ii) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

This category includes derivative instruments.

- (iii) Financial assets at fair value through profit and loss

This category includes derivative instruments.

**2.13 Impairment of financial assets**

For trade receivables, the Group applies a simplified approach in calculating expected credit losses ["ECL"]. 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. 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 2023

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 2.14 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

### 2.15 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.

### 2.16 Revenue and other income

#### (a) Revenue from contracts with customers

##### (i) 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.16 Revenue and other income (continued)****(a) Revenue from contracts with customers (continued)****(ii) 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:

- the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- 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
- 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.

**(iii) 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 2.15.

**(iv) 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.

**(b) Revenue from other sources****(i) Dividend income**

Dividend income is recognised when the right to receive payment is established.

**(ii) 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.

**(iii) 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.

**(c) Interest income**

Interest income is recognised using the effective interest method.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

### 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 2.17 Employee benefits - 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.

#### 2.18 Leases

##### (a) Recognition and initial measurement

###### (i) 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.

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.

###### (ii) 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 2023

**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.18 Leases (continued)****(b) Subsequent measurement****(i) 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. 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.

**(ii) 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 net investment in the lease is subject to impairment.

**2.19 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 2.19 Financial liabilities (continued)

#### Initial recognition and subsequent measurement (continued)

##### (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.

### 2.20 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.

### 2.21 Derivative financial instrument and hedge accounting

The Group 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.

#### **Cash flow hedges**

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**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.

**(i) Property, plant and equipment**

During the financial year, the Group recognised an impairment loss on property, plant and equipment of RM12,309,000 (2022: RM4,563,000). 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 RM8,634,000 (2022: RM33,479,000) as disclosed in Note 6(f).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

### 3.2 Key sources of estimation uncertainty (continued)

#### (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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)****3.2 Key sources of estimation uncertainty (continued)****(e) Provision of expected credit loss of trade and other receivables (continued)**

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 2023, the Group has recognised deferred tax assets of RM67,356,000 (2022: RM54,620,000).

**(g) Net realisable value of completed property development units classified as inventories**

Inventories of completed property units that are held for sale are stated at the lower of cost or net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected selling prices as well as costs to be incurred to complete the sale.

Expected selling prices are estimated based on forecast of future demand and management's pricing strategy. Costs to be incurred to complete the sale are estimated based on historical trend and management's marketing strategy. These estimates could change from time to time.

During the financial year, the Group recognised a write-down of inventories of completed property units that are held for sale amounting to RM57,893,000 (2022: RM Nil).

The carrying amount of the Group's completed property units as at reporting date is disclosed in Note 13.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 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
<b>Group</b>								
<b>At cost</b>								
At 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 being transferred 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/ 1 January 2023	<b>407,014</b>	<b>1,948,565</b>	<b>400,473</b>	<b>1,150,721</b>	<b>248,506</b>	<b>636,415</b>	<b>1,967,973</b>	<b>6,759,667</b>
Acquisition of subsidiaries	-	-	-	12,215	-	-	2,881	15,096
Disposal of subsidiaries	(126,583)	-	-	(64)	(131,284)	-	-	(257,931)
Additions	407	3,240	2,638	98,733	309,510	39,250	17,790	471,568
Reclassifications	-	(65,549)	15,719	82,172	(32,342)	-	-	-
Revaluation of properties prior being transferred to investment properties	-	916	-	-	-	-	-	916
Transfer to:								
- investment properties (Note 5)	(26,493)	(95,761)	-	(1,414)	-	-	(28,214)	(151,882)
- land held for property development (Note 9)	-	-	-	-	-	-	(7,724)	(7,724)
Modifications	-	-	-	-	-	-	(10,722)	(10,722)
Derecognition	-	-	-	(569)	-	-	(17,897)	(18,466)
Disposals	-	(1,232)	-	(66,447)	-	-	-	(67,679)
Written off	-	(227)	-	(13,432)	(672)	(58,405)	-	(72,736)
Exchange differences	-	24,692	-	1,754	-	-	35,604	62,050
At 31 December 2023	<b>254,345</b>	<b>1,814,644</b>	<b>418,830</b>	<b>1,263,669</b>	<b>393,718</b>	<b>617,260</b>	<b>1,959,691</b>	<b>6,722,157</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 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
<b>Group (continued)</b>								
<b>Accumulated depreciation/ impairment loss</b>								
At 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/ 1 January 2023	-	<b>393,245</b>	<b>174,080</b>	<b>770,758</b>	-	<b>364,395</b>	<b>295,790</b>	<b>1,998,268</b>
Acquisition of subsidiaries	-	-	-	<b>8,787</b>	-	-	-	<b>8,787</b>
Disposal of subsidiaries	-	-	-	<b>(17)</b>	-	-	-	<b>(17)</b>
Depreciation for the year (Note 30)	-	<b>42,499</b>	<b>19,832</b>	<b>77,814</b>	-	<b>18,911</b>	<b>50,039</b>	<b>209,095</b>
Impairment loss for the year	-	<b>6,413</b>	<b>624</b>	<b>3,765</b>	-	-	<b>1,507</b>	<b>12,309</b>
Transfer (to)/from investment properties (Note 5)	-	<b>(19,229)</b>	-	<b>(1,200)</b>	-	-	<b>3,101</b>	<b>(17,328)</b>
Modifications	-	-	-	-	-	-	<b>(6,279)</b>	<b>(6,279)</b>
Derecognition	-	-	-	-	-	-	<b>(17,897)</b>	<b>(17,897)</b>
Disposals	-	<b>(1,026)</b>	-	<b>(60,838)</b>	-	-	-	<b>(61,864)</b>
Written off	-	<b>(206)</b>	-	<b>(9,735)</b>	-	<b>(58,405)</b>	-	<b>(68,346)</b>
Exchange differences	-	<b>6,416</b>	-	<b>2,990</b>	-	-	<b>5,839</b>	<b>15,245</b>
At 31 December 2023	-	<b>428,112</b>	<b>194,536</b>	<b>792,324</b>	-	<b>324,901</b>	<b>332,100</b>	<b>2,071,973</b>
<b>Net carrying amount</b>								
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
At 31 December 2023								
- Own use	<b>254,345</b>	<b>1,386,532</b>	<b>224,294</b>	<b>471,345</b>	<b>393,718</b>	<b>292,359</b>	<b>1,627,591</b>	<b>4,650,184</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 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 RM471,568,000 (2022: RM674,206,000) which are satisfied by the following:

	Group	
	2023 RM'000	2022 RM'000
Cash payments on purchase of property, plant and equipment	434,978	632,240
Additions of right-of-use assets by way of lease commitment	16,385	23,418
Finance by way of lease arrangement	1,132	-
Interest expense capitalised	19,073	18,548
	<b>471,568</b>	674,206

- (b) During the financial year, as part of an internal operational review, 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 RM12,309,000 (2022: RM4,563,000) on the basis that the carrying amounts exceeded recoverable amounts based on the FVLCS method. The recoverable amounts are based on valuations performed by independent professional valuers based on investment method and cost method. The fair value measurement was derived based on level 3 of the fair value hierarchy.

The changes in fair value would have resulted in an additional higher or lower impairment for the corresponding amount.

- (c) Buildings amounting to RM284,235,000 (2022: RM282,412,000) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 22.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 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
<b>Group</b>							
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 being transferred 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 January 2023	<b>1,091,624</b>	<b>458,880</b>	<b>77,970</b>	<b>41,169</b>	<b>130</b>	<b>2,410</b>	<b>1,672,183</b>
Acquisition of subsidiaries	-	-	-	<b>2,881</b>	-	-	<b>2,881</b>
Additions	<b>1,405</b>	-	<b>254</b>	<b>15,897</b>	-	<b>234</b>	<b>17,790</b>
Depreciation for the year	<b>(16,435)</b>	<b>(8,973)</b>	<b>(4,641)</b>	<b>(18,024)</b>	<b>(69)</b>	<b>(1,897)</b>	<b>(50,039)</b>
(Impairment loss)/Reversal of impairment loss for the year	<b>(3,077)</b>	-	<b>3,101</b>	<b>(1,531)</b>	-	-	<b>(1,507)</b>
Transfer to:							
- investment properties	<b>(28,214)</b>	-	<b>(3,101)</b>	-	-	-	<b>(31,315)</b>
- land held for property development	<b>(7,724)</b>	-	-	-	-	-	<b>(7,724)</b>
Modifications	-	-	<b>(2,394)</b>	<b>(1,984)</b>	-	<b>(65)</b>	<b>(4,443)</b>
Exchange differences	-	<b>27,089</b>	<b>2,487</b>	<b>185</b>	-	<b>4</b>	<b>29,765</b>
At 31 December 2023	<b>1,037,579</b>	<b>476,996</b>	<b>73,676</b>	<b>38,593</b>	<b>61</b>	<b>686</b>	<b>1,627,591</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**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 RM28,375,000 (2022: RM28,840,000) 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"]. In year 2022, 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 RM64,833,000 (2022:RM65,703,000) as disclosed in Note 39(a).
- (iii) Prepaid lease payments amounting to RM395,974,000 (2022: RM377,391,000) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 22.

## (e) Property, plant and equipment held under operating lease

In the previous financial year, the Group leases some of its property, plant and equipment to third parties.

The following are recognised in profit or loss:

	<b>Group 2022 RM'000</b>
Lease income	2,952
Variable lease income that do not depend on an index or a rate	1,845

The operating lease payments to be received are as follows:

	<b>Group 2022 RM'000</b>
Less than one year	1,512
One to two years	5,160
Total undiscounted lease payments	6,672

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RM'000	Plant and equipment RM'000	Right-of- use assets - buildings RM'000	Total RM'000
<b>Company</b>				
<b>At cost</b>				
At 1 January 2022	187	3,190	30	3,407
Additions	-	12	15	27
At 31 December 2022/1 January 2023	<b>187</b>	<b>3,202</b>	<b>45</b>	<b>3,434</b>
Additions	-	-	<b>32</b>	<b>32</b>
Derecognition	-	-	<b>(45)</b>	<b>(45)</b>
At 31 December 2023	<b>187</b>	<b>3,202</b>	<b>32</b>	<b>3,421</b>
<b>Accumulated depreciation</b>				
At 1 January 2022	187	2,613	21	2,821
Depreciation for the year (Note 30)	-	239	15	254
At 31 December 2022/1 January 2023	<b>187</b>	<b>2,852</b>	<b>36</b>	<b>3,075</b>
Depreciation for the year (Note 30)	-	<b>140</b>	<b>16</b>	<b>156</b>
Derecognition	-	-	<b>(45)</b>	<b>(45)</b>
At 31 December 2023	<b>187</b>	<b>2,992</b>	<b>7</b>	<b>3,186</b>
<b>Net carrying amount</b>				
At 31 December 2022	-	350	9	359
At 31 December 2023	-	<b>210</b>	<b>25</b>	<b>235</b>

During the financial year, the Company acquired property, plant and equipment with an aggregate cost of RM32,000 (2022: RM27,000) which are satisfied by the following:

	<b>Company</b>	
	<b>2023 RM'000</b>	<b>2022 RM'000</b>
Cash payments on purchase of property, plant and equipment	-	12
Additions of right-of-use assets by way of lease commitment	<b>32</b>	15
	<b>32</b>	27

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**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.

	<b>Completed investment properties RM'000</b>	<b>IPUC RM'000</b>	<b>Total RM'000</b>
<b>Group</b>			
At 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 2022/1 January 2023	<b>2,019,611</b>	<b>220,117</b>	<b>2,239,728</b>
Additions from acquisition	-	<b>305,000</b>	<b>305,000</b>
Additions from subsequent expenditure	<b>16,053</b>	<b>176,046</b>	<b>192,099</b>
Transfer from property, plant and equipment (Note 4)	<b>134,554</b>	-	<b>134,554</b>
Net loss from fair value adjustments recognised in profit or loss (Note 30)	<b>(99,059)</b>	<b>(31)</b>	<b>(99,090)</b>
Written off	<b>(1,321)</b>	-	<b>(1,321)</b>
Exchange differences	<b>4,041</b>	-	<b>4,041</b>
At 31 December 2023	<b>2,073,879</b>	<b>701,132</b>	<b>2,775,011</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 5. INVESTMENT PROPERTIES (CONTINUED)

	2023 RM'000	2022 RM'000
<b>Represented by:</b>		
Freehold land and buildings	1,863,287	1,418,695
Right-of-use assets – Long term leasehold land and buildings	911,724	821,033
	<b>2,775,011</b>	<b>2,239,728</b>

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 RM76,238,000 (2022: RM58,531,000) 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 RM14,800,000 (2022: RM5,023,000).

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 2023

### 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	
	2023	2022
Estimated rental value per square foot per month	RM1 - RM20	RM1 - RM25
Discount rate	5% - 10%	4.50% - 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 RM99,090,000 (2022: RM19,601,000).

### 6. INVESTMENT IN SUBSIDIARIES

	Company	
	2023 RM'000	2022 RM'000
Quoted shares in Malaysia, at cost	1,089,246	1,089,246
Unquoted shares, at cost		
- In Malaysia	4,867,473	4,854,875
- Outside Malaysia	150,204	89,962
	5,017,677	4,944,837
	6,106,923	6,034,083
Less: Impairment losses – unquoted shares	(213,404)	(222,038)
	5,893,519	5,812,045
Market value of quoted shares	956,334	1,078,656

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**6. INVESTMENT IN SUBSIDIARIES (CONTINUED)**

Details of subsidiaries as of 31 December 2023 are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2023	2022
<b>Held by the Company:</b>				
* Hap Seng Plantations Holdings Berhad ["HSP"]	Investment holding	Malaysia	<b>69.53</b>	69.53
Hap Seng Land Sdn Bhd	Property development and investment holding	Malaysia	<b>100</b>	100
* Hap Seng Credit Sdn Bhd	Provision of financial services	Malaysia	<b>80</b>	80
HSC International Limited	Investment holding	Labuan, Malaysia	<b>100</b>	100
* Sunrise Addition Sdn Bhd	Investment holding	Malaysia	<b>100</b>	100
* Hap Seng Auto Sdn Bhd	Investment holding	Malaysia	<b>100</b>	100
Hap Seng Fertilizers Sdn Bhd	Trading and distribution of fertilizers and agro-chemicals	Malaysia	<b>100</b>	100
Macro Arch (M) Sdn Bhd	Investment holding	Malaysia	<b>100</b>	100
Palms Edge (M) Sdn Bhd	Investment holding	Malaysia	<b>100</b>	100
+ Sasco Company Ltd	Investment holding	British Virgin Islands	<b>100</b>	100
Hap Seng Trading Holdings Sdn Bhd	Investment holding	Malaysia	<b>100</b>	100
* Malaysian Mosaics Sdn Bhd	Manufacture and sale of porcelain and ceramic tiles, property investment and investment holding	Malaysia	<b>100</b>	100
Hap Seng Building Materials Holdings Sdn Bhd	Investment holding	Malaysia	<b>100</b>	100
* Hap Seng Investment Holdings Pte Ltd	Investment holding	Singapore	<b>100</b>	100

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2023	2022
<b>Held by the Company: (continued)</b>				
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
<b>Held by HSP:</b>				
* 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
<b>Held by Hap Seng Plantations (River Estates) Sdn Bhd:</b>				
* 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 2023

## 6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2023	2022
<b>Held by Hap Seng Land Sdn Bhd:</b>				
* 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
<b>Held by Hap Seng Hospitality Sdn Bhd:</b>				
* Sunrise Spring Sdn Bhd	Operating hotel	Malaysia	100	100
* Trio Sunrise Sdn Bhd	Operating hotel	Malaysia	100	100
Richmore Development Sdn Bhd (2022: 99.01% equity interest is held by Hap Seng Hospitality Sdn Bhd whilst the remaining 0.99% is held by Hap Seng Land Development Sdn Bhd)	Operating hotel	Malaysia	-	100
* Sunhill Ventures Sdn Bhd (66.67% (2022: 66.67%) equity interest is held by Hap Seng Hospitality Sdn Bhd whilst the remaining 33.33% (2022: 33.33%) is held by Hap Seng Realty Sdn Bhd)	Operating hotel	Malaysia	100	100
<b>Held by Hap Seng Land Development Sdn Bhd:</b>				
Euro-Asia Brand Holding Company Sdn Bhd	Property development	Malaysia	100	100

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2023	2022
<b>Held by Hap Seng Land Development Sdn Bhd: (continued)</b>				
* 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	100
Hap Seng Land Development (JTR 2) Sdn Bhd (60.02% (2022: 60.02%) equity interest is held by Hap Seng Land Development Sdn Bhd whilst the remaining 39.98% (2022: 39.98%) is held by the Company)	Property development	Malaysia	100	100
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 2023

## 6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2023	2022
<b>Held by Hap Seng Land Development Sdn Bhd: (continued)</b>				
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
<b>Held by Hap Seng Properties Development Sdn Bhd:</b>				
* Hap Seng Commercial Development Sdn Bhd	Property development	Malaysia	100	100
* Hap Seng Land Development (KK) Sdn Bhd	Property development and provision of management services	Malaysia	100	100

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2023	2022
<b>Held by KL Midtown Sdn Bhd:</b>				
Eden Sunrise Sdn Bhd	Property investment in retail mall and car park	Malaysia	100	100
Sunrise Gardencity Sdn Bhd	Operating hotel	Malaysia	100	100
<b>Held by Hap Seng Realty Sdn Bhd:</b>				
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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2023	2022
<b>Held by Hap Seng Realty Sdn Bhd: (continued)</b>				
* Hap Seng Leisure Sdn Bhd	Providing recreational facilities and services	Malaysia	100	100
<b>Held by HSC International Limited:</b>				
HSC Birmingham Holding Limited	Striking off	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
<b>Held by HSC Brisbane Holding Pte Ltd:</b>				
+ HS Credit (Brisbane) Pty Ltd	Dormant	Australia	100	100
<b>Held by HSC Bristol Holding Pte Ltd:</b>				
+ HS Credit (Bristol) Ltd	Dormant	United Kingdom	100	100

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2023	2022
<b>Held by HSC Leeds Holding Pte Ltd:</b>				
+ HS Credit (Leeds) Ltd	Dormant	United Kingdom	100	100
<b>Held by HSC London Holding Pte Ltd:</b>				
* HS Credit (London) Ltd	Provision of financial services	United Kingdom	100	100
<b>Held by HSC Manchester Holding Pte Ltd:</b>				
* HS Credit (Manchester) Ltd	Provision of financial services	United Kingdom	-	100
<b>Held by HSC Nottingham Holding Pte Ltd:</b>				
+ HS Credit (Nottingham) Ltd	Dormant	United Kingdom	100	100
<b>Held by Sunrise Addition Sdn Bhd:</b>				
* Hap Seng Automotive Acceptance Sdn Bhd	Provision of financial services and operating leasing of vehicles	Malaysia	100	100
<b>Held by Hap Seng Auto Sdn Bhd:</b>				
* 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 Smart Sdn Bhd	Trading in motor vehicles, spare parts and servicing of motor vehicles	Malaysia	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 (%)	
			2023	2022
<b>Held by Hap Seng Auto Sdn Bhd: (continued)</b>				
* 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
<b>Held by Hap Seng Fertilizers Sdn Bhd:</b>				
Hap Seng Chemicals Sdn Bhd	Manufacture and sale of agro-chemicals	Malaysia	70	70
<b>Held by Macro Arch (M) Sdn Bhd:</b>				
# PT. Sasco Indonesia (90% (2022: 90%) equity interest is held by Macro Arch (M) Sdn Bhd whilst the remaining 10% (2022: 10%) is held by Palms Edge (M) Sdn Bhd)	Trading and distribution of fertilizers	Indonesia	100	100
<b>Held by Sasco Company Ltd:</b>				
* Sasco (China) Co., Ltd	Trading of plywood and wholesale, import and export of fertilizers	People's Republic of China	100	100
<b>Held by Hap Seng Trading Holdings Sdn Bhd:</b>				
Hap Seng Trading (M) Sdn Bhd	Trading in petroleum products, building materials and operation of convenient store	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 (%)	
			2023	2022
<b>Held by Hap Seng Trading Holdings Sdn Bhd: (continued)</b>				
Hap Seng Trading (BM) Sdn Bhd	Trading in building materials	Malaysia	100	100
<b>Held by Malaysian Mosaics Sdn Bhd:</b>				
* 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	Trading and distribution of mosaic and ceramic tiles (ceased operations)	Malaysia	100	100
<b>Held by Hap Seng Building Materials Holdings Sdn Bhd:</b>				
Hap Seng Building Materials Sdn Bhd	Manufacture and trading of bricks, operating of stone quarries and asphalt plants	Malaysia	100	100
* 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
<b>Held by Hap Seng Clay Products Sdn Bhd:</b>				
Kao Fu Bricks Sdn Bhd	Liquidated	Malaysia	-	100

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2023	2022
<b>Held by Hap Seng Investment Holdings Pte Ltd:</b>				
* Hafary Holdings Limited ["Hafary"]	Investment holding	Singapore	<b>50.82</b>	50.82
<b>Held by Hafary:</b>				
* Hafary Pte Ltd	Importer and dealer of building materials	Singapore	<b>100</b>	100
<b>Held by Hafary Pte Ltd:</b>				
* Surface Project Pte Ltd	Distribution and wholesale of building materials	Singapore	<b>70</b>	70
* Surface Stone Pte Ltd	Dealer of stones for home furnishing	Singapore	<b>90</b>	90
* Wood Culture Pte Ltd	Dealer of wood for home furnishing	Singapore	<b>100</b>	100
* Hafary Centre Pte Ltd	Investment holding	Singapore	<b>100</b>	100
* Hafary Vietnam Pte Ltd	Investment holding	Singapore	<b>100</b>	100
* Hafary International Pte Ltd	Importing and distribution of building materials	Singapore	<b>100</b>	100
* Hafary Trademarks Pte Ltd	Intellectual property holding and management	Singapore	<b>100</b>	100
* Marble Trends Pte Ltd	Dormant	Singapore	<b>100</b>	100
* World Furnishing Hub Pte Ltd	Investment holding	Singapore	<b>81</b>	81
* Hafary Balestier Showroom Pte Ltd	Investment holding	Singapore	<b>51</b>	51

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2023	2022
<b>Held by Hafary Pte Ltd: (continued)</b>				
* 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 (85.71% (2022: 85.71%) equity interest is held by Hafary Pte Ltd whilst the remaining 14.29% (2022: Nil) is held by Guangdong ITA Element Building Materials Co., Limited)	Investment holding	Singapore	100	85.71
* Hafary Flagship Store Pte Ltd	Investment holding	Singapore	100	100
* Melmer Stoneworks Pte Ltd	Cutting, shaping and finishing of stone	Singapore	50	-
<b>Held by Hafary International Pte Ltd:</b>				
* Foshan Hafary Trading Co., Limited	Importing, exporting and distribution of building materials	People's Republic of China	100	100
<b>Held by Hafary Building Materials Pte Ltd:</b>				
* Guangdong ITA Element Building Materials Co., Limited	Production and distribution of tiles	People's Republic of China	65	-

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%)	
			2023	2022
<b>Held by Hafary Trading Sdn Bhd:</b>				
* MML x Element International Pte Ltd (50% (2022: Nil) equity interest is held by Hafary Trading Sdn Bhd whilst the remaining 50% (2022: Nil) is held by Guangdong ITA Element Building Materials Co., Limited)	Trading and distribution of building materials	Singapore	100	-
<b>Held by Hafary Element Pte Ltd:</b>				
* International Ceramic Manufacturing Hub Pte Ltd	Investment holding	Singapore	70	70
<b>Held by Guangdong ITA Element Building Materials Co., Limited:</b>				
* Foshan Element Building Material Co., Ltd	Production and distribution of tiles	People's Republic of China	96	-
* Foshan Element Ceramic Co., Ltd	Production and distribution of tiles	People's Republic of China	100	-
<b>Held by International Ceramic Manufacturing Hub Pte Ltd:</b>				
* International Ceramic Manufacturing Hub Sdn Bhd	Manufacture, importing and exporting of buildings materials	Malaysia	100	100

\* Audited by firms other than Ernst &amp; Young PLT

# Audited by member firms of Ernst &amp; 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
<b>2023</b>					
NCI percentage of ownership interest and voting interest	30.47%	49.18%	20.00%		
Carrying amount of NCI	582,695	263,879	583,633	(31,920)	1,398,287
Profit/(Loss) attributable to NCI	27,840	67,060	21,417	(8,150)	108,167

**Summarised financial information  
before intra-group elimination:**

*As at 31 December:*

Non-current assets	1,734,004	1,044,308	1,562,047		
Current assets	693,042	598,041	2,389,585		
Non-current liabilities	(419,865)	(646,359)	(29,323)		
Current liabilities	(54,534)	(557,770)	(1,004,150)		
Net assets	1,952,647	438,220	2,918,159		
NCI	-	(26,770)	-		
Net assets attributable to owners of subsidiaries	1,952,647	411,450	2,918,159		
(Less)/Add: Adjustments on net assets upon consolidation	(40,289)	70,674	-		
Adjusted net assets	1,912,358	482,124	2,918,159		

*Year ended 31 December:*

Revenue	667,835	771,160	210,475		
Profit for the year	91,369	137,102	107,083		
Total comprehensive income	91,369	130,892	113,502		

Net cash flows from:

- operating activities	169,824	171,325	466,202		
- investing activities	(121,358)	(79,764)	14,877		
- financing activities	(79,022)	(69,600)	16,673		
Net (decrease)/increase in cash and cash equivalents	(30,556)	21,961	497,752		
Dividends paid to NCI	(20,712)	(23,456)	(12,309)		

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 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
<b>2022</b>					
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)/Add: 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 in cash and cash equivalents	45,296	17,429	92,726		
Dividends paid to NCI	(47,381)	(13,067)	(14,771)		

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**6. INVESTMENT IN SUBSIDIARIES (CONTINUED)****(b) Disposal of subsidiaries**

During the financial year, the Group disposed of the entire equity interest of:

- (i) HS Credit (Manchester) Ltd ["HCML"] for total cash consideration of GBP152,958,000, equivalent to RM879,203,000 as disclosed in Note 44(d).
- (ii) Richmore Development Sdn Bhd ["Richmore"] for total cash consideration of RM51,000,000 as disclosed in Note 44(f).

In the previous financial year, the Group disposed of entire equity interest in HS Credit (Birmingham) Ltd ["HCBL"] for total cash consideration of GBP127,800,000, equivalent to RM693,979,000.

The disposals have the following effects on the financial position and results of the Group:

	← 2023 →			
	HCML RM'000	Richmore RM'000	Total RM'000	2022 HCBL RM'000
<b>Group</b>				
Property, plant and equipment	(47)	(257,867)	(257,914)	(31)
Trade and other receivables	(199,547)	(72)	(199,619)	(219,984)
Cash and bank balances	(97,435)	(239)	(97,674)	(65,424)
Trade and other payables	348	10,449	10,797	651
Tax payable	631	-	631	2,123
Borrowings	-	202,034	202,034	-
Net assets	(296,050)	(45,695)	(341,745)	(282,665)
Transfer from foreign exchange reserve	12,519	-	12,519	14,898
	(283,531)	(45,695)	(329,226)	(267,767)
Cash consideration	879,203	51,000	930,203	693,979
Net assets disposed	(283,531)	(45,695)	(329,226)	(267,767)
Expenses on disposals	(693)	-	(693)	(1,113)
Gain on disposal to the Group	594,979	5,305	600,284	425,099
Cash inflow arising from disposals:				
Cash consideration	879,203	51,000	930,203	693,979
Expenses on disposals	(693)	-	(693)	(1,113)
Cash and cash equivalents of subsidiaries disposed	(97,435)	(239)	(97,674)	(65,424)
Net cash inflow on disposals	781,075	50,761	831,836	627,442

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**6. INVESTMENT IN SUBSIDIARIES (CONTINUED)****(c) Acquisition of subsidiaries**

During the financial year,

- (i) the Group acquired management control of Melmer Stoneworks Pte Ltd ["Melmer Stoneworks"] as disclosed in Note 44(a).
- (ii) the Group acquired an additional 15% of shareholding in Guangdong ITA Element Building Materials Co. Limited ["ITA Element"] at a cash consideration of SGD841,000, equivalent to RM2,927,000 as disclosed in Note 44(h). As at reporting date, management completed the initial acquisition accounting on a preliminary basis. The acquisition accounting will be finalised within twelve months and the provisional amounts recorded in this financial year could change.

The acquisitions have the following effects on the financial position and results of the Group:

	<b>Fair value Melmer Stoneworks RM'000</b>	<b>Provisional fair value ITA Element RM'000</b>	<b>Total RM'000</b>
<b>Group</b>			
Property, plant and equipment	1,130	5,179	6,309
Intangibles assets	13,551	-	13,551
Inventories	9,973	14,191	24,164
Trade and other receivables	11,609	10,201	21,810
Other financial assets	-	125	125
Cash and bank balances	3,840	1,242	5,082
Trade and other payables	(5,354)	(14,473)	(19,827)
Tax payable	(932)	(1,364)	(2,296)
Borrowings	(6,060)	-	(6,060)
Lease liabilities	(514)	(2,928)	(3,442)
Deferred tax liabilities	(3,246)	-	(3,246)
Net identifiable assets	23,997	12,173	36,170
Non-controlling interests	(11,997)	(3,173)	(15,170)
Goodwill	18,222	-	18,222
Purchase consideration	30,222	9,000	39,222

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**6. INVESTMENT IN SUBSIDIARIES (CONTINUED)****(c) Acquisition of subsidiaries (continued)**

	Fair value Melmer Stoneworks RM'000	Provisional fair value ITA Element RM'000	Total RM'000
Carrying value of investment in joint venture	4,079	6,073	10,152
Cash consideration paid	-	2,927	2,927
Gain on remeasurement of a joint venture to a subsidiary	26,143	-	26,143
Purchase consideration	30,222	9,000	39,222
Cash inflow arising from acquisitions:			
Cash consideration paid	-	(2,927)	(2,927)
Cash and cash equivalents of subsidiaries acquired	3,840	1,242	5,082
Net cash inflow on acquisitions	3,840	(1,685)	2,155

**(d) Acquisitions and disposals of equity interest in subsidiaries without losing control**

- (i) During the financial year, the Company increased its investment in Hap Seng Investment Holdings Pte Ltd ["HSIH Pte"] and HSC International Limited ["HSCIL"] by RM60.2 million and RM289.5 million respectively. In the previous financial year, the Company increased its investment in Hap Seng Land Sdn Bhd ["HS Land"], HSIH Pte and HSCIL by RM50 million, RM1.5 million and RM276.9 million respectively. No changes to equity attributable to owners of the Company arising from the aforesaid additional investment in subsidiaries.
- (ii) In the previous financial year,
- the Company disposed of a total of 42,881,400 ordinary shares representing approximately 5.36% of equity interest in HSP. The Company's shareholding in HSP stood at 69.53% after the aforesaid disposal of HSP shares.
  - the Group acquired equity interest from non-controlling interests as follows:
    - 30% shareholding in World Furnishing Hub Pte Ltd ["WFHPL"] for total cash consideration of SGD3,020,000, equivalent to RM9,321,000.
    - 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.
    - 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

## (d) Acquisitions and disposals of equity interest in subsidiaries without losing control (continued)

(ii) (continued)

The difference between the consideration and the carrying amount of the equity interest acquired/disposed of RM2,236,000 and RM44,339,000 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			
<b>Group</b>						
<b>2022</b>						
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
						<b>Disposal HSP RM'000</b>
<b>Company</b>						
<b>2022</b>						
Carrying amount of equity interest disposed						(84,009)
Consideration received						128,348
Gain recognised in profit or loss						44,339

## (e) Capital reduction in a subsidiary

During the financial year, HSCIL reduced its issued share capital by 50,000,000 (2022: 50,379,999) ordinary shares and returned to the Company RM276.9 million (2022: RM259.3 million), being share capital in excess of its needs.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**6. INVESTMENT IN SUBSIDIARIES (CONTINUED)****(f) Reversal of impairment loss on investment in subsidiaries**

As part of an internal operational review, 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 adjusted net assets method involves valuation performed by an independent professional valuer based on cost method. The fair value measurement for adjusted net assets method were derived based on level 3 of the fair value hierarchy.

The Company recognised a reversal of impairment loss on investment in subsidiaries of RM8,634,000 (2022: RM33,479,000) 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.

**7. INVESTMENT IN ASSOCIATES**

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Quoted shares, at cost				
- In Malaysia	<b>49,711</b>	49,711	<b>49,711</b>	49,711
- Outside Malaysia	<b>31,622</b>	31,622	<b>26,030</b>	26,030
	<b>81,333</b>	81,333	<b>75,741</b>	75,741
Unquoted shares, at cost				
- In Malaysia	<b>274,608</b>	274,608	<b>28,000</b>	28,000
- Outside Malaysia	<b>11,908</b>	11,908	-	-
	<b>286,516</b>	286,516	<b>28,000</b>	28,000
	<b>367,849</b>	367,849	<b>103,741</b>	103,741
Share of post-acquisition reserves	<b>182,775</b>	165,173	-	-
	<b>550,624</b>	533,022	<b>103,741</b>	103,741
Exchange differences	<b>20,734</b>	14,660	-	-
	<b>571,358</b>	547,682	<b>103,741</b>	103,741
Less: Accumulated impairment losses				
- quoted shares	<b>(70,563)</b>	(59,469)	<b>(32,751)</b>	(37,952)
	<b>500,795</b>	488,213	<b>70,990</b>	65,789
Market value of quoted shares	<b>119,040</b>	113,111	<b>119,040</b>	113,111

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 7. INVESTMENT IN ASSOCIATES (CONTINUED)

Details of associates as of 31 December 2023 are as follows:

Name of associates	Principal activities	Country of incorporation	Financial year end	Equity interest held (%)	
				2023	2022
<b>Held by the Company:</b>					
* Paos Holdings Berhad	Investment holding	Malaysia	31 May	<b>24.96</b>	24.96
# Lam Soon (Thailand) Public Company Limited ["LST"]	Manufacture and distribution of palm oil	Thailand	31 December	<b>20.00</b>	20.00
GLM Emerald (Sepang) Sdn Bhd	Property development and operation of oil palm estate	Malaysia	30 June	<b>20.00</b>	20.00
<b>Held by Hap Seng Land Development (Balakong) Sdn Bhd:</b>					
* Sunrise Strategy Sdn Bhd	Property investment	Malaysia	31 December	<b>30.00</b>	30.00
<b>Held by Hap Seng Realty (KL City) Sdn Bhd:</b>					
* Inverfin Sdn Bhd ["Inverfin"]	Property investment, office and food court management	Malaysia	31 December	<b>49.99</b>	49.99
<b>Held by Hafary Vietnam Pte Ltd:</b>					
* Viet Ceramics International Joint Stock Company	Importer and dealer of building materials	Socialist Republic of Vietnam	31 December	<b>49.00</b>	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 2023.

## 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
<b>2023</b>				
(i) Summary of financial information				
<i>As at 31 December:</i>				
Non-current assets	700,058	417,926	324,007	1,441,991
Current assets	24,949	516,116	293,136	834,201
Non-current liabilities	(176,717)	(34,206)	(810)	(211,733)
Current liabilities	(11,114)	(197,594)	(138,194)	(346,902)
Net assets	537,176	702,242	478,139	1,717,557
NCI	-	(60,790)	-	(60,790)
Net assets attributable to owner of associates	537,176	641,452	478,139	1,656,767
<i>Year ended 31 December:</i>				
Revenue	43,307	1,317,805	961,438	2,322,550
Profit for the year	14,500	74,442	21,583	110,525
(ii) Reconciliation of net assets to carrying amount as at 31 December				
Group's share of net assets	268,587	128,290	145,423	542,300
Goodwill	954	318	27,786	29,058
Impairment losses	-	(26,528)	(44,035)	(70,563)
Carrying amount in statement of financial position	269,541	102,080	129,174	500,795
(iii) Group's share of results of associates	7,250	14,889	10,853	32,992
(iv) Dividends received from associates	6,500	3,654	4,536	14,690

## NOTES TO THE FINANCIAL STATEMENTS

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## 7. INVESTMENT IN ASSOCIATES (CONTINUED)

	Inverfin RM'000	LST RM'000	Other individually immaterial associates RM'000	Total RM'000
<b>2022</b>				
(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

The Group and the Company conducted review of the recoverable amounts on certain investment in associates, which the recoverable amounts are determined based on the observable market prices. The fair value measurement for the market approach was derived based on level 1 of the fair value hierarchy.

During the financial year, the Group recognised an impairment loss on investment in associates of RM11,094,000 (2022: RM10,590,000) whilst the Company recognised a reversal of impairment loss on investment in associates of RM5,201,000 (2022: an impairment loss of RM2,714,000) in profit or loss as disclosed in Note 29(a).

## NOTES TO THE FINANCIAL STATEMENTS

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## 8. INVESTMENT IN JOINT VENTURES

	Group	
	2023 RM'000	2022 RM'000
Unquoted shares, at cost		
- In Malaysia	1,900	1,900
- Outside Malaysia	15	9,880
	1,915	11,780
Share of post-acquisition reserves	(1,330)	(2,793)
Exchange differences	87	308
	672	9,295

Details of the joint ventures as of 31 December 2023 are as follows:

Name of joint ventures	Principal activities	Country of incorporation	Financial year end	Equity interest held (%)	
				2023	2022
<b>Held by Hafary Pte Ltd:</b>					
* Melmer Stoneworks Pte Ltd #	Cutting, shaping and finishing of stone	Singapore	31 December	-	50.00
* Hafary Myanmar Investment Pte Ltd	Investment holding	Singapore	31 December	33.33	33.33
<b>Held by Hafary Building Materials Pte Ltd:</b>					
* Guangdong ITA Element Building Materials Co., Limited #	Production and distribution of tiles	People's Republic of China	31 December	-	50.00
<b>Held by Malaysian Mosaics Sdn Bhd:</b>					
* Sino Ceramics Sdn Bhd	In liquidation	Malaysia	31 March	19.00	19.00

\* Audited by a firm other than Ernst & Young PLT

# During the financial year, Melmer Stoneworks Pte Ltd and Guangdong ITA Element Building Materials Co., Limited become subsidiaries of the Group as disclosed in Note 6(c).

## NOTES TO THE FINANCIAL STATEMENTS

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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 2023.

The following table summarises the information of the Group's joint ventures, which are individually immaterial.

	<b>Group</b>	
	<b>2023</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
(i) Summary of financial information		
<i>As at 31 December:</i>		
Non-current assets	<b>1,539</b>	11,963
Current assets	<b>23,183</b>	68,992
Non-current liabilities	<b>(599)</b>	(15,901)
Current liabilities	<b>(22,110)</b>	(46,806)
Net assets	<b>2,013</b>	18,248
<i>Year ended 31 December:</i>		
Revenue	<b>51,152</b>	83,489
Profit for the year	<b>2,926</b>	2,739
(ii) Group's share of net assets/carrying amount in statement of financial position	<b>672</b>	9,295
(iii) Group's share of results of joint ventures	<b>972</b>	1,196
(iv) Dividends received from a joint venture	-	431

## NOTES TO THE FINANCIAL STATEMENTS

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## 9. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	2023 RM'000	2022 RM'000
<b>Cost:</b>		
At 1 January	2,458,233	1,398,923
Additions	162,065	1,328,749
Transfer from/(to):		
- property, plant and equipment (Note 4)	7,724	(35,600)
- investment properties (Note 5)	-	(149,570)
- property development costs (Note 14)	-	(79,492)
Costs charged to profit or loss	-	(4,777)
At 31 December	<b>2,628,022</b>	2,458,233
<b>Represented by:</b>		
Freehold land	1,643,822	1,621,816
Right-of-use assets – Leasehold land	507,034	502,039
Land development expenditure	477,166	334,378
	<b>2,628,022</b>	2,458,233

Included in additions was interest expense capitalised of RM84,292,000 (2022: RM55,062,000).

## NOTES TO THE FINANCIAL STATEMENTS

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## 10. INTANGIBLE ASSETS

	Goodwill RM'000	Customer relationship RM'000	Distributor rights RM'000	Total RM'000
<b>Group</b>				
<b>At cost</b>				
At 1 January 2022/31 December 2022/ 1 January 2023	105,163	44,594	1,523	151,280
Acquisition of a subsidiary	18,222	13,551	-	31,773
At 31 December 2023	123,385	58,145	1,523	183,053
<b>Accumulated amortisation/impairment loss</b>				
At 1 January 2022	68,427	44,594	323	113,344
Amortisation	-	-	102	102
At 31 December 2022/1 January 2023	68,427	44,594	425	113,446
Amortisation	-	2,257	102	2,359
At 31 December 2023	68,427	46,851	527	115,805
<b>Net carrying amount</b>				
At 31 December 2022	36,736	-	1,098	37,834
At 31 December 2023	54,958	11,294	996	67,248

**(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	
	2023 RM'000	2022 RM'000
Plantation	36,736	36,736
Building materials	18,222	-
	54,958	36,736

- (i) The recoverable amount of the plantation CGU has been determined based on the FVLCS method.
- (ii) The recoverable amount of the building materials CGU has been determined based on VIU method using the five-year cash flow projections and 5% (2022: Nil) growth rate approved by the management, with terminal growth rate of 1.99% (2022: Nil) and discounted at the pre-tax rate of 14.5% (2022: Nil) which reflects the risks specific to the CGU.

## NOTES TO THE FINANCIAL STATEMENTS

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**10. INTANGIBLE ASSETS (CONTINUED)****(b) Customer relationship**

The cost of customer relationship with definite useful life is amortised over period range of 5 to 6 years.

**(c) Distributor rights**

The cost of distributor rights with definite useful life is amortised over a period of 15 years.

**11. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Non-current</b>				
<b>Trade receivables</b>				
Hire purchase receivables	487,309	671,528	-	-
Loan receivables	772,939	1,035,895	-	-
Amounts due from an associate	36,840	54,939	-	-
	<b>1,297,088</b>	1,762,362	-	-
Less: Allowance for impairment	(87,151)	(56,309)	-	-
Advances received	(44,989)	(52,702)	-	-
	<b>1,164,948</b>	1,653,351	-	-
<b>Non-trade receivables</b>				
Net investment in lease	5,309	7,818	-	-
	<b>1,170,257</b>	1,661,169	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 11. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Current</b>				
<b>Trade receivables</b>				
Third parties	770,006	1,041,818	-	-
Lease receivables	141	141	-	-
Hire purchase receivables	378,797	440,899	-	-
Loan receivables	268,057	195,307	-	-
Amounts due from other related companies	380	162	-	-
Amounts due from associates	36,545	35,258	-	-
Amounts due from joint ventures	133	2,865	-	-
	<b>1,454,059</b>	1,716,450	-	-
Less: Allowance for impairment	(60,297)	(76,503)	-	-
Interest in suspense	(47,382)	(55,448)	-	-
Advances received	(28,292)	(31,710)	-	-
	<b>1,318,088</b>	1,552,789	-	-
<b>Non-trade receivables</b>				
Other receivables	70,027	105,845	423	991
Prepayments	41,977	47,085	11	16
Net investment in lease	272	278	-	-
Amounts due from an associate	909	240	-	-
Amounts due from joint ventures	3,802	12,002	-	-
	<b>116,987</b>	165,450	<b>434</b>	1,007
	<b>1,435,075</b>	1,718,239	<b>434</b>	1,007
Total trade and other receivables (current and non-current)	<b>2,605,332</b>	3,379,408	<b>434</b>	1,007
Less: Prepayments	(41,977)	(47,085)	(11)	(16)
Add: Cash and bank balances (Note 18)	<b>2,274,383</b>	1,431,980	<b>97,648</b>	161,770
<b>Total financial assets at amortised cost</b>	<b>4,837,738</b>	4,764,303	<b>98,071</b>	162,761

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**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 (2022: 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:

	<b>Gross receivables RM'000</b>	<b>Unearned interest RM'000</b>	<b>Net receivables RM'000</b>
<b>Group</b>			
<b>2023</b>			
Less than 1 year	<b>423,091</b>	<b>(44,153)</b>	<b>378,938</b>
Between 1 and 5 years	<b>523,467</b>	<b>(36,542)</b>	<b>486,925</b>
After 5 years	<b>778</b>	<b>(394)</b>	<b>384</b>
	<b>947,336</b>	<b>(81,089)</b>	<b>866,247</b>
<b>2022</b>			
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

**(iii) 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 RM73,038,000 (2022: RM89,864,000) 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).

**(iv) 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).

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 11. TRADE AND OTHER RECEIVABLES (CONTINUED)

## (a) Trade receivables (continued)

Ageing analysis of trade receivables

	Group	
	2023 RM'000	2022 RM'000
Total trade receivables:		
- Current	1,454,059	1,716,450
- Non-current	1,297,088	1,762,362
	<b>2,751,147</b>	3,478,812

The ageing analysis of trade receivables is as follows:

	Group	
	2023 RM'000	2022 RM'000
Neither past due nor impaired	154,209	180,055
Past due but not impaired:		
- Past due 1 – 30 days	21,097	23,641
- Past due 31 – 90 days	10,446	16,884
- Past due more than 90 days	13,837	17,494
	<b>45,380</b>	58,019
Assessed individually	340,660	101,994
Assessed collectively	2,210,898	3,138,744
Total trade receivables	<b>2,751,147</b>	3,478,812

The movement in the allowance for impairment loss is as follows:

	Group	
	2023 RM'000	2022 RM'000
At 1 January	132,812	132,410
Allowance for impairment losses (Note 30)	64,865	10,470
Reversal of impairment losses (Note 30)	(21,165)	(4,142)
Written off	(29,145)	(5,501)
Disposal of subsidiaries	(600)	(654)
Exchange differences	681	229
At 31 December	<b>147,448</b>	132,812

## 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	
	2023 RM'000	2022 RM'000
At 1 January	8,096	9,352
Interest income	604	1,188
Lease payment received	(870)	(1,440)
Impairment loss	-	(1,004)
Derecognition	(2,249)	-
At 31 December	5,581	8,096

The lease payments to be received are as follows:

	Group	
	2023 RM'000	2022 RM'000
Less than one year	464	1,440
One to two years	464	1,440
Two to three years	464	1,440
Three to four years	464	1,440
Four to five years	464	1,440
More than five years	4,950	16,800
Total undiscounted lease payments	7,270	24,000
Unearned interest income	(1,689)	(12,470)
	5,581	11,530
Less: Impairment loss	-	(3,434)
Net investment in lease	5,581	8,096

The following are recognised in profit or loss:

	Group	
	2023 RM'000	2022 RM'000
Variable lease income that do not depend on an index or a rate	1,640	1,490

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**11. TRADE AND OTHER RECEIVABLES (CONTINUED)****(b) Non-trade receivables (continued)****(ii) Amounts due from an associate**

Amounts due from an associate is unsecured, non-interest bearing and repayable on demand except for an amount of RM240,000 in the previous financial year for the Group which bore an interest rate of 4.08% 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 in the previous financial year for the Group which bore an interest rate of 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:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
United States Dollar ["USD"]	<b>15,335</b>	26,963
Singapore Dollar ["SGD"]	<b>77</b>	2,656
Euro	<b>87</b>	2,032
Japanese Yen ["JPY"]	-	618
Chinese Renminbi ["RMB"]	<b>7,913</b>	-
	<b>23,412</b>	32,269

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 12. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

	Group	
	2023 RM'000	2022 RM'000
<b>OTHER FINANCIAL ASSETS</b>		
<b>Non-current</b>		
Financial assets at fair value through other comprehensive income		
- Equity investments (unquoted in Malaysia)	12	15,012
Derivatives - designated as hedging instrument		
- Cross currency interest rate swaps - cash flow hedges	-	32,007
Financial assets at fair value through profit or loss		
- Equity investments (quoted outside Malaysia)	1,176	1,099
- Equity investments (unquoted outside Malaysia)	126	-
	<b>1,302</b>	1,099
	<b>1,314</b>	48,118
<b>Current</b>		
Derivatives - designated as hedging instrument		
- Cross currency interest rate swaps - cash flow hedges	53,829	10,246
Derivatives - not designated as hedging instrument		
- Forward currency contracts	458	503
	<b>54,287</b>	10,749
<b>OTHER FINANCIAL LIABILITIES</b>		
<b>Current</b>		
Derivatives - designated as hedging instrument		
- Forward currency contracts - cash flow hedges	-	1,528
- Cross currency interest rate swaps - cash flow hedges	2,792	5,781
	<b>2,792</b>	7,309
Derivatives - not designated as hedging instrument		
- Forward currency contracts	6,294	11,847
	<b>9,086</b>	19,156

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**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 RMB which existed at the reporting date, extending to June 2024 (2022: June 2023). 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 (2022: 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	
	2023	2022
	RM'000	RM'000
<b>Cost</b>		
Properties held for sale	249,739	754,269
Raw materials	81,555	85,826
Produce inventories	3,516	3,358
Work-in-progress	6,468	6,248
Finished goods	808,715	805,696
	<b>1,149,993</b>	1,655,397
<b>Net realisable value</b>		
Properties held for sale	282,200	-
Raw materials	8,432	24,907
Produce inventories	49,613	56,564
Finished goods	118,277	218,525
	<b>458,522</b>	299,996
	<b>1,608,515</b>	1,955,393
<b>Recognised in profit or loss</b>		
Inventories recognised as cost of sales	<b>4,435,864</b>	5,267,227

## NOTES TO THE FINANCIAL STATEMENTS

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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
<b>Group</b>				
At 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 2022/1 January 2023	<b>100,927</b>	<b>98,513</b>	<b>(20,749)</b>	<b>178,691</b>
Transfer to inventories	<b>(17,696)</b>	<b>(62,530)</b>	-	<b>(80,226)</b>
Costs incurred during the year	-	<b>27,749</b>	-	<b>27,749</b>
Costs charged to profit or loss	-	-	<b>(19,023)</b>	<b>(19,023)</b>
Reversal of completed projects	-	<b>(25,475)</b>	<b>25,475</b>	-
At 31 December 2023	<b>83,231</b>	<b>38,257</b>	<b>(14,297)</b>	<b>107,191</b>

Included in the property development costs incurred during the financial year was interest expense capitalised of RM3,176,000 (2022: RM3,154,000).

The property development costs included contract costs assets as follows:

	Group	
	2023 RM'000	2022 RM'000
<b>Contract cost assets</b>		
Costs to obtain contracts with customers	<b>253</b>	475
Costs to fulfil contracts	<b>416</b>	80,523
	<b>669</b>	80,998

## NOTES TO THE FINANCIAL STATEMENTS

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## 15. BIOLOGICAL ASSETS

	Group	
	2023 RM'000	2022 RM'000
At 1 January	28,508	57,721
Net loss from fair value adjustments recognised in profit or loss (Note 30)	(8,075)	(29,213)
At 31 December	20,433	28,508

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 2023, the estimated quantity of unharvested FFB of the Group included in the fair value of FFB was 99,000 tonnes (2022: 99,000 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.

	Increase/ (Decrease) in price and volume	Increase/(Decrease) in fair value of biological assets and profit before tax for the year	
		2023 RM'000	2022 RM'000
Selling price	10%	6,995	7,774
	(10%)	(6,995)	(7,774)
Production volume	10%	1,990	2,832
	(10%)	(1,990)	(2,832)

## NOTES TO THE FINANCIAL STATEMENTS

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## 16. CONTRACT ASSETS AND CONTRACT LIABILITIES

	Group	
	2023 RM'000	2022 RM'000
<b>CONTRACT ASSETS</b>		
<b>Current</b>		
- Property development	13,272	22,420
<b>CONTRACT LIABILITIES</b>		
<b>Non-current</b>		
- Property development	37,028	55,323
<b>Current</b>		
- Property development	43,686	51,709
- Goods and services	32,641	34,223
	<b>76,327</b>	<b>85,932</b>

## (a) Property development

Movement of contract assets and contract liabilities in relation to property development is analysed as follows:

	Group	
	2023 RM'000	2022 RM'000
At 1 January	(84,612)	(80,926)
Add: Property development revenue recognised during the year	23,207	58,724
Add: Legal fees	1,119	3,474
Less: Progress billings during the year	(7,156)	(65,884)
At 31 December	(67,442)	(84,612)
Analysed as follows:		
- Contract assets	13,272	22,420
- Contract liabilities	(80,714)	(107,032)
	<b>(67,442)</b>	<b>(84,612)</b>

The remaining contractual billings to customers from property development activities amounted to RM14,860,000 (2022: RM50,108,000) 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 (2022: within 1 year to 2 years).

## NOTES TO THE FINANCIAL STATEMENTS

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### 16. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

#### (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 RM154,658,000 (2022: RM698,793,000) denominated in USD. Other information on financial risks of money market deposits are disclosed in Note 41.

### 18. CASH AND BANK BALANCES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash at banks and on hand	<b>1,194,687</b>	440,369	<b>7,423</b>	1,495
Deposits with licensed banks	<b>1,079,696</b>	991,611	<b>90,225</b>	160,275
Cash and bank balances	<b>2,274,383</b>	1,431,980	<b>97,648</b>	161,770

Included in cash at banks of the Group are amounts totalling RM24,246,000 (2022: RM25,417,000), 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 RM1,026,336,000 (2022: RM317,945,000) and RM6,473,000 (2022: RM773,000) respectively which earned interest at floating rates of 0.05% to 5.00% (2022: 0.05% to 4.50%) per annum for the Group and 2.15% to 3.00% (2022: 1.90% to 2.50%) per annum for the Company.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
USD	27,118	16,458	944	-
SGD	102,860	138,692	85,704	136,276
Euro	362	79	-	-
RMB	5	-	-	-
Pound Sterling ["GBP"]	4,737	839	4,521	715
	<b>135,082</b>	156,068	<b>91,169</b>	136,991

Other information on financial risks of cash and cash equivalents are disclosed in Note 41

**19. TRADE AND OTHER PAYABLES**

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Non-current</b>				
<b>Trade payables</b>				
Accruals	159,028	168,234	-	-
<b>Non-trade payables</b>				
Advance received	8,099	8,060	-	-
Deferred lease income	905	919	-	-
Deposits received	18,167	14,757	-	-
Amounts due to a subsidiary	-	-	530,600	931,500
	<b>27,171</b>	23,736	<b>530,600</b>	931,500
	<b>186,199</b>	191,970	<b>530,600</b>	931,500
<b>Current</b>				
<b>Trade payables</b>				
Third parties	614,918	629,997	-	-
Accruals	60,340	101,382	-	-
Amounts due to other related companies	1,152	940	-	-
Amounts due to joint ventures	1,557	3,093	-	-
	<b>677,967</b>	735,412	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 19. TRADE AND OTHER PAYABLES (CONTINUED)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Non-trade payables</b>				
Accruals	197,669	235,966	4,378	4,209
Other payables	326,707	248,072	122	86
Advance received	532	623	-	-
Deferred lease income	736	603	-	-
Deposits received	13,053	12,497	-	-
Amounts due to joint ventures	20	2,638	-	-
Amounts due to subsidiaries	-	-	2,188	2,439
	538,717	500,399	6,688	6,734
	1,216,684	1,235,811	6,688	6,734
Total trade and other payables (current and non-current)	1,402,883	1,427,781	537,288	938,234
Less: Deferred lease income	(1,641)	(1,522)	-	-
Add: Borrowings (Note 22)	6,834,261	7,069,000	-	-
Lease liabilities (Note 23)	133,996	139,816	27	9
<b>Total financial liabilities at amortised cost</b>	<b>8,369,499</b>	<b>8,635,075</b>	<b>537,315</b>	<b>938,243</b>

## (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 (2022: 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

31 DECEMBER 2023

**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 joint ventures**

Amounts due to joint ventures are unsecured, non-interest bearing and payable in accordance with the normal credit terms.

**(iii) 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 RM530,600,000 (2022: RM931,500,000) which bears interest at rate of 4.52% (2022: 4.05%) per annum.

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:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
USD	<b>230,961</b>	278,847
Euro	<b>11,236</b>	10,615
RMB	<b>14,468</b>	807
SGD	<b>714</b>	821
JPY	<b>6,806</b>	7,095
	<b>264,185</b>	298,185

## NOTES TO THE FINANCIAL STATEMENTS

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## 20. PROVISIONS

	Rebates RM'000 (i)	Land conversion premium obligations RM'000 (ii)	Assets retirement obligations RM'000 (iii)	Warranties RM'000 (iv)	Total RM'000
<b>Group</b>					
At 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/ 1 January 2023	<b>3,673</b>	<b>313,656</b>	<b>500</b>	<b>337</b>	<b>318,166</b>
Provision made during the year	<b>3,413</b>	-	-	<b>1,808</b>	<b>5,221</b>
Provision utilised during the year	<b>(3,897)</b>	-	-	<b>(90)</b>	<b>(3,987)</b>
Provision reversed during the year	-	-	-	<b>(303)</b>	<b>(303)</b>
Exchange differences	<b>224</b>	-	-	-	<b>224</b>
At 31 December 2023	<b>3,413</b>	<b>313,656</b>	<b>500</b>	<b>1,752</b>	<b>319,321</b>

- (i) Provision for rebates relates to rebates given by a foreign subsidiary to customers for settlement of account within credit terms.
- (ii) Provision for land conversion premium obligations relates to obligations to pay the conversion premium for the land sold.
- (iii) Provision for asset retirement obligations relates to obligations to restore the leased assets to its original state after the tenure of the lease.
- (iv) 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

31 DECEMBER 2023

**21. EMPLOYEE BENEFITS****Retirement benefits**

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Defined benefit liability	<b>1,412</b>	3,122

Certain subsidiaries of the Group make contribution to non-contributory defined benefit plan that provide pension for employees upon retirement.

**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.

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	<b>3,122</b>	2,691
Exchange differences	<b>72</b>	(32)
	<b>3,194</b>	2,659
Included in profit or loss:		
Current service cost	<b>(759)</b>	221
Interest cost	<b>66</b>	144
Past service credit	<b>27</b>	212
	<b>(666)</b>	577
Included in other comprehensive income:		
Remeasurement loss	<b>1,382</b>	-
Others:		
Benefits paid	<b>(2,503)</b>	(95)
Exchange differences	<b>5</b>	(19)
At 31 December	<b>1,412</b>	3,122

**Plan assets**

There are no assets which qualify as plan assets because the plan is not a funded arrangement.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**21. EMPLOYEE BENEFITS (CONTINUED)****Actuarial assumptions**

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	%	%
Discount rate	<b>6.55</b>	3.90 – 6.75
Future salary growth	<b>7.00</b>	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.

	<b>Group</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Discount rate (1% movement)	<b>(35)</b>	<b>39</b>	(275)	327
Future salary growth (1% movement)	<b>40</b>	<b>(37)</b>	172	(152)

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

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current</b>		
Secured:		
Term loans	<b>551,356</b>	567,838
Unsecured:		
Term loans	<b>384,865</b>	859,397
Medium term notes	<b>3,205,000</b>	3,120,000
	<b>3,589,865</b>	3,979,397
	<b>4,141,221</b>	4,547,235
<b>Current</b>		
Secured:		
Term loans	<b>40,012</b>	35,643
Revolving credits	<b>93,156</b>	124,716
	<b>133,168</b>	160,359
Unsecured:		
Term loans	<b>854,494</b>	420,421
Revolving credits	<b>792,347</b>	560,355
Trust receipts	<b>55,817</b>	89,500
Bankers' acceptances	<b>92,214</b>	266,130
Medium term notes	<b>765,000</b>	1,025,000
	<b>2,559,872</b>	2,361,406
	<b>2,693,040</b>	2,521,765
<b>Total borrowings</b>	<b>6,834,261</b>	7,069,000

## 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 upsized the MTN Programme to RM10.0 billion in nominal value and extended its tenure to perpetual. The Programmes have a new combined limit of up to RM10.0 billion in nominal value.

The remaining maturities of the borrowings are as follows:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	<b>2,693,040</b>	2,521,765
More than 1 year and less than 2 years	<b>1,242,253</b>	1,496,686
More than 2 years and less than 5 years	<b>2,532,717</b>	2,830,413
More than 5 years	<b>366,251</b>	220,136
	<b>6,834,261</b>	7,069,000

Included in borrowings are amounts denominated in foreign currencies (currencies which are other than the respective functional currencies of the Group entities) as follows:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
USD	<b>670,870</b>	989,079
Euro	<b>35,619</b>	47,119
JPY	<b>720</b>	8,575
	<b>707,209</b>	1,044,773

Other information on financial risks of borrowings are disclosed in Note 41.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**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
<b>Group</b>				
<b>2023</b>				
Term loans	1,883,299	90,871	(143,443)	1,830,727
Revolving credits	685,071	195,356	5,076	885,503
Trust receipts	89,500	(38,251)	4,568	55,817
Bankers' acceptances	266,130	(173,916)	-	92,214
Medium term notes	4,145,000	(175,000)	-	3,970,000
	<b>7,069,000</b>	<b>(100,940)</b>	<b>(133,799)</b>	<b>6,834,261</b>
Lease liabilities	139,816	(24,939)	19,119	133,996
Total liabilities from financing activities	<b>7,208,816</b>	<b>(125,879)</b>	<b>(114,680)</b>	<b>6,968,257</b>
<b>2022</b>				
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
	<b>6,316,317</b>	<b>679,791</b>	<b>72,892</b>	<b>7,069,000</b>
Lease liabilities	142,312	(27,633)	25,137	139,816
Total liabilities from financing activities	<b>6,458,629</b>	<b>652,158</b>	<b>98,029</b>	<b>7,208,816</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**23. LEASE LIABILITIES**

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 January	<b>139,816</b>	142,312	<b>9</b>	9
Additions	<b>17,517</b>	23,418	<b>32</b>	15
Accretion of interest	<b>4,933</b>	5,230	<b>1</b>	-
Acquisition of subsidiaries	<b>3,442</b>	-	-	-
Modifications	<b>(4,754)</b>	(912)	-	-
Payments	<b>(29,872)</b>	(32,863)	<b>(15)</b>	(15)
Exchange differences	<b>2,914</b>	2,631	-	-
At 31 December	<b>133,996</b>	139,816	<b>27</b>	9
Non-current	<b>109,387</b>	117,515	<b>11</b>	-
Current	<b>24,609</b>	22,301	<b>16</b>	9
	<b>133,996</b>	139,816	<b>27</b>	9

During the financial year, the Group and the Company had cash outflows for leases amounted to RM29,872,000 (2022: RM32,863,000) and RM15,000 (2022: RM15,000) respectively. In addition, the Group and the Company had cash outflows for short term, low value and variable lease expense amounted to RM41,326,000 (2022: RM39,255,000) and RM1,339,000 (2022: RM1,362,000) 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 January	<b>439,490</b>	417,341	<b>8</b>	10
Acquisition of subsidiaries	<b>3,246</b>	-	-	-
Recognised in profit or loss (Note 33)	<b>(13,577)</b>	17,545	<b>17</b>	(2)
Recognised in equity	-	3,468	-	-
Exchange differences	<b>963</b>	1,136	-	-
At 31 December	<b>430,122</b>	439,490	<b>25</b>	8

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 24. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (CONTINUED)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Presented after appropriate offsetting as follows:</b>				
Deferred tax liabilities	<b>497,478</b>	494,110	<b>25</b>	8
Deferred tax assets	<b>(67,356)</b>	(54,620)	-	-
	<b>430,122</b>	439,490	<b>25</b>	8

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 2023	<b>447,580</b>	<b>82,961</b>	<b>6,326</b>	<b>536,867</b>
Acquisition of subsidiaries	-	-	<b>3,246</b>	<b>3,246</b>
Recognised in profit or loss	<b>(1,868)</b>	<b>13,514</b>	<b>(2,671)</b>	<b>8,975</b>
Exchange differences	<b>1,112</b>	-	<b>(63)</b>	<b>1,049</b>
At 31 December 2023	<b>446,824</b>	<b>96,475</b>	<b>6,838</b>	<b>550,137</b>
Less: Deferred tax assets offset				<b>(52,659)</b>
Deferred tax liabilities recognised				<b>497,478</b>
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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**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 2023	(29,539)	(10,022)	(57,816)	(97,377)
Recognised in profit or loss	(11,976)	7,426	(18,002)	(22,552)
Exchange differences	-	(1)	(85)	(86)
At 31 December 2023	(41,515)	(2,597)	(75,903)	(120,015)
Offset against deferred tax liabilities				52,659
Deferred tax assets recognised				(67,356)
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)

**Deferred tax liabilities of the Company:**

	2023 RM'000	2022 RM'000
<b>Property, plant and equipment</b>		
At 1 January	8	10
Recognised in profit or loss	17	(2)
At 31 December	25	8

## 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	
	2023 RM'000	2022 RM'000
Unutilised tax losses	315,164	266,589
Unabsorbed capital and agriculture allowances	176,565	178,885
Unabsorbed reinvestment allowances	198,200	198,200
Other temporary differences	374,684	357,523
	<b>1,064,613</b>	1,001,197

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.

The expiry date of unutilised tax losses is shown below:

	Expiry Year	Group	
		2023 RM'000	2022 RM'000
Year of assessment			
- 2018	2028	150,934	145,822
- 2019	2029	21,194	21,462
- 2020	2030	63,540	55,868
- 2021	2031	28,706	26,620
- 2022	2032	21,619	16,817
- 2023	2033	29,171	-
		<b>315,164</b>	266,589

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 25. SHARE CAPITAL AND TREASURY SHARES

## (a) Share capital

	Number of ordinary shares		Amount	
	2023 '000	2022 '000	2023 RM'000	2022 RM'000
Issued and fully paid:				
At 1 January/31 December	<b>2,489,682</b>	2,489,682	<b>3,519,554</b>	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 25 May 2023, 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 2023, the Company held a total of 12,000 (2022: 12,000) ordinary shares at average cost per share of RM9.42 (2022: RM9.42) as treasury shares.

## 26. RESERVES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(a) Non-distributable reserves	<b>144,914</b>	118,654	-	-
(b) Distributable reserve				
- Retained profits	<b>4,212,092</b>	4,035,566	<b>2,354,881</b>	2,299,638
	<b>4,357,006</b>	4,154,220	<b>2,354,881</b>	2,299,638

## 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
<b>Group</b>					
At 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 prior being transferred 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/ 1 January 2023	<b>35,038</b>	<b>(6,208)</b>	<b>4,827</b>	<b>84,997</b>	<b>118,654</b>
Foreign currency translation differences for foreign operations	-	-	25,858	-	25,858
Share of foreign currency translation differences of:					
- associates	-	-	5,780	-	5,780
- joint ventures	-	-	70	-	70
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	-	(12,519)	-	(12,519)
Change in fair value of cash flow hedge	-	6,155	-	-	6,155
Revaluation of property, plant and equipment prior being transferred to investment properties	-	-	-	916	916
Total other comprehensive income for the year	-	6,155	19,189	916	26,260
At 31 December 2023	<b>35,038</b>	<b>(53)</b>	<b>24,016</b>	<b>85,913</b>	<b>144,914</b>

# 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 (2022: 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 (2022: 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 2023 under the single tier system.

## NOTES TO THE FINANCIAL STATEMENTS

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**27. REVENUE AND COST OF SALES**

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Revenue from contract with customers:</b>				
- Sale of plantation produce	667,835	814,554	-	-
- Sale of goods and services	4,807,210	5,614,879	-	-
- Sale of properties under development	23,207	58,724	-	-
- Sale of completed properties	329,736	322,582	-	-
- Sale of land	-	40,292	-	-
	<b>5,827,988</b>	6,851,031	-	-
<b>Revenue from other sources:</b>				
- Dividend income:				
- From subsidiaries	-	-	686,655	791,973
- From associates	-	-	3,654	4,649
- Interest income from provision of financial services	180,672	186,754	-	-
- Property rental	77,458	72,711	-	-
	<b>258,130</b>	259,465	<b>690,309</b>	796,622
	<b>6,086,118</b>	7,110,496	<b>690,309</b>	796,622
<b>Timing and recognition:</b>				
- At a point in time	5,693,825	6,711,884	-	-
- Over time	134,163	139,147	-	-
	<b>5,827,988</b>	6,851,031	-	-

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.

## NOTES TO THE FINANCIAL STATEMENTS

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## 28. FINANCE COSTS

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Interest expense on:				
Bank borrowings	<b>303,931</b>	213,114	-	-
Borrowings from other institutions	<b>1,797</b>	3,281	-	-
Amount due to a subsidiary	-	-	<b>29,407</b>	16,073
Lease liabilities	<b>4,933</b>	5,230	<b>1</b>	-
Others	<b>16,976</b>	16,034	-	-
	<b>327,637</b>	237,659	<b>29,408</b>	16,073
Less: Interest expense capitalised in:				
- Property, plant and equipment (Note 4)	<b>(19,073)</b>	(18,548)	-	-
- Investment properties (Note 5)	<b>(14,800)</b>	(5,023)	-	-
- Land held for property development (Note 9)	<b>(84,292)</b>	(55,062)	-	-
- Property development costs (Note 14)	<b>(3,176)</b>	(3,154)	-	-
	<b>206,296</b>	155,872	<b>29,408</b>	16,073

## 29. OTHER GAIN/(LOSS) ITEMS

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>(a) Other gain items</b>				
Gain on disposal of subsidiaries	<b>600,284</b>	425,099	-	-
Gain on disposal of equity interest in a subsidiary	-	-	-	44,339
Reversal of impairment loss on investment in associates	-	-	<b>5,201</b>	-
Reversal of impairment loss on investment in subsidiaries	-	-	<b>8,634</b>	33,479
	<b>600,284</b>	425,099	<b>13,835</b>	77,818
<b>(b) Other loss items</b>				
Impairment loss on investment in associates	<b>(11,094)</b>	(10,590)	-	(2,714)

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**30. PROFIT BEFORE TAX**

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration:				
- current year				
- Ernst & Young PLT	1,126	1,041	190	180
- overseas member firms of Ernst & Young	139	234	27	27
- other auditors	2,516	2,211	-	-
- under provision in prior years				
- Ernst & Young PLT	99	37	10	10
- overseas member firms of Ernst & Young	4	16	1	-
- other auditors	57	38	-	-
Non audit fees for services rendered by:				
- Ernst & Young PLT	20	15	20	15
- local member firms of Ernst & Young PLT	361	442	55	51
- overseas member firms of Ernst & Young	10	68	-	-
Short term, low value and variable lease expenses	41,326	39,255	1,339	1,362
Depreciation of property, plant and equipment (Note 4)	209,095	195,278	156	254
Amortisation of intangible assets (Note 10)	2,359	102	-	-
Property, plant and equipment written off	4,390	3,700	-	-
Investment properties written off	1,321	18	-	-
Bad debts written off	111	90	-	-
Impairment loss on trade receivables (Note 11)	64,865	10,470	-	-
Impairment loss on property, plant and equipment	12,309	4,563	-	-
Impairment loss on net investment in lease	-	1,004	-	-
Net inventories written down	53,931	11,016	-	-
Employee benefits expenses (Note 31)	559,714	492,968	15,650	14,396
Direct operating expenses arising from investment properties – rental generating properties	43,293	36,744	-	-
Gain on equity investment at fair value through profit or loss	(7)	(706)	-	-
Gain on money market deposits at fair value	(36,349)	(30,057)	(12,053)	(6,864)

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**30. PROFIT BEFORE TAX (CONTINUED)**

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before tax is arrived at after charging/(crediting): (continued)				
Net loss from fair value adjustments of biological assets	<b>8,075</b>	29,213	-	-
Net foreign exchange gain	<b>(5,896)</b>	(18,708)	<b>(3,407)</b>	(18,995)
Gain on disposal of property, plant and equipment	<b>(1,894)</b>	(5,390)	-	-
Gain on remeasurement of a joint venture to a subsidiary	<b>(26,143)</b>	-	-	-
Net loss from fair value adjustments of investment properties (Note 5)	<b>99,090</b>	19,601	-	-
Dividend income from equity investment at fair value through other comprehensive income	<b>(742)</b>	(750)	-	-
Dividend income from money market deposits	<b>(22,279)</b>	(2,614)	<b>(8,160)</b>	(723)
Dividend income:				
- from subsidiaries	-	-	<b>(686,655)</b>	(791,973)
- from associates	-	-	<b>(3,654)</b>	(4,649)
Reversal of impairment losses				
- trade receivables (Note 11)	<b>(21,165)</b>	(4,142)	-	-
Reversal of provisions	<b>(303)</b>	(4,037)	-	-
Recovery of bad debts	<b>(454)</b>	(516)	-	-
Rental income from properties	<b>(23,005)</b>	(21,992)	-	-
Interest income from:				
- deposits with licensed banks	<b>(46,183)</b>	(25,013)	<b>(11,738)</b>	(3,479)
- discounting on retention sum	<b>(2,094)</b>	(2,863)	-	-
- an associate	<b>(3)</b>	-	-	-
- others	<b>(2,100)</b>	(3,089)	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**31. EMPLOYEE BENEFITS EXPENSES**

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Salaries and other staff related expenses	<b>518,714</b>	457,059	<b>14,148</b>	12,834
Pension costs – defined contribution plans	<b>41,000</b>	35,909	<b>1,502</b>	1,562
	<b>559,714</b>	492,968	<b>15,650</b>	14,396

Included in employee benefits expenses of the Group and of the Company were executive directors' remuneration of RM37,721,000 (2022: RM34,766,000) and RM13,293,000 (2022: RM12,276,000) respectively as further disclosed in Note 32.

**32. KEY MANAGEMENT PERSONNEL COMPENSATION**

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Executive directors' remuneration:				
Fees				
- Directors of the Company	<b>204</b>	192	-	-
Other emoluments				
- Directors of the Company	<b>9,658</b>	9,200	<b>8,229</b>	7,836
- Directors of subsidiaries	<b>27,859</b>	25,374	<b>5,064</b>	4,440
	<b>37,721</b>	34,766	<b>13,293</b>	12,276
Non-executive directors' remuneration:				
Fees				
- Directors of the Company	<b>1,013</b>	1,059	<b>895</b>	941
- Directors of subsidiaries	<b>1,675</b>	1,623	-	-
Other emoluments				
- Directors of subsidiaries	<b>560</b>	480	-	-
	<b>3,248</b>	3,162	<b>895</b>	941
Total directors' remuneration	<b>40,969</b>	37,928	<b>14,188</b>	13,217
Other key management personnel compensation	<b>55,361</b>	58,667	<b>1,926</b>	1,840
	<b>96,330</b>	96,595	<b>16,114</b>	15,057

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

### 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 RM8,064,000 (2022: RM8,741,000) and RM1,502,000 (2022: RM1,562,000) 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Directors of the Company	129	112	129	112
Directors of subsidiaries	375	353	50	71
Other key management personnel	2,281	1,889	81	15
	<b>2,785</b>	2,354	<b>260</b>	198

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 33. TAX EXPENSE

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Malaysian income tax:				
- Current income tax	<b>168,292</b>	221,844	<b>4,437</b>	835
- Under/(over) provision in prior year	<b>526</b>	(7,544)	<b>50</b>	(3)
	<b>168,818</b>	214,300	<b>4,487</b>	832
Foreign income tax:				
- Current income tax	<b>38,025</b>	34,963	-	-
- Under provision in prior year	<b>161</b>	769	-	-
	<b>38,186</b>	35,732	-	-
Total income tax	<b>207,004</b>	250,032	<b>4,487</b>	832
Deferred tax (Note 24):				
- Relating to origination and reversal of temporary differences	<b>(9,686)</b>	17,789	<b>17</b>	(4)
- (Over)/under provision in prior year	<b>(3,891)</b>	(244)	-	2
Total deferred tax	<b>(13,577)</b>	17,545	<b>17</b>	(2)
Total tax expense	<b>193,427</b>	267,577	<b>4,504</b>	830

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2022: 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

31 DECEMBER 2023

**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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before tax	<b>1,101,919</b>	1,330,460	<b>682,164</b>	858,935
Taxation at Malaysian statutory tax rate of 24% (2022: 24%)	<b>264,461</b>	319,310	<b>163,719</b>	206,144
Effect of Cukai Makmur at the tax rate of 33%	-	22,562	-	-
Effect of different tax rates in other countries	<b>(12,841)</b>	(9,882)	-	-
Income not subject to tax	<b>(162,035)</b>	(120,140)	<b>(172,705)</b>	(218,965)
Expenses not deductible for tax purposes	<b>99,135</b>	77,346	<b>13,440</b>	13,652
Effect of share of results of associates	<b>(7,144)</b>	(5,460)	-	-
Effect of share of results of joint ventures	<b>(165)</b>	(203)	-	-
Deferred tax assets not recognised/(utilisation of previously unrecognised deferred tax assets)	<b>15,220</b>	(8,937)	-	-
Under/(over) provision in prior year				
- income tax	<b>687</b>	(6,775)	<b>50</b>	(3)
- deferred tax	<b>(3,891)</b>	(244)	-	2
Tax expense for the year	<b>193,427</b>	267,577	<b>4,504</b>	830

**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	
	2023	2022
Profit attributable to owners of the Company (RM'000)	<b>800,325</b>	950,655
Weighted average number of ordinary shares ('000)	<b>2,489,670</b>	2,489,670
Basic earnings per share (sen)	<b>32.15</b>	38.18

The Group has no potential dilutive shares in issue as at reporting date and therefore, diluted earnings per share has not been presented.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**35. DIVIDENDS**

	<b>Group/Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Recognised during the year:</b>		
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
Dividends paid in respect of financial year ended 31 December 2023:		
- first interim (10 sen per ordinary share under single tier system)	<b>248,967</b>	-
- second interim (15 sen per ordinary share under single tier system)	<b>373,450</b>	-
	<b>622,417</b>	746,901

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2023.

No dividend is payable for treasury shares held or cancelled.

**36. CAPITAL COMMITMENTS**

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Capital expenditure:		
Contracted but not provided for		
- Property, plant and equipment	<b>420,330</b>	816,171
- Investment properties	<b>563,728</b>	487,434
	<b>984,058</b>	1,303,605

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

### 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	
	2023 RM'000	2022 RM'000
Within one year	87,516	80,446
After one year but not more than five years	97,078	90,941
	<b>184,594</b>	171,387

### 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
- (vi) Building materials - Operation of stone quarries and asphalt plants, manufacture of bricks and tiles, distribution and wholesale of building materials

Segment accounting policies are the same as the policies described in Note 2, Material 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

31 DECEMBER 2023

## 38. SEGMENT INFORMATION (CONTINUED)

2023	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
<b>Revenue</b>									
External revenue	667,835	466,303	182,340	1,375,635	2,557,886	836,119	-	-	6,086,118
Inter-segment revenue	-	27,781	48,505	14,196	237,306	115,923	-	(443,711)	-
Total revenue	667,835	494,084	230,845	1,389,831	2,795,192	952,042	-	(443,711)	6,086,118
<b>Results</b>									
Operating profit	123,407	(60,374)	155,735	65,246	217,313	202,965	24,189	(43,420)	685,061
Finance costs									(206,296)
Other gain items									600,284
Other loss items									(11,094)
Share of results of associates									32,992
Share of results of joint ventures									972
Profit before tax									1,101,919
Tax expense									(193,427)
Profit for the year									908,492
Non-controlling interests									(108,167)
Profit attributable to owners of the Company									800,325

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 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
<b>2023 (continued)</b>								
<b>Assets and liabilities</b>								
Segment assets	2,404,630	7,975,621	2,628,659	697,347	1,541,896	1,945,595	757,993	17,951,741
Investment in associates								500,795
Investment in joint ventures								672
Deferred tax assets								67,356
Tax recoverable								130,070
<b>Total assets</b>								<b>18,650,634</b>
Segment liabilities	63,257	1,394,098	1,032,594	191,214	585,708	1,144,742	4,402,701	8,814,314
Deferred tax liabilities								497,478
Tax payable								64,108
<b>Total liabilities</b>								<b>9,375,900</b>
<b>Other information</b>								
Additions to non-current assets	78,150	922,663	11,049	12,751	10,952	93,981	1,186	1,130,732
Depreciation and amortisation	76,404	18,587	10,052	23,380	17,061	63,939	2,031	211,454
Impairment losses	-	1,531	-	-	7,977	2,801	11,094	23,403

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 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
<b>Revenue</b>									
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
<b>Results</b>									
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

31 DECEMBER 2023

## 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
<b>2022 (continued)</b>								
<b>Assets and liabilities</b>								
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
<b>Total assets</b>								<b>18,654,245</b>
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
<b>Total liabilities</b>								<b>9,660,022</b>
<b>Other information</b>								
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)**

Additions to non-current assets consist of the following:

	Group	
	2023 RM'000	2022 RM'000
Property, plant and equipment	471,568	674,206
Investment properties	497,099	102,981
Land held for property development	162,065	1,328,749
	<b>1,130,732</b>	<b>2,105,936</b>

**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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Malaysia	4,656,068	5,887,879	9,060,607	8,577,564
Other Asian countries	1,334,947	1,102,711	1,059,854	919,592
Others	95,103	119,906	4	38
	<b>6,086,118</b>	<b>7,110,496</b>	<b>10,120,465</b>	<b>9,497,194</b>

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2023 RM'000	2022 RM'000
Property, plant and equipment	4,650,184	4,761,399
Investment properties	2,775,011	2,239,728
Land held for property development	2,628,022	2,458,233
Intangible assets	67,248	37,834
	<b>10,120,465</b>	<b>9,497,194</b>

## NOTES TO THE FINANCIAL STATEMENTS

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### 39. MATERIAL LITIGATIONS

- (a) Hap Seng Plantations (River Estates) Sdn Bhd ["RESB"], the 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 ["1<sup>st</sup> Defendant"] and HCH was added as the second defendant ["2<sup>nd</sup> Defendant"] to the KL RESB Suit on 16 June 2012.

On 10 August 2012, upon the 1<sup>st</sup> 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 1<sup>st</sup> and 2<sup>nd</sup> 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 1<sup>st</sup> 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 2<sup>nd</sup> 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 1<sup>st</sup> and 2<sup>nd</sup> 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. Parties have filed their written submissions and reply submissions to the Court. The decision is scheduled to be delivered on 24 April 2024.

On a separate note, HCH was charged in the Kota Kinabalu Sessions Court for four counts of cheating and forgery in respect of the Alleged PA. The criminal proceedings against HCH began on 27 October 2014. On 16 May 2016, the Kota Kinabalu Sessions Court found HCH guilty of cheating and forgery under sections 420 and 471 of the Penal Code with which HCH was sentenced to twelve months of imprisonment and imposed a fine of RM40,000, and in default thereof eight months of imprisonment. HCH appealed to KKHC against the said conviction as well as the consequent sentence and fine.

## NOTES TO THE FINANCIAL STATEMENTS

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**39. MATERIAL LITIGATIONS (CONTINUED)**

## (a) (continued)

On 1 March 2018, in addition to affirming the said conviction, the KKHC substituted the sentence of twelve months of imprisonment with the sentence of five years of imprisonment. HCH appealed to the Court of Appeal against the KKHC decision, which appeal was struck out on 23 May 2022.

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.

## (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. Parties have filed their written submissions and reply submissions to the Court. The decision is scheduled to be delivered on 24 April 2024.

On a separate note, HCH was charged in the Kota Kinabalu Sessions Court for four counts of cheating and forgery in respect of the Alleged PA. The criminal proceedings against HCH began on 27 October 2014. On 16 May 2016, the Kota Kinabalu Sessions Court found HCH guilty of cheating and forgery under sections 420 and 471 of the Penal Code with which HCH was sentenced to twelve months of imprisonment and imposed a fine of RM40,000, and in default thereof eight months of imprisonment. HCH appealed to KKHC against the said conviction as well as the consequent sentence and fine.

On 1 March 2018, in addition to affirming the said conviction, the KKHC substituted the sentence of twelve months of imprisonment with the sentence of five years of imprisonment. HCH appealed to the Court of Appeal against the KKHC decision, which appeal was struck out on 23 May 2022.

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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**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 and payables 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.

**(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
<b>Group</b>				
<b>2023</b>				
<b>Assets measured at fair value</b>				
Investment properties	2,396,379	-	-	2,396,379
Equity investments (Note 12)	1,314	1,176	-	138
Money market deposits (Note 17)	1,146,549	-	1,146,549	-
Biological assets (Note 15)	20,433	-	-	20,433
<b>Derivative financial assets (Note 12)</b>				
Forward currency contracts	458	-	458	-
Cross currency interest rate swaps	53,829	-	53,829	-
<b>Derivative financial liabilities (Note 12)</b>				
Forward currency contracts	(6,294)	-	(6,294)	-
Cross currency interest rate swaps	(2,792)	-	(2,792)	-

## NOTES TO THE FINANCIAL STATEMENTS

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**40. FAIR VALUE MEASUREMENT (CONTINUED)****(b) Fair value hierarchy (continued)**

Fair value measurement hierarchy for assets/(liabilities): (continued)

	<b>Total RM'000</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>
<b>Group (continued)</b>				
<b>2022</b>				
<b>Assets measured at fair value</b>				
Investment properties	2,019,611	-	-	2,019,611
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
<b>Derivative financial assets (Note 12)</b>				
Forward currency contracts	503	-	503	-
Cross currency interest rate swaps	42,253	-	42,253	-
<b>Derivative financial liabilities (Note 12)</b>				
Forward currency contracts	(13,375)	-	(13,375)	-
Cross currency interest rate swaps	(5,781)	-	(5,781)	-

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 the Group's interest-bearing financial instruments with floating interest rates. The Group manages interest costs on borrowings using a prudent mix of fixed and floating rate bank facilities.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 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	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<b>Fixed rate instruments</b>				
<b>Financial assets</b>				
Lease receivables	141	141	-	-
Hire purchase receivables	866,106	1,112,427	-	-
Amount due from an associate	-	240	-	-
Amount due from a joint venture	-	6,019	-	-
Deposits with licensed banks	1,079,696	991,611	90,225	160,275
	<b>1,945,943</b>	<b>2,110,438</b>	<b>90,225</b>	<b>160,275</b>
<b>Financial liabilities</b>				
Term loans	(192,099)	(224,675)	-	-
Lease liabilities	(133,996)	(139,816)	(27)	(9)
	<b>(326,095)</b>	<b>(364,491)</b>	<b>(27)</b>	<b>(9)</b>
	<b>1,619,848</b>	<b>1,745,947</b>	<b>90,198</b>	<b>160,266</b>
<b>Floating rate instruments</b>				
<b>Financial assets</b>				
Loan receivables	1,040,996	1,231,202	-	-
Cash at banks	1,026,336	317,945	6,473	773
	<b>2,067,332</b>	<b>1,549,147</b>	<b>6,473</b>	<b>773</b>
<b>Financial liabilities</b>				
Amount due to a subsidiary	-	-	(530,600)	(931,500)
Term loans	(1,638,628)	(1,658,624)	-	-
Revolving credits	(885,503)	(685,071)	-	-
Medium term notes	(3,970,000)	(4,145,000)	-	-
Trust receipts	(55,817)	(89,500)	-	-
Bankers' acceptances	(92,214)	(266,130)	-	-
	<b>(6,642,162)</b>	<b>(6,844,325)</b>	<b>(530,600)</b>	<b>(931,500)</b>
	<b>(4,574,830)</b>	<b>(5,295,178)</b>	<b>(524,127)</b>	<b>(930,727)</b>

## 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 2023 for the Group and the Company were 4.04% (2022: 3.11%) and 3.95% (2022: 4.32%) respectively and will mature within 3 months (2022: 3 months).

Cash flow sensitivity analysis for floating rate instruments

A change of 100 basis points ["bp"] in interest rates 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
<b>2023</b>				
Floating rate instruments	<b>(30,285)</b>	<b>30,285</b>	<b>(3,983)</b>	<b>3,983</b>
<b>2022</b>				
Floating rate instruments	(33,298)	33,298	(7,074)	7,074

## NOTES TO THE FINANCIAL STATEMENTS

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**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	
<b>Group</b>							
<b>Functional currency of Group entities</b>							
<b>2023</b>							
RM	178,299	102,125	7,553	(14,463)	4,521	1,003	279,038
Indonesian Rupiah ["IDR"]	153	-	-	-	-	-	153
SGD	10,308	-	(9,743)	7,913	-	-	8,478
USD	-	-	-	-	216	-	216
RMB	46	-	-	-	-	-	46
GBP	-	98	-	-	-	-	98
	<b>188,806</b>	<b>102,223</b>	<b>(2,190)</b>	<b>(6,550)</b>	<b>4,737</b>	<b>1,003</b>	<b>288,029</b>
<b>2022</b>							
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
	<b>723,621</b>	<b>140,527</b>	<b>(14,637)</b>	<b>(807)</b>	<b>839</b>	<b>(421)</b>	<b>849,122</b>

## NOTES TO THE FINANCIAL STATEMENTS

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**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
<b>Company</b>				
<b>Functional currency of the Company</b>				
<b>2023</b>				
RM	155,602	85,704	4,521	245,827
<b>2022</b>				
RM	698,793	136,276	715	835,784

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
USD	7,211	27,477	5,913	26,554
SGD	3,885	5,340	3,257	5,178
Euro	(117)	(576)	-	-
RMB	(222)	(33)	-	-
GBP	181	32	172	27
JPY	38	(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
<b>Group</b>						
<b>2023</b>						
<b>Designated as fair value through profit or loss</b>						
Receivables hedge	USD	6,205	-	6,205	55	-
Payables hedge	USD/JPY/Euro	274,338	-	274,338	336	(2,248)
Borrowings hedge	USD/JPY/Euro	31,798	-	31,798	67	(15)
Firm commitment hedge	USD	278,028	-	278,028	-	(4,031)
		590,369	-	590,369	458	(6,294)
<b>Designated as cash flow hedges</b>						
Borrowings hedge	USD	620,652	-	620,652	53,829	(2,792)
		1,211,021	-	1,211,021	54,287	(9,086)

## NOTES TO THE FINANCIAL STATEMENTS

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## 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
<b>Group (continued)</b>						
<b>2022</b>						
<b>Designated as fair value through profit or loss</b>						
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)
<b>Designated as cash flow hedges</b>						
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

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## 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
<b>Group</b>							
<b>2023</b>							
<b>Non-derivative financial liabilities</b>							
Borrowings							
Term loans	1,830,727	1.30 – 5.14	1,971,060	902,337	143,375	571,540	353,808
Revolving credits	885,503	3.50 – 5.64	901,223	901,223	-	-	-
Bankers' acceptances	92,214	0.92 – 5.27	93,253	93,253	-	-	-
Trust receipts	55,817	4.50 – 4.96	58,450	58,450	-	-	-
Medium term notes	3,970,000	4.64 – 4.92	4,774,588	1,171,274	1,370,468	2,232,846	-
Lease liabilities	133,996	2.28 – 7.30	209,616	28,131	28,111	19,745	133,629
Accruals	159,028	7.30	190,762	-	190,762	-	-
Deposits received	22,796	2.79 – 4.94	24,481	7,522	9,126	6,813	1,020
Trade and other payables	1,219,418	-	1,219,418	1,211,319	353	1,279	6,467
	<b>8,369,499</b>		<b>9,442,851</b>	<b>4,373,509</b>	<b>1,742,195</b>	<b>2,832,223</b>	<b>494,924</b>
<b>Derivative financial liabilities</b>							
Designated as hedging instruments							
Cash flow hedges	2,792	-	2,792	2,792	-	-	-
Not designated as hedging instruments							
Forward currency contracts	6,294	-	6,294	6,294	-	-	-
	<b>9,086</b>		<b>9,086</b>	<b>9,086</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>8,378,585</b>		<b>9,451,937</b>	<b>4,382,595</b>	<b>1,742,195</b>	<b>2,832,223</b>	<b>494,924</b>

## 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
<b>Group (continued)</b>							
<b>2022</b>							
<b><i>Non-derivative financial liabilities</i></b>							
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	1,237,700	-	1,237,700	1,229,640	391	871	6,798
	<u>8,635,075</u>		<u>9,367,890</u>	<u>4,037,108</u>	<u>1,676,865</u>	<u>3,258,281</u>	<u>395,636</u>
<b><i>Derivative financial liabilities</i></b>							
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	-	-	-
	<u>19,156</u>		<u>19,156</u>	<u>19,156</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>8,654,231</u>		<u>9,387,046</u>	<u>4,056,264</u>	<u>1,676,865</u>	<u>3,258,281</u>	<u>395,636</u>

## NOTES TO THE FINANCIAL STATEMENTS

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## 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
<b>Company</b>					
<b>2023</b>					
<b><i>Non-derivative financial liabilities</i></b>					
Lease liabilities	27	4.48	27	16	11
Trade and other payables	6,688	-	6,688	6,688	-
Amount due to a subsidiary	530,600	4.52	578,566	23,983	554,583
	<u>537,315</u>		<u>585,281</u>	<u>30,687</u>	<u>554,594</u>
<b>2022</b>					
<b><i>Non-derivative financial liabilities</i></b>					
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>

## 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

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## 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
<b>Group</b>				
<b>2023</b>				
Not past due	1,776,434	-	(22,884)	1,753,550
Past due 1 – 30 days	343,230	(241)	(3,976)	339,013
Past due 31 – 90 days	459,239	(64,163)	(2,425)	392,651
Past due more than 90 days	172,244	(53,348)	(411)	118,485
	<b>2,751,147</b>	<b>(117,752)</b>	<b>(29,696)</b>	<b>2,603,699</b>
<b>2022</b>				
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
	<b>3,478,812</b>	<b>(91,618)</b>	<b>(41,194)</b>	<b>3,346,000</b>

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 RM5,883,497,000 (2022: RM6,163,248,000) 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

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**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 RM10,267,000 (2022: RM8,846,000) for the Group and RM2,275,000 (2022: RM1,728,000) 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:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Borrowings (Note 22)	<b>6,834,261</b>	7,069,000
Money market deposits (Note 17)	<b>(1,146,549)</b>	(1,423,946)
Cash and bank balances (Note 18)	<b>(2,274,383)</b>	(1,431,980)
Net borrowings	<b>3,413,329</b>	4,213,074
Total equity excluding intangible assets	<b>9,207,486</b>	8,956,389
Net debt-to-equity ratio (times)	<b>0.37</b>	0.47

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	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 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	-	-
Firm connected to Datuk Edward Lee Ming Foo, JP, a director of the Company:					
Corporated International Consultants Sdn Bhd	Engineering consultancy fee	(1,260)	(1,989)	-	-
Incorporated Consortium Sdn Bhd	Project management fee	(549)	(171)	-	-
Firm in which Datuk Simon Shim Kong Yip, JP, a director of the Company, has interest:					
Shim Pang & Co	Legal fees	(676)	(1,000)	(100)	-
	Servicing of motor vehicles	8	6	-	-
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company <sup>^</sup>	Advisory fees	(5,650)	(5,250)	(5,650)	(5,250)

<sup>^</sup> 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 2023

## 43. RELATED PARTIES (CONTINUED)

## (a) Related party transactions (continued)

Related parties	Transactions	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Person connected to director of the Company	Sales of motor vehicles	530	-	-	-
Companies in which directors of subsidiaries have interests	Sale of products	1,050	1,382	-	-
	Rental income	633	347	-	-
	Property management fee	(307)	(143)	-	-
	Project management fee	577	45	-	-
	Software implementation and subscription fee	(156)	(82)	-	-
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	49,518	59,682	-	-
	Rental income	2	1	-	-
	Purchase of products	(12)	(6)	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 43. RELATED PARTIES (CONTINUED)

## (a) Related party transactions (continued)

Related parties	Transactions	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 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 subsidiaries	<b>879,203</b>	693,979	-	-
	Sale of products	<b>348</b>	1,796	-	-
	Handling fees	<b>1,210</b>	1,022	-	-
	Administration fees	<b>215</b>	196	-	-
	Rental income	<b>233</b>	233	-	-
	Project management, marketing and construction services	<b>86</b>	598	-	-
	Purchase of products	<b>(10)</b>	(1)	-	-
	Rental expenses	<b>(13,958)</b>	(14,716)	-	-
	Administrative charges	<b>(41)</b>	(80)	-	-
	Utilities and maintenance charges	<b>(43)</b>	(44)	-	-
	Purchase of insurance policies	<b>(317)</b>	-	-	-
	Quarry tribute	<b>(1,726)</b>	(1,506)	-	-
	Dividend paid	<b>(12,309)</b>	(14,771)	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 43. RELATED PARTIES (CONTINUED)

## (a) Related party transactions (continued)

Related parties	Transactions	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	Disposal of 100% equity interest in a subsidiary	<b>51,000</b>	-	-	-
	Rental income	<b>185</b>	185	-	-
	Sale of products	<b>22</b>	267	-	-
	Utilities and maintenance income	<b>5</b>	7	-	-
	Handling fees	<b>1,682</b>	1,763	-	-
	Project management fee	<b>715</b>	-	-	-
	Insurance premiums *	<b>(14,337)</b>	(17,743)	<b>(171)</b>	(177)
Associates	Sale of products	<b>672</b>	659	-	-
	Service charge	<b>963</b>	55	-	-
	Plantation management fee income	<b>257</b>	257	-	-
	Interest income	<b>3</b>	42	-	-
	Dividend income	-	-	<b>3,654</b>	4,649
Joint ventures	Sale of products	<b>61</b>	3,686	-	-
	Rental income	-	1,348	-	-
	Interest income	<b>227</b>	263	-	-
	Receiving of services	-	(7,117)	-	-
	Purchase of products	<b>(16,795)</b>	(29,864)	-	-

\* This relates to insurance premiums paid/payable via a related company acting as an insurance agent.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

## 43. RELATED PARTIES (CONTINUED)

## (a) Related party transactions (continued)

Related parties	Transactions	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Subsidiaries	Dividend income	-	-	686,655	791,973
	Servicing of motor vehicles	-	-	(140)	(87)
	Rental expenses	-	-	(19)	(21)
	Management fees	-	-	(133)	(92)
	Hire of motor vehicles	-	-	(1,336)	(1,357)
	Purchase of motor vehicles	-	-	(12)	-
	Interest expense	-	-	(29,407)	(16,073)

Compensation to key management personnel is as disclosed in Note 32.

## (b) Balances with related parties

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Amount due from/(to)</b>				
Directors of subsidiaries	-	20	-	-
Corporated International Consultants Sdn Bhd	(65)	(38)	-	-
Shim Pang & Co	(26)	(34)	-	-
Companies in which directors of subsidiaries have interests	1,659	1,075	-	-
Samling Strategic Corporation Sdn Bhd Group	9,087	10,914	-	-
Lei Shing Hong Limited Group	132	16,961	-	-
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	308	88	-	-
Associates	73,385	90,197	-	-
Joint ventures	-	99	-	-
Subsidiaries	-	-	(2,188)	(2,439)

The above balances arose from recurrent related party transactions of revenue or trading nature.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

**44. SIGNIFICANT EVENTS DURING THE YEAR**

- (a) On 1 January 2023, Hafary Pte Ltd ["HPL"], a wholly-owned subsidiary of Hafary Holdings Limited ["Hafary"], a 50.82% listed subsidiary of the Company entered into a shareholders' agreement with the other individual shareholder to acquire management control of Melmer Stoneworks Pte Ltd ["Melmer Stoneworks"], which is 50%-owned by HPL. Based on the power that HPL can exercise given its shareholdings, board representation and rights, Melmer Stoneworks has become a subsidiary of HPL on even date.

The change in control of Melmer Stoneworks has resulted in a gain on remeasurement from a joint venture to a subsidiary and recognition of goodwill of approximately RM26.14 million and RM18.22 million respectively, to the Group.

- (b) 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.
- (c) 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.
- (d) 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, 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) ["HCML Disposal"].

The 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 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 HCML Disposal. [Collectively referred to as the "Interested Directors"].

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 HCML Disposal during the extraordinary general meeting of the Company held on 25 May 2023 ["EGM"].

The Proposed HCML Disposal was approved by the non-interested shareholders during the EGM and completed on 2 June 2023, resulted in a gain of approximately RM594.98 million to the Group.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

### 44. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

- (e) On 26 May 2023, HPL incorporated a wholly-owned subsidiary namely, MML x Element International Pte Ltd ["MML x Element"] in Singapore with an issued share capital of S\$100.00 comprising 100 ordinary shares. MML x Element is principally involved in export distribution and wholesale trade of building materials (tiles and ceramic surfacing solutions).

On 21 December 2023, HPL disposed of its entire 100 ordinary shares in MML x Element to Hafary Trading Sdn Bhd and Guangdong ITA Element Building Materials Co. Limited ["ITA Element"] equally. With the said disposal, MML x Element remains a subsidiary of Hafary.

- (f) On 12 July 2023 ["said date"], \*Hap Seng Hospitality Sdn Bhd ["HS Hospitality"] and \*Hap Seng Land Development Sdn Bhd ["HSLD"], entered into a shares sale agreement with Gek Poh, the holding company of the Company, pursuant to which HS Hospitality and HSLD had agreed to dispose of the entire 50,500,000 ordinary shares representing 100% of the issued share capital of \*Richmore Development Sdn Bhd ["Richmore"] for a total cash consideration of RM51,000,000 ["Sale Consideration" and "Richmore Disposal"]. HS Hospitality and HSLD were the 99.01% and 0.99% shareholders of Richmore before the Richmore Disposal.

Richmore is the registered owner of all that parcel of freehold commercial land held under Geran 73427, Lot 234 situated at Section 63, Town of Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan KL measuring approximately 3,796.333 square meters with partial construction and development thereon of a 41-storey serviced apartment with 3 basement level of car parks known as "Marriott Executive Apartments Kuala Lumpur".

The Richmore Disposal was deemed a related party transaction. As at the said date, Tan Sri Lau is a 56% major shareholder and a director of Gek Poh. Gek Poh's aggregate shareholdings in the Company is 62.64%, comprising 54.63% direct and 8.01% indirect shareholdings through HSIS. Hence, Tan Sri Lau, Gek Poh and HSIS were deemed interested in the Richmore Disposal.

As at the said date, Datuk Edward Lee Ming Foo was the managing director of both the Company and Gek Poh and a director of Richmore. Mr Lee Wee Yong was an executive director of the Company and a director of Gek Poh and Richmore. Premised on the aforesaid, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong were deemed interested in the Richmore Disposal. As such, they have abstained from all deliberations and voting on the resolution pertaining to the Richmore Disposal.

The Richmore Disposal was completed on 14 July 2023 with the receipt of the Sale Consideration in full from Gek Poh. Richmore ceased to be a wholly-owned subsidiary of the Company and accordingly, Richmore's liabilities amounting to RM212.5 million were de-consolidated from HSCB Group.

The Richmore Disposal resulted in a gain of approximately RM5.3 million to the Group.

- (g) On 14 July 2023, \*Hap Seng Star Sdn Bhd ["HSS"] had on even date entered into an agency agreement and service dealer agreement ["said Agreements"] with Mercedes-Benz Malaysia Sdn Bhd ["MBM"].

Pursuant to the said Agreements, HSS was appointed by MBM as:

- (i) a non-exclusive agent to broker sales of Mercedes-Benz passenger vehicles and to support MBM in the performance and fulfilment of MBM's direct sales to end-customers in Malaysia; and
- (ii) a non-exclusive service dealer for the service of Mercedes-Benz passenger vehicles in Malaysia,

On 1 September 2023, HSS became one of the Mercedes-Benz passenger vehicle agencies in Malaysia.

- (h) On 26 October 2023, HPL acquired an additional 15% of shareholding in ITA Element. With the said acquisition, ITA Element has become a 65%-owned subsidiary of Hafary.

\* These are the Company's wholly-owned subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

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**45. SUBSEQUENT EVENTS**

- (a) On 18 January 2024, HPL completed the acquisition of the remaining 19% shareholding in World Furnishing Hub Pte Ltd ["WFHPL"] at a cash consideration of S\$4,465,000. With such completion, WFHPL has become a wholly-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.
- (b) On 5 February 2024, HSC Melbourne Holding Pte Ltd ["HSC Melbourne"], a wholly-owned subsidiary of the Company, was successfully struck off from Accounting and Corporate Regulatory of Singapore. HSC Melbourne was incorporated in Singapore on 1 November 2017 as a private limited company, principally involved in investment holding and became a dormant company since 28 September 2023.
- (c) On 22 February 2024, \*Hap Seng Land Development Sdn Bhd entered into a share sale agreement to acquire the remaining 9,000 ordinary shares representing 20% of the issued share capital of Sierra Ventures Sdn Bhd ["Sierra Ventures"] from Pegawai Penerima dan Pelikuidasi for Trio Dynasty Sdn Bhd (in liquidation), for a cash consideration of RM13,500.00. Sierra Ventures is principally involved in carrying out food and beverage business. With the completion of the aforesaid acquisition, Sierra Ventures became a wholly-owned subsidiary of the Company.
- (d) 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 June 2022 which was further extended to 22 September 2024 due to various extensions of time granted ["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:

- (i) 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;
- (ii) 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
- (iii) 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 2023

### 45. SUBSEQUENT EVENTS (CONTINUED)

- (e) 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 July 2022 which was further extended to 2 October 2024 due to various extensions of time granted ["Met 3 Conditional Period"], namely:
- (i) the EPU Approval; and
  - (ii) 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:

- (i) 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;
- (ii) 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
- (iii) 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.

- \* 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 PROPOSALS

- (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 proceeds from HCBL Disposal were fully utilised in the current financial year ended 31 December 2023 as follows:

Details of utilisation	Proposed utilisation		As at 31 December 2023 Utilisation RM'000	Deviation under/(over) spent RM'000
	Per *Circular RM'000	**Adjusted RM'000		
Repayment of borrowings	560,000	560,000	560,000	-
Working capital requirements:				
Purchase of inventories				
(a) <i>fertilizers</i>	70,000	70,000	70,000	-
(b) <i>automobiles</i>	50,000	50,000	50,000	-
(c) <i>building materials such as steel bars and cement</i>	25,022	12,829	12,866	(37)
	145,022	132,829	132,866	(37)
Estimated expenses	1,150	1,150	1,113	37 @
	<b>706,172</b>	<b>693,979</b>	<b>693,979</b>	-

\* 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 RM12.193 million which was deducted from the proposed utilisation for working capital requirements, item (c).

@ The estimated expenses of RM37,000 not utilised have been deployed for working capital requirements, item (c).

## ADDITIONAL INFORMATION

### 1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS (CONTINUED)

- (b) On 2 June 2023, HSC Manchester Holding Pte Ltd, a wholly-owned subsidiary of the Company, completed the disposal of its 100% equity interest in HS Credit (Manchester) Ltd comprising 50,000,000 ordinary shares to LSHCL, for a cash consideration of GBP152.96 million which is equivalent to RM879.20 million ("HCML Disposal").

The status of utilisation of proceeds from HCML Disposal as at 31 December 2023 was as follows:

Details of utilisation	Proposed utilisation		As at 31 December 2023		Deviation under/(over) spent RM'000
	Per *Circular RM'000	**Adjusted RM'000	Utilisation RM'000	Balance Unutilised RM'000	
Repayment of borrowings	650,000	650,000	626,798	23,202 #	-
Working capital requirements:					
Purchase of inventories					
(a) <i>fertilizers</i>	100,000	100,000	100,000	-	-
(b) <i>automobiles</i>	50,000	50,000	50,000	-	-
(c) <i>building materials such as steel bars and cement</i>	36,438	78,303	78,510	-	(207)
	186,438	228,303	228,510	-	(207)
Estimated expenses	900	900	693	-	207 @
	<b>837,338</b>	<b>879,203</b>	<b>856,001</b>	<b>23,202</b>	-

\* Circular to shareholders dated 27 April 2023.

\*\* 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 addition to proceeds by RM41.865 million which was allocated to the proposed utilisation for working capital requirements, item (c).

# The intended timeframe for utilisation is within 36 months from completion.

@ The estimated expenses of RM207,000 not utilised have been deployed for working capital requirements, item (c).

## ADDITIONAL INFORMATION

### 2. MATERIAL CONTRACTS

Material contracts of the Company's subsidiaries involving directors' and major shareholders' interest are disclosed in Note 44(d) and (f) to the Financial Statements.

Other than that disclosed in Note 44(d) and (f), there were no other material contracts 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 2023, and/or entered into since 31 December 2022.

### 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 2023 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 29 May 2024.

## 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 31/12/2023 RM'000
<b>MALAYSIA</b>							
<b>KUALA LUMPUR</b>							
Lot PT 50086, Mukim Batu, Kuala Lumpur.	36,220 m <sup>2</sup>	Land held for development	December 2018	Freehold	-	-	1,016,070
Lot PT 50386, Mukim Batu, Kuala Lumpur.	61,425 m <sup>2</sup>	Land held for development	January 2022	Freehold	-	-	989,195
Lot 11383, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur.	4,376 m <sup>2</sup>	Menara Hap Seng 2 31-storey office building for rental	December 2023	Freehold	-	10	379,239
Lot 1308, Seksyen 57, Jalan Raja Chulan, Kuala Lumpur.	6,404 m <sup>2</sup>	The Weld & Menara Weld 26-storey office building together with a 6-storey retail mall for rental	December 2023	Freehold	-	22 - 32	322,221
Lot PT 118, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur.	2,728 m <sup>2</sup>	Menara Hap Seng 3 26-storey office building for rental	December 2023	Freehold	-	4	314,917
Lot 387, Seksyen 63, Jalan Stonor, Kuala Lumpur.	6,907 m <sup>2</sup>	Land held for development	December 2021	Freehold	-	-	281,449
Lot 593 & 594, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur.	7,436 m <sup>2</sup>	Menara Hap Seng 22-storey office building for rental	December 2023	Freehold	-	51	274,282
<b>SABAH</b>							
<b>KOTA KINABALU</b>							
Mile 13, Jalan Tuaran, Menggatal, Kota Kinabalu.	621,409 m <sup>2</sup>	Land held for development and autohaus under construction	July 2019	Leasehold 999 years	2905	-	346,952

## 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 31/12/2023 RM'000
<b>MALAYSIA</b>							
<b>SABAH</b>							
<b>KINABATANGAN, LAHAD DATU</b>							
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 - 55	} 873,873
Tabin Estate	3,055 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2067/2076/ 2093/2096/ 2097/2098	2 - 38	
Tagas Estate	2,010 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2067/2076	3 - 47	
Litang Estate	1,571 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years/ 999 years	2076/2091/ 2887/2900	5 - 38	
Sungai Segama Estate	5,174 ha	Oil palm plantation and buildings  Plantation Central Office and Clubhouse	January 2017	Leasehold 99 years	2089	1 - 28	
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	2 - 28	

## 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 31/12/2023 RM'000
<b>MALAYSIA</b>							
<b>SABAH</b>							
<b>KINABATANGAN, LAHAD DATU (CONTINUED)</b>							
Batangan Estate	3,633 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	1 - 41	555,360
Lutong Estate	2,448 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078/2098/ 2099	2 - 32	
Lokan Estate	3,155 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	3 - 27	
Kapis Estate	2,681 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	2 - 37	
Lungmanis Estate	2,200 ha	Jeroco Palm Oil Mill I and II Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	1 - 26	

# PLANTATION STATISTICS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2023	2022	2021	2020	2019
<b>CROP PRODUCTION - TONNES</b>					
FFB	<b>637,719</b>	583,943	593,279	637,131	675,587
<b>PROCESSED - TONNES</b>					
FFB - own	<b>619,914</b>	566,026	575,440	623,169	659,427
FFB - purchased	<b>89,950</b>	75,225	76,465	79,106	66,356
Palm Oil	<b>147,318</b>	130,510	133,284	144,977	152,017
Palm Kernel	<b>33,788</b>	29,450	30,286	33,594	35,402
<b>EXTRACTION RATE - %</b>					
Palm Oil	<b>20.75</b>	20.35	20.45	20.64	20.95
Palm Kernel	<b>4.76</b>	4.59	4.65	4.78	4.88
<b>MATURE AREA - HECTARES</b>					
Oil Palm					
30 months to 7 years	<b>4,577</b>	4,941	4,933	5,040	4,340
> 7 years to 17 years	<b>11,394</b>	11,164	10,279	10,196	9,794
> 17 years onwards	<b>16,396</b>	16,030	17,224	17,050	18,324
<b>Total mature area</b>	<b>32,367</b>	32,135	32,436	32,286	32,458
<b>AVERAGE YIELD TONNES/HECTARE</b>					
FFB yield per mature hectare	<b>19.70</b>	18.17	18.29	19.73	20.81
Oil per mature hectare	<b>4.09</b>	3.70	3.74	4.07	4.36
<b>AVERAGE SELLING PRICE RM/TONNE</b>					
FFB	<b>638</b>	934	856	510	371
Palm Oil	<b>3,942</b>	5,530	4,432	2,788	2,143
Palm Kernel	<b>2,154</b>	3,278	2,952	1,681	1,311

## PLANTATION STATISTICS

## AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2023

	River Estates Group	Jeroco Group	Pelipikan	* Kota Marudu	Total
Oil Palm					
Mature	18,936	11,943	903	585	32,367
Immature	1,710	779	-	-	2,489
Total Oil Palm	20,646	12,722	903	585	34,856
Other crops	60	86	-	-	146
Total planted area	20,706	12,808	903	585	35,002
Reserve plantable	27	5	-	81	113
Building, road, reserves, etc	2,080	1,304	462	142	3,988
<b>Total</b>	<b>22,813</b>	<b>14,117</b>	<b>1,365</b>	<b>808</b>	<b>39,103</b>

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 1 APRIL 2024

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	:	14,392

## DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Shares
1 to 99	445	3.09	6,732	#
100 to 1,000	3,460	24.04	2,394,585	0.10
1,001 to 10,000	7,476	51.95	33,000,263	1.33
10,001 to 100,000	2,711	18.84	77,944,933	3.13
100,001 to less than 5% of issued shares	297	2.06	443,244,399	17.80
5% & above of issued shares	3	0.02	1,933,078,671	77.64
<b>Total</b>	<b>14,392</b>	<b>100.00</b>	<b>2,489,669,583</b>	<b>100.00</b>

\* 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	% <sup>(3)</sup>
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)	373,619,549	15.01
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	60,000,000	2.41
6. MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Naza Corporation Holdings Sdn Bhd	40,200,000	1.62
7. Innoprise Corporation Sdn Bhd	34,730,473	1.40
8. Chinchoo Investment Sdn. Berhad	13,578,380	0.55
9. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	12,581,300	0.51
10. Gan Teng Siew Realty Sdn. Berhad	12,308,600	0.49
11. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	11,824,200	0.48
12. Key Development Sdn. Berhad	11,008,800	0.44

## ANALYSIS OF SHAREHOLDINGS

AS AT 1 APRIL 2024

No.	Shareholding	% <sup>(3)</sup>
13. Mikdavid Sdn Bhd	8,320,600	0.33
14. H'ng Poh Gin	7,363,800	0.30
15. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	5,978,600	0.24
16. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II	5,966,100	0.24
17. MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Naza Corporation Holdings Sdn Bhd	5,478,918	0.22
18. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund WTAU for Wisdomtree Emerging Markets Smallcap Dividend Fund	4,532,900	0.18
19. Rengo Malay Estate Sendirian Berhad	4,032,000	0.16
20. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	3,855,539	0.15
21. Bidor Tahan Estates Sdn. Bhd.	3,780,000	0.15
22. Cartaban Nominees (Asing) Sdn Bhd - The Bank of New York Mellon for Vanguard FTSE All-World EX-US Small-CAP Index Fund	3,269,500	0.13
23. Gemas Bahru Estates Sdn. Bhd.	2,243,000	0.09
24. Chinchoo Holdings (S) Private Limited	2,041,200	0.08
25. Tan Bee Guat	1,513,200	0.06
26. Lee Chee Hai	1,466,200	0.06
27. HSBC Nominees (Asing) Sdn Bhd - HSBC BK PLC for Abu Dhabi Investment Authority	1,351,000	0.05
28. Soon Khiat Voon	1,299,500	0.05
29. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund WTAS for Wisdomtree Emerging Markets High Dividend Fund	1,296,800	0.05
30. Liew Wai Kiat	1,260,000	0.05
<b>Total</b>	<b>2,303,595,881</b>	<b>92.53</b>

## ANALYSIS OF SHAREHOLDINGS

AS AT 1 APRIL 2024

### SUBSTANTIAL SHAREHOLDERS

	Direct Shareholding		Indirect Shareholding	
	No. of Shares	% <sup>(3)</sup>	No. of Shares	% <sup>(3)</sup>
Gek Poh (Holdings) Sdn Bhd	1,360,094,542	54.63	199,364,580 <sup>(1)</sup>	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 <sup>(2)</sup>	62.64

Notes:

- <sup>(1)</sup> Deemed interest through its wholly-owned subsidiary, Hap Seng Insurance, pursuant to section 8 of the Companies Act 2016 (the "Act").
- <sup>(2)</sup> Deemed interest by virtue of his direct and/or indirect shareholdings in Gek Poh (Holdings) Sdn Bhd pursuant to section 8 of the Act.
- <sup>(3)</sup> 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 1 APRIL 2024

Related Corporation	Direct Shareholding		Indirect Shareholding	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
<b>Hap Seng Plantations Holdings Berhad ("HSP")</b>				
Datuk Simon Shim Kong Yip, JP	180,000	0.023	-	-

As at 1 April 2024, none of the directors of the Company have any direct and/or indirect shareholdings in the Company.

Note:

<sup>(1)</sup> 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 48<sup>th</sup> 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 Wednesday, 29 May 2024 at 10am to transact the following:-

## AGENDA

### ORDINARY BUSINESS

1. To table the audited financial statements for the financial year ended 31 December 2023 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) Datuk Edward Lee Ming Foo, JP **Resolution 1**
  - (b) Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah **Resolution 2**
  - (c) Mr. Leow Ming Fong @ Leow Min Fong **Resolution 3**
  - (d) Mr. Wong Yoke Nyen **Resolution 4**
3. To approve payment of directors' fees of the Company and its subsidiary amounting to RM965,000.00 for the financial year ended 31 December 2023. Note 4 **Resolution 5**
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 6**

### 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 7**

## 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 30 April 2024, 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." <sup>Note 7</sup>

**Resolution 8**

### 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 2023; 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.<sup>8</sup> Note 8

### Resolution 9

By order of the Board

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

Kuala Lumpur  
30 April 2024

## 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. There is no voting required on the item 1 of the agenda.*
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.*
3. *During the financial year ended 31 December 2023, the nominating committee conducted various assessments, including assessment of the collective performance of the board as a whole as well as assessment of individual director's performance, fit and proper assessment of each director, independence assessment of each independent director, which recommendations thereof have been made to and approved of by the board. Based on such assessment and approval, the board (except for the retiring directors who have abstained) has recommended for the directors who are to retire in accordance with clause 116 of the Company's constitution to stand for re-election during the AGM.*
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 RM965,000.00 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 7 is to authorise the Company to allot shares pursuant to section 75 of the Act. This proposed resolution 7, 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 25 May 2023, which authority shall lapse at the conclusion of this AGM.*

7. *The proposed resolution 8 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 30 April 2024 which is issued together with the Company's Annual Report 2023.*

8. *The proposed resolution 9 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 30 April 2024 which is issued together with the Company's Annual Report 2023.*

## 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 record of depositors as at 23 May 2024.*
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 48<sup>TH</sup> 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 48<sup>th</sup> 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 48<sup>th</sup> 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 \_\_\_\_\_ Tel No. \_\_\_\_\_ being  
(FULL ADDRESS)

a member/members of Hap Seng Consolidated Berhad, do hereby appoint \_\_\_\_\_  
(FULL NAME OF PROXY IN BLOCK LETTERS)

NRIC No./Company No. \_\_\_\_\_ of \_\_\_\_\_  
(FULL ADDRESS)

\_\_\_\_\_ Tel No. \_\_\_\_\_ Email 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 48<sup>th</sup> 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 Wednesday, 29 May 2024 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 2023 together with the reports of directors and auditors.

### ORDINARY BUSINESS

		FOR	AGAINST
2.	To re-elect Datuk Edward Lee Ming Foo, JP as director of the Company.	Resolution 1	
3.	To re-elect Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah as director of the Company.	Resolution 2	
4.	To re-elect Mr. Leow Ming Fong @ Leow Min Fong as director of the Company.	Resolution 3	
5.	To re-elect Mr. Wong Yoke Nyen as director of the Company.	Resolution 4	
6.	To approve the payment of directors' fees.	Resolution 5	
7.	To reappoint Messrs Ernst & Young PLT as auditors of the Company.	Resolution 6	

### SPECIAL BUSINESS

		FOR	AGAINST
8.	Authority to allot shares pursuant to section 75 of the Companies Act 2016.	Resolution 7	
9.	To approve renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	Resolution 8	
10.	To approve renewal of share buy-back authority.	Resolution 9	

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 \_\_\_\_\_ 2024

\_\_\_\_\_  
Signature(s)/Common Seal of Shareholder(s)

Notes:-

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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

Fold here



**[www.hapseng.com](http://www.hapseng.com)**

**HAP SENG CONSOLIDATED BERHAD**

Registration No. 197601000914 (26877-W)

21<sup>st</sup> Floor, Menara Hap Seng  
Jalan P. Ramlee, 50250 Kuala Lumpur  
Malaysia

**Tel :** 603-2172 5228

**Fax :** 603-2172 5286