

Corporate Governance Overview Statement

The Board of Directors (the Board) of Heineken Malaysia Berhad (HEINEKEN Malaysia or the Company) firmly believes that commitment to good business ethics and corporate governance (CG) is essential to the long-term sustainability of the business and performance of the Company and its subsidiaries (the Group). The Company supports the principles of good governance and the recommended practices provided in the Malaysian Code on Corporate Governance (MCCG).

The Board is pleased to present this statement to provide shareholders and investors with an overview of the CG practices applied by the Company during FY2023. This overview makes reference to the following key CG principles and the recommended practices as set out in the MCCG and it should be read in conjunction with the Audit & Risk Management Committee Report, Statement on Risk Management and Internal Control, ESG Review and the Corporate Governance Report (CG Report) for FY2023 which is available on the Company's website <https://www.heinekenmalaysia.com/corporate-governance/>.

Principle A

Board Leadership and Effectiveness

Principle B

Effective Audit and Risk Management

Principle C

Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

As of the date of this statement, the Company has complied in all material aspects with the principles and has applied all recommended practices including two of the step-up practices in the MCCG with the exception of the following practices:

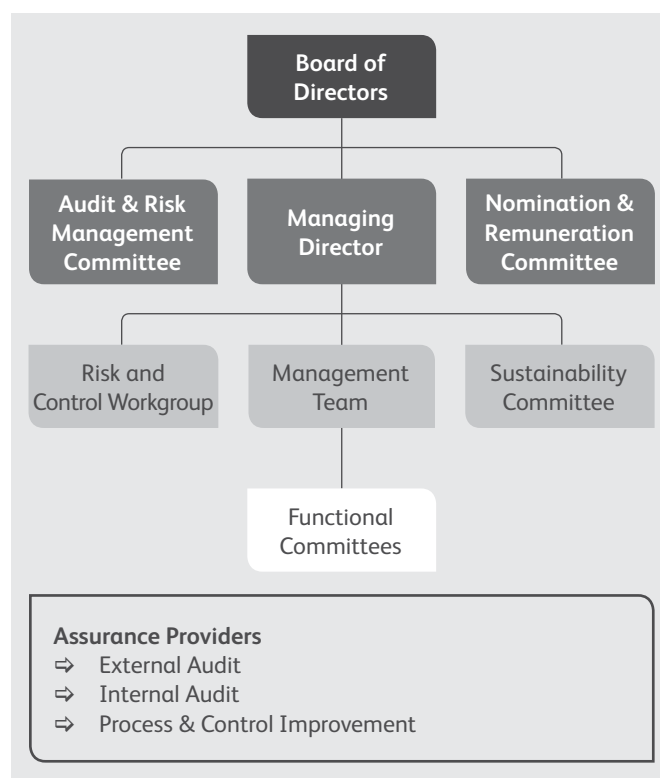
Practice 1.4	Chairman of the Board should not be a member of the Nomination & Remuneration Committee
Practice 5.2	For Large Companies, the Board comprises a majority Independent Directors
Practice 8.2	Disclosure on a named basis the top five (5) Senior Management's remuneration in bands of RM50,000

The details of how the Company has complied with the MCCG principles and applied the CG practices and the explanation on the departed practices are outlined in the CG Report 2023.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Governance Framework

In order to ensure orderly and effective discharge of the functions and responsibilities of the Board, the Board has in place a governance framework where specific powers of the Board are delegated to the relevant Board Committees and the Managing Director and his team. The governance framework is depicted as follows:



Board Responsibilities

The Board is collectively responsible for defining the Group's strategic direction and overseeing the conduct of the Group's businesses and the management effectiveness. It takes into consideration the interests of all stakeholders in its decision-making to ensure the Group's objectives of creating long-term sustainable value for the benefit of our stakeholders are met.

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The Board is also responsible to set the corporate values and promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behavior and ensure that its obligations to shareholders and other stakeholders are met.

The Board is guided by its Charter which sets out the purpose, composition, key roles and principal responsibilities as well as the internal procedural matters for the Board. The principal responsibilities of the Board are in line with that provided in the MCCG. The Board Charter serves as a source of reference for Board members to assist them in discharging their fiduciary duties as Directors.

The Board is supported by the Audit & Risk Management Committee (ARMC) and the Nomination & Remuneration Committee (NRC), which are entrusted with specific responsibilities and authorities to review matters before tabling to the Board for approval. The Chairman of the respective Board Committees reports to the Board on matters deliberated and recommendations made by the Board Committees.

The roles of the Chairman and the Managing Director are held by separate individuals. The roles of the Chairman are defined in the Board Charter. The Managing Director, who is appointed by the Board, is primarily responsible for the day-to-day management of the business and operations of the Group, organisational effectiveness and the implementation of the Group's strategies and policies approved by the Board. He is supported by the Management Team who is assisted by several functional committees that are tasked to oversee key operating areas.

The Board delegates the following responsibilities, with appropriate oversight, to the Management Team for meeting the defined corporate objectives:

- Implementing approved strategy and operating plans
- Managing the Group's business and operations
- Managing the Group's resources, cash flow and investments
- Evaluating risks and opportunities arising from changing market environment
- Ensuring compliance with applicable regulatory requirements

The responsibilities and authorities of the Management Team are defined in the Statement of Authority approved by the Board.

There is a schedule of key matters reserved specifically for the Board deliberation and decision to ensure the direction and control of the Group are in its hands. The list of matters is provided in the Board Charter approved by the Board.

The Board Charter is available on the Company's website at <https://www.heinekenmalaysia.com/corporate-governance/>.

Board Meetings

The Board meets on a quarterly basis to review the Group's business and financial performance and discuss operational and industry issues as well as challenges impacting the Group. Additional meetings will be convened as and when necessary, to deliberate urgent and important matters. Directors may participate at the meeting remotely via a designated virtual meeting platform. In order to facilitate Directors and Management's planning for the whole financial year, meetings of the Board and the Board Committees are scheduled in advance before the commencement of each new financial year.

In 2023, the Board had six (6) meetings. The Finance Director and the Company Secretary are in attendance in every meeting whilst the other Management Team members are invited to attend the Board meetings at designated sessions for them to report on areas within their responsibility. The attendance of each Director at the Board meetings, was as follows:

Name	Designation	Attendance
Dato' Sri Idris Jala (Chairman)	Independent Non-Executive Director	6/6
Roland Bala	Managing Director	6/6
Choo Tay Sian, Kenneth	Non-Independent Non-Executive Director	6/6
Seng Yi-Ying	Non-Independent Non-Executive Director	*5/6
Lau Nai Pek	Senior Independent Non-Executive Director	6/6
Chua Carmen (Appointed on 13 May 2023)	Independent Non-Executive Director	3/3
Erin Sakinah Atan (Appointed on 14 July 2023)	Non-Independent Non-Executive Director	3/3
Datin Ngiam Pick Ngoh, Linda (Retired on 12 May 2023)	Independent Non-Executive Director	3/3
Raquel Batallones Esguerra (Resigned on 14 July 2023)	Non-Independent Non-Executive Director	*2/3

* Absent from one meeting due to other meeting commitment

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At Board Meetings, the Managing Director would lead the presentation to the Board and provide comprehensive explanation of the Group's strategy and priorities, business performance and other pertinent issues whilst the Finance Director would report to the Board on the Group's financial performance and matters related to the finance function. Other Management Team members would update the Board on activities and issues within their responsibility.

During the meetings, Directors are encouraged to participate in the meeting and share their views and insight in the course of deliberation. They are also encouraged to pose queries (if any) to Management prior to each Board Meeting to enable them to better prepare for the meeting. Any Director who has a direct or deemed interest in the subject matter shall abstain from deliberation and voting on the respective resolution. Decisions of the Board are made by consensus.

The proceedings of all meetings, including issues discussed, decisions and conclusions including dissenting views made and whether any Director abstained from voting or deliberating on a particular matter at the meetings with required actions to be taken by responsible parties are documented in the minutes by the Company Secretary. In the intervals between Board meetings, Board's decisions or approvals for matters that are time-sensitive or administrative in nature will be sought via circular resolutions which are supported with relevant information and explanations and the same applies to the Board Committees.

As a good corporate governance practice, the Independent Directors met once outside of regular Board meetings in July 2023 without the presence of Non-Independent Directors and Management to share observations and exchange views on potential improvements in governance.

Access to Information

The Board emphasises on provision of timely and quality information by Management to facilitate effective deliberation and decision-making process. Prior to each meeting, a structured agenda together with management reports and proposals will be provided to the Directors at least five (5) days (or in any event not less than three (3) days) before the meeting. In order for meetings to be more effective, the meeting agenda is organised according to the priority of the matters / proposals to be deliberated with an indication to guide the Directors as to whether the matters are for approval, discussion or for notation purpose and time allocated for each agenda item in order for the meetings to be conducted efficiently.

All Directors have unrestricted access to the Management Team in that they may have informal meetings with the Management Team members to brief them on matters or major developments concerning the Group operations. The Board also has full access to information and the advice and services of the Company Secretary

who is a Chartered Secretary and is qualified under the Companies Act 2016. The Company Secretary ensures the Directors are provided with adequate information and time to prepare for Board meetings. The Company Secretary also prepares minutes of meetings in a timely manner and provides advisory services to the Board on corporate administration and governance matters including compliance with relevant regulatory requirements.

Subject to the approval of the Board, the Directors, either as a group or individually may seek and obtain independent professional advice at the Company's expense on specific issues to assist them in discharging their duties effectively.

Directors' Professional Development

Directors are mindful of the needs to broaden their perspective and to keep abreast with developments in the marketplace as well as changes to the regulatory requirements in order to enhance their ability in discharging their duties and responsibilities more effectively. The Board, through its annual effectiveness evaluation, assessed the training needs based on feedback gathered from the Directors. From time to time, Directors may also personally identify training on specific areas that would assist them in discharging their responsibilities. When necessary, learning sessions on topics which are relevant to the Group's business will also be organised for the Directors.

All Directors have attended the Mandatory Accreditation Programme (MAP) Part I on corporate governance and director's roles, duties and liabilities as required under the Bursa Securities' Main Market Listing Requirements whilst some Directors have also completed the MAP Part II on sustainability, a new mandatory onboarding programme which Directors are required to complete by 1 August 2025.

During FY2023, some of the Directors attended learning programmes on topics related to corporate governance and sustainability, financial reporting on climate change impact, consumer trends and commercial strategy, anti-bribery and corruption, data protection and information security, innovation and technology, leadership development and organisational management. Some Board members were also invited to participate in forums and seminars as speakers and panelists in areas of their expertise.

Commitment to Integrity and Ethical Conduct

Establishing a culture of integrity and ethical in the organisation is essential in preservation of the Group's reputation and thereby increase the confidence of stakeholders. The Board continues to uphold good business conduct by ensuring adequate policies and procedures are put in place. Directors, officers, employees and business partners of the Group are required to observe and maintain high standards of integrity and ethical behaviour in the performance of their responsibilities or conducting business and

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to comply with relevant regulatory requirements and policies adopted by the Group, including those relating to anti-bribery and anti-corruption.

The Group has adopted the following codes which outline its commitment to conducting business with integrity and fairness, respect for the laws, sustainability and responsibility as well as the key principles for ethical and business conduct expected from relevant stakeholders in their dealing with the Group.

HEINEKEN Code of Business Conduct

In 2023, the Code of Business Conduct was refreshed to reflect the dynamic nature of the Group's business environment and to keep up with developments and challenges. The new Code incorporates insights from past learnings and it aims to improve clarity and understanding of relevant topics such as harassment and corruption. The Code of Business Conduct covers all aspects of the Group's business operations, categorised under four (4) broad areas namely:

- Caring for People and Planet
- Maintaining Business Integrity
- Protecting our Assets
- Engaging Responsibly

The Code of Business Conduct and the underlying policies, communication and training materials are documented and available in a Business Conduct Portal for employee access. On an annual basis, all employees are required to complete the following e-learning as part of the Company's efforts to drive awareness and assess their understanding of the respective codes and the underlying principles:

- Code of Business Conduct
- Anti-Bribery and Corruption
- Responsible Marketing Code
- Security Awareness
- Fraud Awareness
- Data Privacy
- Competition law
- Life Saving Commitments
- Responsible Consumption

Employees are also required to disclose to the Company on a yearly basis if there is a possible conflict between their interest and that of the Company or any of its subsidiaries. This is to ensure decisions within the Group are based on sound and objective business judgement, not influenced by any possible personal interests or gain.

HEINEKEN Responsible Marketing Code

The Group strictly adheres to the legal and regulatory guidelines and has a stringent Responsible Marketing Code that governs how it markets its products. The Code also covers low and no-alcohol business as well as our digital media and self-regulation initiatives. Our licence to operate depends on our efforts in marketing our brands responsibly and in driving sensible consumption. All marketing materials undergo a diligent check against our Responsible Marketing Code before they are published.

HEINEKEN Supplier Code and Distributor Code of Conduct

All business partners are required to adhere to all applicable laws and regulations where they operate and affirm their commitment to responsible business conduct at all times. They are expected to live up to the Group expectations towards conducting business responsibly, respecting human rights, ensuring health and safety, and protecting the environment as outlined in the HEINEKEN Supplier Code and the Distributor Code of Conduct.

The Group has taken proactive steps to ensure its business partners embrace our values and commitment to responsible business conduct. The Group has a due-diligence tool which is designed to identify, assess, and remedy risks associated with third parties engaged by the Group including suppliers and distributors. Bribery and corruption are among the risks to be assessed by the tool.

HEINEKEN Speak Up Policy

The HEINEKEN Speak Up Policy provides employees and stakeholders with a standard process to report concerns about suspected misconduct within the Group in confidence and without fear of retaliation. The policy was communicated to the Group employees and business partners to create awareness of the Speak Up platform for them to raise concerns about suspected misconduct within the organisation.

The Speak Up Service is managed by an independent third party and is available 24/7, 365 days a year. Report can be submitted through the Speak Up Service via online or phone call. All Speak Up reports are handled by a Case Manager who works under the supervision and instruction of the HEINEKEN Global Integrity Committee which comprises representatives from the HEINEKEN Business Conduct Office, Global Audit, Global People and Global Legal Affairs.

The HEINEKEN Code of Business Conduct and the HEINEKEN Speak Up Policy are available on the Company's website at <https://www.heinekenmalaysia.com/corporate-governance/>.

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Sustainability Governance

The Board is responsible for ensuring that the Company has in place appropriate sustainability strategy which is aligned with the Company's strategic direction to support the Group's long-term objectives. The Board emphasises on strategic management of material sustainability risks and opportunities, which includes integration of environmental, social and governance (ESG) factors in their decision-making process and in the Group's operations.

The Group has adopted the HEINEKEN Global's sustainability strategy - Brew a Better World (BABW) with goals until year 2030 that prioritise on the following areas to protect the environment, support local communities and make a positive contribution to the society:



The BABW ambitions and targets are in line with the benchmarks set by the United Nations Global Compact and they are aimed to contribute to the United Nations Sustainable Development Goals to protect the planet, ensure prosperity and end poverty. Initiatives within each priority area are driven by relevant functions / departments across the organisation.

Since 2022, the Group has in place an ESG Framework which aligns the BABW ambitions with the Group's overall sustainability strategy and highlights key elements of its sustainability agenda. The Group has adopted a Sustainability Policy to reinforce its commitment in embedding sustainability practices throughout its operations and value chain specifically in the areas of ESG.

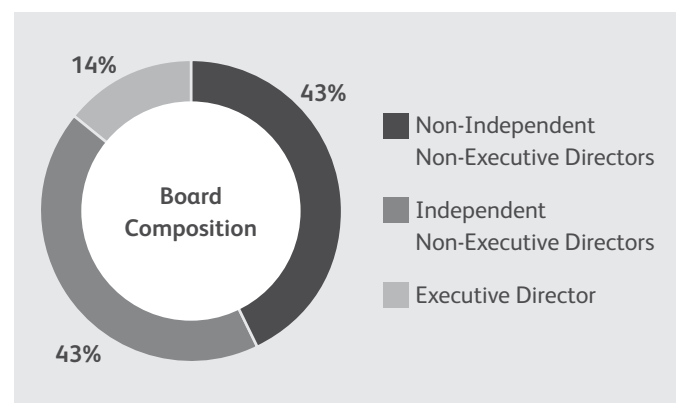
The Board is supported by a management Sustainability Committee which is responsible for the strategic management of the material sustainability matters including the formulation and implementation of the Group's sustainability priorities and initiatives. The Sustainability Committee is chaired by the Managing Director, who is entrusted by the Board to oversee the sustainability matters of the Group and he is supported by a secretariat which is led by the Corporate Affairs & Legal Director (CAL Director). The committee comprises members of the Management Team who monitor the progress of sustainability performance in the respective pillars. The CAL Director reports to the Managing Director and the Board on a quarterly basis on the progress of the sustainability priorities and initiatives undertaken by the Group.

Further information about the Company's approach to sustainability are disclosed in the ESG Review in this Annual Report.

The Sustainability Policy is available on the Company's website at <https://www.heinekenmalaysia.com/corporate-governance/>.

Board Size, Composition and Diversity

As of the date of this statement, the Board has seven (7) Directors, led by an Independent Non-Executive Chairman, and supported by a Managing Director as well as five (5) Non-Executive Directors. Three (3) of the Non-Executive Directors (including the Chairman) are Independent Directors, representing 43% of the Board whilst the remaining three (3) Non-Executive Directors are Non-Independent Directors.



All the Directors are professionals of high calibre and integrity. As a whole, the Board possesses a diverse set of skills, experience and expertise in various fields including strategy and risk management, business and administration, finance and accounting, media relations and corporate affairs, sustainability and legal which are necessary for the overall Board and Board Committees' effectiveness.

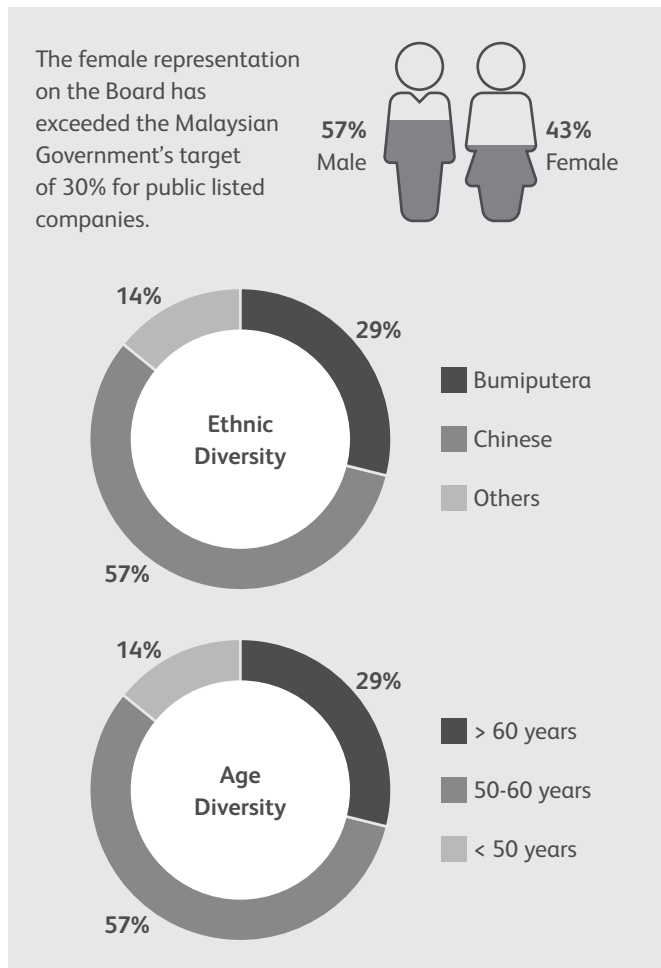
The primary responsibility of Independent Directors is to protect the interests of minority shareholders and other stakeholders. They play a key role in providing independent views and advice and their effective participation serves to promote greater accountability and balance in the Board's decision-making process.

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Mr Lau Nai Pek, the ARMC Chairman, has been designated as the Senior Independent Non-Executive Director of the Company. His roles are defined in the Board Charter.

The Board acknowledged the practice recommended under the MCCG for large companies to have a majority Independent Non-Executive Directors in the Board. Based on the current shareholding structure of the Company in which 51% of its equity interest are held indirectly by Heineken NV via its wholly-owned subsidiary, GAPL Pte Ltd, the Board was of the view that to fully leverage the experience of the HEINEKEN Group and to ensure focus on long-term value creation, it is in its best interest and that of its stakeholders that the Board includes a fair and adequate representation of the major shareholders.

The Group recognises the importance of ensuring an inclusive and diverse Board and has continued to maintain the right size and balance of gender, ethnicity and age diversity with adequate independent elements for effective functioning. The Board gives appropriate weight to diversity considerations in the selection and appointment process with a view to ensure that the Board members are able to provide a range of perspectives, insights and challenge required to support effective decision-making. The Board diversity as of the date of this statement is depicted as follows:



The Group has adopted the HEINEKEN Code of Business Conduct and the HEINEKEN Human Rights Policy which outline the principles of non-discrimination without distinction according to, among others, race, gender, nationality and age. Embracing a diversity and inclusion culture that promotes diversity and gender equality across the organisation will remain a key priority for the Group going forward.

On the limitation of tenure of Independent Directors, the Board is guided by the recommended approach under the MCCG. Shareholders' approval is sought for retention of Independent Directors whose cumulative tenure exceeds the 9-year limit, failing which he/she shall be re-designated as Non-Independent Director.

Appointments to the Board

There is a formal and transparent process for selection, nomination and appointment of suitable candidates to the Board. The NRC is responsible to review the existing composition of the Board, identifying the gaps and subsequently determining the selection criteria for the new appointment with a view to close the gap and to strengthen the Board composition. In reviewing and recommending any new Director appointment to the Board, the NRC assesses the suitability of candidate identified based on his/her profile, professional knowledge and experience taking into consideration the criteria set out in the Directors' Fit & Proper Policy. The NRC leverages on the Directors' wide network of professional and business contacts as well as external sources to identify suitable qualified candidates and conduct engagement sessions with shortlisted candidates before its final recommendation to the Board for approval.

In order to promote objectivity and independent judgement in line with the best practices of the MCCG, the Board will ensure that no person is to be appointed as a Director of the Board or continue to serve as a Director if the person is or becomes an active politician. The Board also observes a cooling-off period of three (3) years before any appointment of former audit partners and its affiliates as Independent Directors to the Board.

A comprehensive induction programme will be arranged for newly appointed Directors to enable them to better understand the Group's business and operations, organisational structure and management functions as well as issues and challenges facing the Group and the industry. The Management Team members will present their respective area of responsibility with an overview of the key strategies and priorities of their function. As part of the induction programme, a brewery tour will also be arranged to provide greater understanding about the supply chain operations.

The Directors' Fit & Proper Policy is available on the Company's website at <https://www.heinekenmalaysia.com/corporate-governance/>.

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Board Effectiveness Evaluation

On an annual basis, the Board through the NRC, evaluates the Board's collective performance by examining the effectiveness of the structure and activities of the Board and Board Committees as well as the contribution of Board members. For FY2023, the NRC conducted the evaluation internally with the support of the Company Secretary. The evaluation was conducted via online questionnaires that cover the following parameters to gauge the Board's performance against best practices:

- Board composition, skills and developments, dynamics and culture
- Board leadership, governance oversight and processes, Board agenda, meetings and information flow
- Board Committees effectiveness
- Working relationship between Board members and the Management Team
- Board and stakeholder engagement
- Sustainability matters
- Board Members' contributions and performance

Based on the evaluation, the Board was satisfied with its overall performance and concluded that the Board as a whole and the Board Committees have been effective in discharging their functions and duties, in that:

- The Board and the Board Committees have the necessary mix of competent members and are well balanced and represented with appropriate diversity of skills, knowledge and business experience, gender and ethnicity, contributing to the overall effectiveness of the decision-making process for the Company and the Group. The Board has met the

standards of corporate governance and has established policies and processes in place to discharge its duties and responsibilities.

- The Board is led by a very knowledgeable and well-respected Chairman who is being viewed as an inclusive and effective leader. The Chairman facilitates robust discussions through sharing of insightful information and he provided room for the Directors to openly express their views and succinctly summarises their observations.
- Board members are clear about their roles and responsibilities in providing strategic oversight over the Group's business conduct and management. They have good knowledge of the Group's business, external trends and industry issues and share common understandings of the Group's long-term strategy and goals whilst maintaining an effective oversight on the Group's performance. Board members have also demonstrated professional independence and impartiality during deliberations of matters at meetings.
- Board members were committed in discharging their fiduciary duties where they participate actively in the Board and Board Committees' discussions. The Board members have a good attendance record whilst the Board agenda, information prior to meetings, minutes of meetings and preparation by members met the standards of good corporate governance.
- The working relationship between the Board members has been good with strong interactions and respect for each other, professional and healthy debates and discussions on wide ranging topics and issues during Board deliberations. In addition, Management has been providing strong support which enable the Board to effectively discharge its function and duties.

NRC

The NRC is entrusted by the Board to assist the Board with regard to its nomination and remuneration matters. As of the date of this statement, The NRC comprises the following five (5) Non-Executive Directors, with a majority being Independent Directors including the Chairman:

Name	Designation	Date appointed	Years of service
Dato' Sri Idris Jala (Chairman)	Independent Non-Executive Director	1 January 2017	7 years +
Choo Tay Sian, Kenneth*	Non-Independent Non-Executive Director	26 October 2020	3 years +
Lau Nai Pek	Senior Independent Non-Executive Director	22 May 2021	2 years +
Chua Carmen	Independent Non-Executive Director	13 May 2023	< 1 year
Erin Sakinah Atan*	Non-Independent Non-Executive Director	14 July 2023	< 1 year

* Representing HEINEKEN, major shareholder of the Company.

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During FY2023, Ms Chua Carmen was appointed to the NRC to succeed Datin Ngiam Pick Ngoh, Linda who retired from the Board in May 2023 whilst Ms Erin Sakinah Atan was appointed in place of Ms Raquel Batallones Esguerra who ceased to be an NRC member following her resignation from the Board in July 2023.

The roles and responsibilities of the NRC are defined in the NRC's Terms of Reference which is available on the Company's website at <https://www.heinekenmalaysia.com/corporate-governance/>.

The Managing Director and the Company Secretary are in attendance in every meeting whilst the People Director attends the meeting by invitation as and when required by the NRC. The NRC Meeting is normally held before or in conjunction with the Board Meeting. When necessary, decisions are made via circular resolutions. At Board Meeting, the Chairman of the NRC reports to the Board on matters deliberated at the NRC Meeting.

The NRC had one (1) meeting during FY2023 with a 100% attendance rate. During the said meeting, the NRC deliberated and reported the following matters to the Board:

- Management's proposals on short-term incentive payment and salary increment and promotion for the Group employees and travelling allowance for expatriate employees;
- Independent evaluation of Board effectiveness and recommendations to strengthen the effective functioning of the Board; and
- Recommendation for re-election of retiring Director at the Company's AGM based on satisfactory evaluation of the Directors' performance and contribution to the Board.

During FY2023, the NRC also considered candidates recommended by Directors and major shareholder to fill the casual vacancies and recommended the following appointments for the Board's approval:

- Appointment of Ms Chua Carmen as the new Independent Non-Executive Director, succeeding Datin Ngiam Pick Ngoh, Linda who retired from the Board in May 2023. The NRC, represented by the Chairman and the major shareholder's representative, went through a rigorous assessment process including engagement sessions with proposed candidates prior to recommending the shortlisted candidate for the Board's approval.
- Appointment of Ms Erin Sakinah Atan as Non-Independent Non-Executive Director, to fill the vacancy arising from the resignation of Ms Raquel Batallones Esguerra from the Board in July 2023.

Remuneration

The remuneration matters of the Group fall under the purview of the NRC. The NRC is guided by the following principles as stipulated in the Remuneration Policy of the Company:

- Remuneration should reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performance individuals and promoting the enhancement of the Company's value to its shareholders.
- Remuneration practices are benchmarked against external market data through the use of remuneration surveys to ensure staff are fairly remunerated.
- The process of remuneration management shall be transparent, conducted in good faith and in accordance with appropriate levels of confidentiality.

The remuneration of the Management Team including the Managing Director is guided by the HEINEKEN Global Senior Management Reward Policy. Their remuneration package consists of both fixed and performance-linked elements and a long-term incentive scheme. Salaries payable to the Managing Director shall not include a commission on or percentage of the Group turnover. The Managing Director is not entitled to annual fee nor any meeting allowances for the Board and Board Committees Meetings he attended. The performance of the Managing Director is reviewed annually taking into consideration the corporate and individual performance.

The remuneration for the Non-Executive Directors is based on a standard fixed fee with the Chairman of the Board and the Board Committees receiving additional allowance for additional responsibilities and commitment required. An additional fee is also paid to Non-Executive Directors sitting on Board Committees. A meeting allowance is paid for attendance at meetings of the Board and Board Committees. The remuneration package for the Non-Executive Directors is disclosed in the CG Report 2023.

The NRC is responsible to review the remuneration package for the Non-Executive Directors to ensure the same is appropriately reflective of experience and the level of responsibilities and contributions; and competitive compared with the prevalent market practices. Any changes to the remuneration package will be presented to the Board for approval.

The Board, collectively, determines the remuneration of the Non-Executive Directors based on the recommendation of the NRC. Each of the Non-Executive Directors shall abstain from deliberating and voting on their own remuneration. Fees of Directors, and any benefits payable to Non-Executive Directors shall be subject to shareholders' approval at AGM.

At the 59th AGM held on 12 May 2023, shareholders' approval was sought for the payment of Directors' fees and benefits up to RM700,000 to the Non-Executive Directors for FY2023. Total remuneration paid to the Non-Executive Directors of the Company for FY2023 was RM672,717. The detailed breakdown of the remuneration paid to the Directors, including the Managing Director, of the Company who served during FY2023 is disclosed in the CG Report 2023.

The Remuneration Policy is available on the Company's website at <https://www.heinekenmalaysia.com/corporate-governance/>.

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PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

ARMC

As of the date of this statement, the ARMC comprises three (3) Non-Executive Directors, with a majority being Independent Directors including the Chairman. The ARMC Chairman is not the Chairman of the Board. All the members are financially literate, they possess the appropriate level of expertise and experience and have sufficient understanding of the Group business and are able to objectively review, analyse, challenge and make recommendations on matters under the purview of the ARMC including the financial reporting process. None of the ARMC members were former audit partners who are required to observe a cooling-off period of at least three (3) years before being appointed. Details of the composition and responsibilities of the ARMC are set out in the Audit & Risk Management Committee Report.

The Board via the NRC, evaluated the performance and effectiveness of the ARMC for FY2023 and is satisfied that the ARMC and its members have been able to discharge their functions, duties and responsibilities in accordance with the ARMC's Terms of Reference.

The Board is responsible for ensuring that the Group's financial statements comply with the relevant financial reporting standards and any other applicable legislations and regulations. The Statement by the Directors in relation to the preparation of the Group's financial statements is set out in the Financial Statements section of this Annual Report.

Suitability and Independence of External Auditors

The Board, through the ARMC, maintains a professional relationship with the external auditors. The ARMC has explicit authority to communicate directly with external auditors. The ARMC meets the external auditors at least twice a year to discuss their audit plan, audit findings and their reviews of the Group's financial statements. The ARMC also have private meetings with the external auditors twice annually without the presence of the Managing Director and the Management staff to discuss areas of concerns, if any, or additional matters which may be of a confidential nature; and the audit findings and any other observations they may have during the audit process.

The ARMC assesses the independence and objectivity of the external auditors in carrying out statutory audit for the Group and prior to the engagement of non-audit services of the external auditors. The external auditors, Messrs Deloitte PLT, have confirmed that they have complied with the independence requirements set out in 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) of the International Ethics Standards Board for Accountants (IESBA Code) and that they have fulfilled their ethical responsibilities in accordance with the said By-Laws and IESBA Code.

The ARMC also reviews the nature of the non-audit services and the related fee levels individually and in aggregate relative to the audit fee to ensure they do not compromise their independence and objectivity. As an additional measure to ensure that the non-audit services do not impair the audit firm's independence, the ARMC has put in place pre-approved/agreed policies and procedures for provision of permissible and non-permissible non-audit services to the Group. For FY2023, the external auditors were engaged mainly to perform statutory audit on the Group's financial statements and review the reporting deliverables to Deloitte Netherlands and the Company's Statement on Risk Management and Internal Control. The fees paid for these services were reported in the Audit & Risk Management Committee Report.

The ARMC considers the re-appointment and terms of engagement of the external auditors, guided by the following criteria and the assessment performed by Heineken NV at the global level:

- Technical and competencies of the audit team
- Adequacy of resources and relevant specialist/experts deployed to conduct the audit
- Audit scope and planning taking into consideration the size and complexity of the Group
- Audit communications to the ARMC
- Audit and non-audit fees
- Independence and objectivity

The ARMC also reviewed the information presented in the Annual Transparency Report of Messrs Deloitte PLT.

Risk Management and Internal Control

The Board is also responsible for ensuring the Group has in place an effective risk management and internal control system to manage and mitigate significant risks across the Group and to safeguard stakeholders' interests and the Group's assets. The Group adopted the HEINEKEN Risk Management and Internal Control Systems which enable Management to identify, assess, prioritise and manage risks on a continuous and systematic basis. The Board, through the ARMC continually reviews the adequacy, integrity and effectiveness of the risk management and internal control systems to ensure that the same are soundly conceived, in place, effectively administered and regularly monitored.

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As an integral part of the risk management and internal control systems, an assessment is also performed under the HEINEKEN' Risk and Control Matrix compliance programme on the internal controls surrounding the Group financial reporting process on an annual basis, focusing on transparency, accountability and safeguarding of the Group's assets. Outcome of the assessment is reported to the ARMC during their quarterly meetings.

The Internal Audit function, which is performed in-house, assists the ARMC and the Management in the effective discharge of their responsibilities in respect of risk management, internal control and governance. It is guided by its Charter and its principal responsibility is to provide independent and objective reviews on the Group's internal control system so as to ensure that controls which are instituted are appropriate and can effectively address acceptable risk exposures. The Internal Audit function also ensures that recommendations to improve controls are followed through by Management.

The Internal Audit function, which is led by the Head of Internal Audit, has a clear line of reporting to the ARMC and its performance is reviewed by the ARMC on an annual basis. The ARMC also reviews the internal audit plan including the adequacy of the audit scope, approach, methodology, resources and authority of the Internal Audit function in carrying out its audit activities. It is independent of the operational and management activities they audit. Further information on the Internal Audit function were reported in the Audit & Risk Management Committee Report.

Based on the evaluation carried out by the ARMC on the performance of the Internal Audit function for FY2023, the Internal Audit function was found to be effective and able to function independently in discharging its responsibilities in that it provided value added recommendations that helped strengthen the internal controls within the Group.

The Board is of the view that the overall risk management and internal control systems in place for FY2023 are operating adequately and effectively for the purpose of safeguarding the Group's assets, as well as shareholders' investments and the interests of customers, employees and other stakeholders. The key features of the risk management and internal control systems are set out in the Statement on Risk Management and Internal Control.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The Company acknowledges the importance of timely and equal dissemination of material information to shareholders, investors and public at large. It continued to maintain an active and proactive communication approach with its shareholders and other stakeholders to facilitate mutual understanding of each other's objectives and expectations.

The Company is guided by the disclosure requirements of the Main Market Listing Requirements along with the Corporate Disclosure Guide issued by Bursa Securities and the HEINEKEN Media Policy and HEINEKEN Financial Disclosure Guidelines which stipulate the authorised spokespersons through which/whom certain information shall be disclosed to internal and external stakeholders with specific guidance on the disclosure of material information, maintenance of confidentiality of information and dissemination of information.

The Company's Annual Report remains a key channel of communication with the Group's stakeholders in that it provides a comprehensive review on the Group's key financial and non-financial performance. The Company disseminates its annual report to its shareholders on a timely basis. The report is also made available to shareholders electronically as soon as it is published.

The Company leverages on various communication platforms to reach out to shareholders and stakeholders. These include among others, announcements via Bursa LINK, disclosures on the Company's website, bi-annually results briefings with analysts, fund managers and media, engagements through the Investor Relations function and the Company's social media. In 2023, numerous engagement activities were carried out by the Company to engage its stakeholders. Details of the engagement activities are reported in the Stakeholder Engagement section within the ESG Review in this Annual Report.

Conduct of General Meetings

AGM is a principal platform for Directors and Management Team to engage shareholders to provide them a greater understanding of the Group's business, governance and performance. Prior to the AGM, shareholders were notified on the meeting and the relevant reports were published via the Company's and Bursa Malaysia's website at least 28 clear days ahead of the meeting and they were allowed to send pre-meeting questions in relation to the AGM agenda items via the Tricor's TIIH Online website.

Corporate Governance Overview Statement

In 2023, the Company's AGM was conducted entirely on a virtual basis using the remote participation and voting (RPV) facilities. All Board members were present at the broadcast venue together with the external auditor, the Company Secretary and the Finance Director whilst some of the Management Team members were also present at the AGM.

At the AGM, a comprehensive review of the Group's business and financial performance together with an overview of the Group's activities, key challenges, market outlook and the Group's strategies and priorities for the ensuring year were presented by the Managing Director. Shareholders were given the opportunity and time to submit real-time questions, provide comments or suggestions for improvement and cast their votes via the RPV facilities. The Chairman, on behalf of the Board, and the Managing Director also addressed questions submitted in advance by shareholders including the Minority Shareholder Watch Group. All resolutions set out in the notice of the AGM were voted by poll and an independent scrutineer was appointed to validate the votes for each resolution. The poll results were announced before the closure of the AGM and were published on the Company's website and via Bursa LINK on the same day after the meeting. Minutes of AGM together with the written response to relevant questions raised were also made available on the Company's website at www.heinekenmalaysia.com.

The Company will continue to leverage technology to enhance the quality of engagement and to ease shareholder's participation at AGM.

LOOKING AHEAD

The Board will continue to ensure the Group maintains a robust governance framework and embraces an ethical corporate culture by strengthening its sustainability governance whilst ensuring all material risks are managed appropriately to deliver sustainable growth and performance for the Group.

This CG Overview Statement was approved by the Board on 20 March 2024.

Audit & Risk Management Committee Report

The Audit & Risk Management Committee (ARMC) comprises the following three (3) Non-Executive Directors, with a majority being Independent Directors including the Chairman:

Name	Designation	Date appointed	Years of service
Lau Nai Pek (Chairman)	Senior Independent Non-Executive Director	22 May 2021	2 years +
Choo Tay Sian, Kenneth*	Non-Independent Non-Executive Director	26 October 2020	3 years +
Chua Carmen	Independent Non-Executive Director	13 May 2023	< 1 year

* Representing HEINEKEN, major shareholder of the Company.

In May 2023, the ARMC was refreshed with the appointment of Ms Chua Carmen who succeeded Datin Ngiam Pick Ngoh, Linda who ceased as a member of the ARMC following her retirement from the Board on 12 May 2023.

Mr Lau Nai Pek is a member of the Malaysian Institute of Accountants whilst Mr Choo Tay Sian, Kenneth is a Chartered Accountant and a member of the Institute of Singapore Chartered Accountants. Accordingly, the Company complies with Paragraph 15.09(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The representation of the major shareholder in the ARMC is essential in that it provides an avenue for the major shareholder's representative to share insights on HEINEKEN Global best practices and learning with the Company. None of the ARMC members were former audit partners who are required to observe a cooling-off period of at least three (3) years before being appointed.

The ARMC discharges its functions according to its Terms of Reference in that it assists the Board in fulfilling its statutory duties and responsibilities by ensuring:

- accurate and timely financial reporting and compliance with applicable financial reporting standards;
- adequate internal control in the systems and processes which enable the Company and its subsidiaries (Group) to operate effectively and efficiently;
- that an effective risk management framework is in place to manage risks impacting the Group;
- that Internal Audit functions effectively and audits are performed by external auditors objectively and independently; and
- the Group complies with applicable laws, rules and regulations and has in place an appropriate code of business conduct that covers policies on, among others, bribery, fraud, conflicts of interest and Speak Up on concerns about suspected misconduct within the Group or potential violation of the code.

The Terms of Reference of the ARMC is available on the Company's website at <https://www.heinekenmalaysia.com/corporate-governance/>.

ACTIVITIES OF THE ARMC

During the financial year ended 31 December 2023 (FY2023), the ARMC had four (4) meetings with a 100% attendance rate. The Managing Director, the Finance Director and the Head of Internal Audit of the Company normally attend the meetings. When necessary, certain members of the Management Team will be invited to the meetings to assist in clarifying matters raised at the meeting.

The main activities carried out by the ARMC during FY2023 were as follows:

Financial Reporting

- Reviewed the quarterly financial reports to Bursa Malaysia based on the Group's financial performance, borrowings and cashflow positions as well as its performance outlook and financial performance plan.
- Reviewed the annual audited financial statements of the Group including the pertinent disclosures in the notes to the financial statements.

Risk Management and Internal Control

- Reviewed the top 10 risks and emerging risks together with the risk mitigating measures and the progress of mitigating actions on a quarterly basis. Illicit trade, growing conservatism, fraud, increase in excise duty, cyber security, rising input costs, weakened consumer sentiment, weakening Ringgit Malaysia, supply chain disruptions, IT service disruption, human rights and employee health and safety were among the key risk areas deliberated.
- Reviewed the adequacy and effectiveness of the Group's risk management and internal control framework based on the following self-assessment performed by Management:
 - (i) business self-assessment under the HEINEKEN Risk and Control Matrix compliance programme which assesses the Group's internal controls over financial reporting; and

Audit & Risk Management Committee Report

- (ii) control self-assessment which focuses on the implementation and execution of the mandatory standards and procedures under the HEINEKEN Rules that describe the boundaries within which the Group can operate, with the objectives of protecting the Group's assets and reputation.
- Reviewed the control issues reported in the B Wise system, an online risk management reporting system which tracks key processes compliance, on a quarterly basis to ensure all key risks and control issues were effectively addressed.
- Reviewed the key changes to the HEINEKEN Rules and additional actions required to ensure compliance.
- Reviewed the implementation of non-financial reporting controls to track carbon emission, water consumption in production and gender diversity at workplace in line with the Brew a Better World strategy.
- Reviewed the amendments to the Statement of Authority which documents the approval limits and approving processes related to the Group's business and operations.
- Held two private sessions with the external auditors without the presence of the Management in conjunction with the ARMC meetings in February 2023 and November 2023. The ARMC enquired about Management's co-operation with the external auditors, their sharing of information, proficiency and adequacy of resources in financial reporting functions and key areas of concern or issues encountered by the external auditors during their audit. The ARMC was satisfied that there were no areas of concern on the process for the year end audit, full cooperation was extended to the auditors and no information was being withheld from the auditors.
- Obtained written assurance from the external auditors to confirm their independence and objectivity in performing statutory audit. Deloitte PLT have confirmed that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. The ARMC was satisfied that they were not likely to create any conflict of interest nor impair the independence and objectivity of the external auditors.
- Reviewed the pre-approved/agreed policies and procedures for provision of permissible and non-permissible non-audit services (NAS) to the Group as a means to ensure that the NAS do not impair the audit firm's independence.
- Evaluated the performance of the external auditors taking into consideration the competencies, the quality of the audit deliverables and the resource capacity of the audit team. The ARMC was satisfied with the work performed by Deloitte PLT and recommended to the Board on their re-appointment and remuneration for FY2023. The re-appointment of external auditors will be tabled at the forthcoming Annual General Meeting for shareholders' approval. The ARMC also reviewed the information presented in the Annual Transparency Report of Messrs Deloitte PLT.

Internal Audit

- Reviewed the internal audit annual plan including the adequacy of the audit scope, approach, methodology, resources and authority of the Internal Audit function in carrying out its audit activities.
- Reviewed the quarterly internal audit reports which encompassed the audit issues, audit opinion or conclusion, audit recommendations, Management's responses to these recommendations and improvement actions in the area of internal controls, systems and process efficiency enhancements; and suggested additional improvement opportunities in the said areas.
- Reviewed the progress of the implementation of audit recommendations on a quarterly basis to ensure all key risks and control gaps were addressed.
- Reviewed outcome of ad-hoc investigations / special reviews conducted by the Internal Audit function on matters concerning misconduct and suspicion of fraud or operational failures within the Group.
- Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance and contributions of the Internal Audit function as well as the competency and performance of the Head of Internal Audit.

External Audit

- Reviewed the external audit plan including the significant accounting and auditing issues and impact of changes in accounting standards applicable to the Group prior to commencement of annual statutory audit by the external auditors.
- Reviewed the external audit findings and observations and the accompanying management reports and representation, focusing particularly on key audit matters and key accounting and audit adjustments.

For FY2023, the fees paid / payable to the external auditors, Deloitte PLT in relation to the audit and non-audit services rendered to the Company and the Group are as follows:

	Company RM'000	Group RM'000
Statutory audit services	149	236
Non-audit services		
(i) Review of reporting deliverables to Deloitte Netherlands	30	30
(ii) Review of the Statement on Risk Management and Internal Control	10	10
	189	276

The ARMC believes that the provision of these services by the external auditors to the Group was fair and reasonable given the scope of the audit and the size of the Group business as well as their knowledge and understanding of the Group operations, and they did not compromise their independence and objectivity.

Audit & Risk Management Committee Report

Related Party Transactions (RPT)

- Reviewed the quarterly recurrent RPT entered into by the Company and the Group to ensure transactions with related parties were carried out within the mandate approved by shareholders.
- Reviewed the proposed shareholders' mandate for recurrent RPT to be entered into by the Group for the ensuing year.
- Reviewed the processes that the Company has in place for identifying, evaluating, approving, reporting and monitoring of recurrent RPT based on the assurance from the Internal Audit function.

Others

- Reviewed Management's recommendation on dividend distribution for FY2023, taking into consideration of the Group's earnings and cashflow requirements and its solvency position.
- Reviewed the potential impact of the material litigation involving the Company and its operating subsidiary (Companies) which was disclosed under Note 26 of the Group's Audited Financial Statements, and the Companies' legal position against the litigation case.
- Reviewed the statistics of the Company's investor base and stock price movements.

During FY2023, the ARMC Chairman had two meetings with the external auditors and had separate meetings with the Managing Director, Finance Director and the Head of Internal Audit prior to every scheduled ARMC Meeting.

The ARMC Chairman reports to the Board on matters deliberated and highlighted significant matters for Board's attention. The ARMC has provided useful recommendations in assisting the Board in making informed decisions and enabling effective functioning of the Board.

The ARMC has unrestricted access to any information pertaining to the Group enabling it to discharge its duties effectively.

INTERNAL AUDIT FUNCTION

The ARMC is supported by the Internal Audit function in discharging its duties and responsibilities. The Internal Audit function is an integral part of the assurance framework and its principal role is to undertake independent and systematic reviews of the Group's internal control system so as to provide objective assurance on the adequacy, integrity and effectiveness of the Group's risk management, internal controls, anti-bribery and anti-corruption, Speak Up and the overall governance processes.

The Internal Audit function is performed in-house and it is headed by Eugene Ding Diew Ping who reports functionally to the ARMC and administratively to the Managing Director. The Internal Audit function does not have any direct operational responsibility or authority over any of the activities it audits nor has it engaged in any activity that might impair the internal auditor's judgement. All the internal audit staff had confirmed via an annual declaration that they were free from any relationships or conflict of interests which could impair their objectivity and independence.

The Head of Internal Audit, Eugene Ding Diew Ping, holds a Bachelor's Degree of Business (Accounting) from the University of Technology Sydney, Australia. He is also a Chartered Accountant of the Malaysian Institute of Accountants and a Chartered Member of the Institute of Internal Auditors Malaysia (IIAM). He has over 20 years of internal audit experience. Currently, he is supported by an Internal Audit Manager who is assisted by an Internal Audit Executive. During FY2023, relevant trainings were provided to the internal audit team to enhance their competencies.

The Internal Audit function is guided by an Internal Audit Charter approved by the ARMC. The charter sets out the purpose, scope, responsibility and authority of the function.

The Internal Audit function carried out its activities based on the Internal Audit Plan approved by the ARMC. The Internal Audit Plan is developed based on the risk profiles identified in accordance with the Group's Risk Management Framework and in consultation with the Management Team. The ARMC reviews the extent of the audit scope and coverage of the Group's activities; and the adequacy, competency and the internal audit resources to support the completion of the plan. At the quarterly ARMC meetings, the Head of Internal Audit reports to the ARMC on the progress of internal audit activities and the resource requirements. The report to the ARMC also covers significant risk and control issues, including fraud risks, governance issues and other matters that require the ARMC's attention.

In carrying out the audit activities, the Internal Audit function has adopted the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the International Internal Audit Standards Board. The internal audit staff adhere to the Code of Ethics adopted by the IIA which sets out, among others, the principles relevant to the profession and practice of internal auditing and the rules of conduct expected of internal auditors.

During FY2023, the Internal Audit function completed 18 audit assignments which included 4 investigative audits on matters reported via the Speak Up channel and requests made by Management. The audits were performed using a risk-based approach followed by root-cause analysis and were consistent with the Group's established framework in designing, implementing

Audit & Risk Management Committee Report

and monitoring of its internal control systems. The audit covered various operational areas within the Group, which included:

- Regional sales offices and distributors' safety standards
- Management of decanting process
- Trade activities in selected outlets
- Management of commercial assets i.e. draught beer equipment and fridges
- Compliance with the HEINEKEN Brand Promoters Policy
- Compliance with the "When You Drive, Never Drink" Policy
- Employees' declaration of conflict of Interest
- Recurrent RPT

Findings from the audits were highlighted to Management who are responsible for ensuring that the agreed action plans to address the reported weaknesses are implemented within the required timeframe. On a regular basis, the Internal Audit function reviewed the status of implementation of the recommended actions and preventive measures. The audit findings, audit opinion or conclusion and the status of implementation of the action plan were reported to the Risk and Control Workgroup and presented to the ARMC for review at their respective quarterly meetings.

The Internal Audit function also works collaboratively with the Process & Control Improvement team to review the risk management process of the Group as a whole.

The total expenses incurred by the Internal Audit function in discharging its functions and responsibilities for FY2023 amounted to RM832,000 (FY2022: RM883,000). The expenses incurred comprised mostly of salaries and departmental overheads.

The ARMC had evaluated the performance of the Internal Audit function for FY2023 and was satisfied with the overall performance of the function as it had been effective in performing its duties. The Internal Audit function also provided value added recommendations to the organisation, strengthening its internal controls, improving efficiency of processes whilst enabling cost savings, and was able to function independently.

EFFECTIVENESS OF ARMC

The Board, via the Nomination & Remuneration Committee, reviewed the composition and performance of the ARMC through its annual Board and Board Committees effectiveness evaluation. Based on the evaluation conducted for FY2023, the Board was of the view that the present composition in the ARMC was appropriate in that the ARMC members possess the appropriate level of expertise and experience. They have sufficient understanding of the Group's business and are able to objectively review, analyse, challenge and make recommendations on matters under the purview of the ARMC including the financial reporting process. During the year, all members of the ARMC have attended various development and learning programmes to keep themselves abreast of current developments in the market place and changes in the statutory and regulatory requirements. The Board agreed that the ARMC had continued to support the Board in matters related to the Group's financial and audit, risk management and internal control. The Board was also satisfied that the ARMC has effectively discharged its functions, duties and responsibilities in accordance with its Terms of Reference in that it had provided useful recommendations to the Board for better decision-making and consequently made Board Meetings more efficient and effective.

This report was approved by the Board on 20 March 2024.

Statement on Risk Management and Internal Control

The Board of Directors (the Board) is pleased to present this Statement on Risk Management and Internal Control, which outlines the nature and key elements of the risk management and internal control systems of Heineken Malaysia Berhad (HEINEKEN Malaysia or the Company) and its subsidiaries (the Group) for the financial year ended 31 December 2023 (FY2023). This statement is prepared in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers which is in line with Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad’s Main Market Listing Requirements (MMLR) and Principle B of the Malaysian Code on Corporate Governance (MCCG).

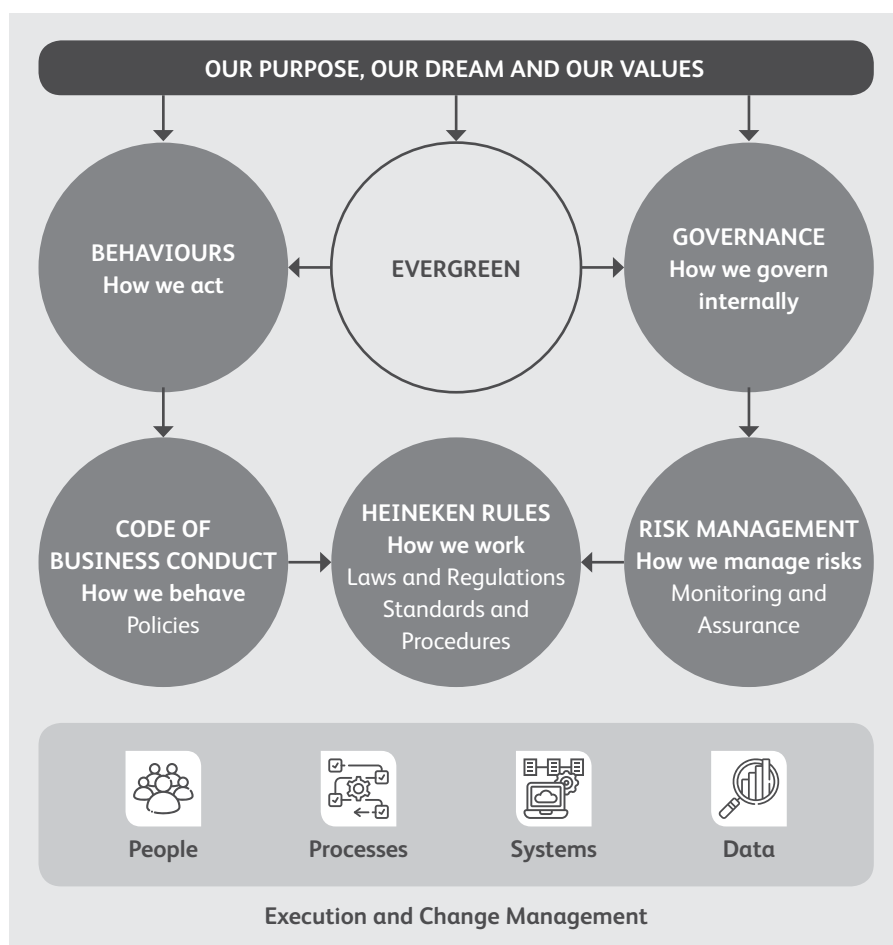
BOARD’S RESPONSIBILITY

The Board is responsible and accountable for the Group’s systems of risk management and internal control and for reviewing the effectiveness, adequacy and integrity of the system. In this regard, the Board is assisted by the Audit & Risk Management Committee (ARMC) who is responsible to ensure that appropriate methods and procedures are adopted in the risk management and internal control activities and to obtain the level of assurance required by the Board.

BUSINESS FRAMEWORK

As part of the HEINEKEN Group, the Group has adopted the HEINEKEN Business Framework (the Business Framework) established by Heineken NV. The Framework articulates the key elements that the Company relies on to operate effectively and deliver long-term value creation whilst protecting the Company’s people, assets and reputation.

HEINEKEN’s Purpose, Dream and Values underpin the HEINEKEN’s EverGreen strategy, enabled by our organisational structure and strong governance. The behaviours provide clear guidance to all employees on how to act and foster a culture of achievement, collaboration and growth, underpinned by a Behaviours Framework that reflects the expected attitude in decision-making, including risk taking.

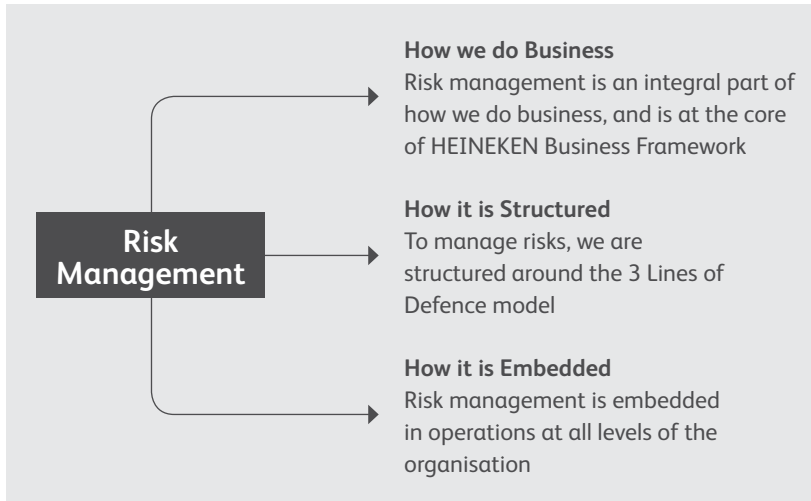


Continuous Risk Management supports the achievement of business objectives based on our Risk Assessment Cycle, the HEINEKEN Code of Business Conduct and the HEINEKEN Rules (HeiRules). As part of the Risk Assessment Cycle, the Management Team reviews and updates the risks faced by the Group on a continuous basis throughout the year. The Code of Business Conduct and its underlying policies set out the Group’s commitment to conduct business with integrity and fairness, and respect for the law and our values. The HeiRules articulate how we work and the standards to which we commit. They are a key element for managing the risks faced by our Company and translate our objectives into clear instructions on how to conduct our daily business.

The Group’s systems of risk management and internal control, which are based on the Committee on Sponsoring Organisations (COSO) Enterprise Risk Management and Internal Control Reference model, form a fundamental part of the Business Framework.

Statement on Risk Management and Internal Control

RISK MANAGEMENT

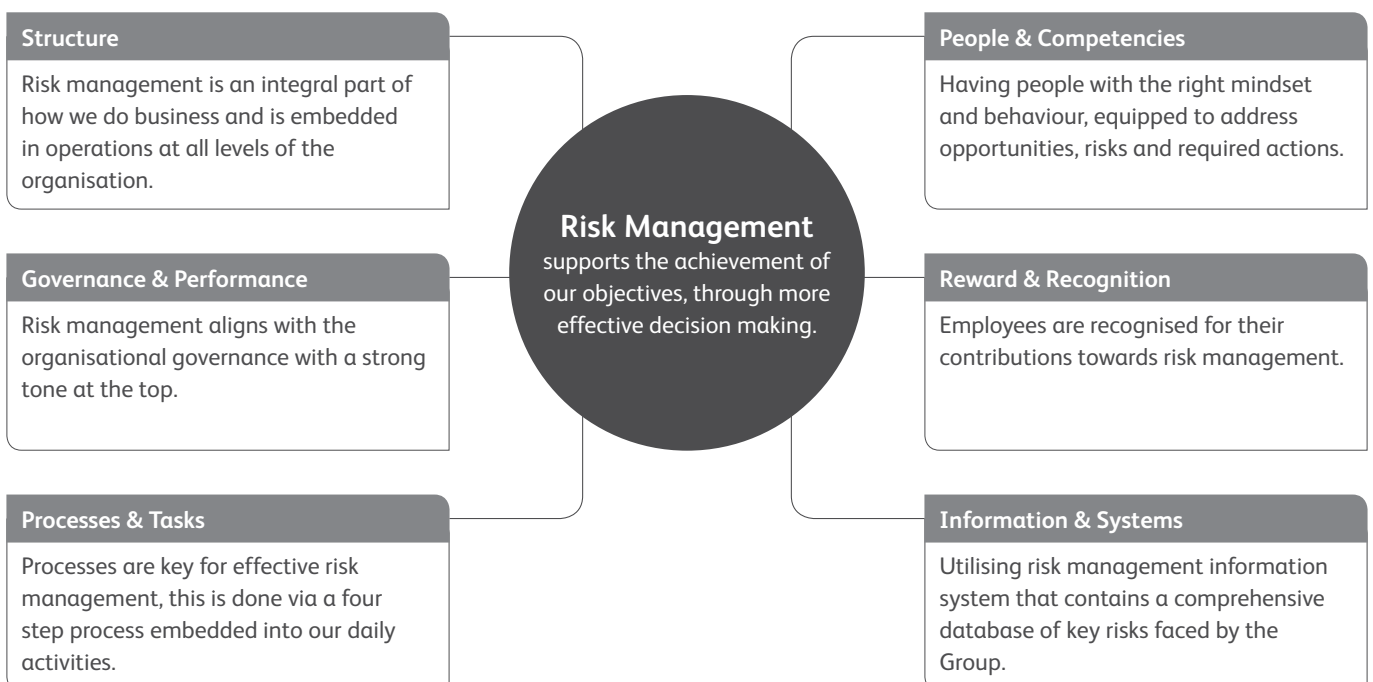


Risks is an important element when opportunities are assessed and strategies set. At HEINEKEN Malaysia, risk management is an integral part of doing business, supported by good governance. The Group has adopted the HEINEKEN Risk Management Framework (the Risk Management Framework) which is embedded within the Business Framework. The Risk Management Framework addresses the risks the Group inevitably faces in achieving its strategy. Managing risks in a conscious manner increases the likelihood of delivering our strategies and business objectives. The Group has adopted a proactive approach to ensure risk management is embedded in our processes for effective decision-making which is essential to create and preserve the Group's long-term value.

The Risk Management Framework comprises a four-step process and is supported by six (6) key pillars:



Key Pillars



Statement on Risk Management and Internal Control

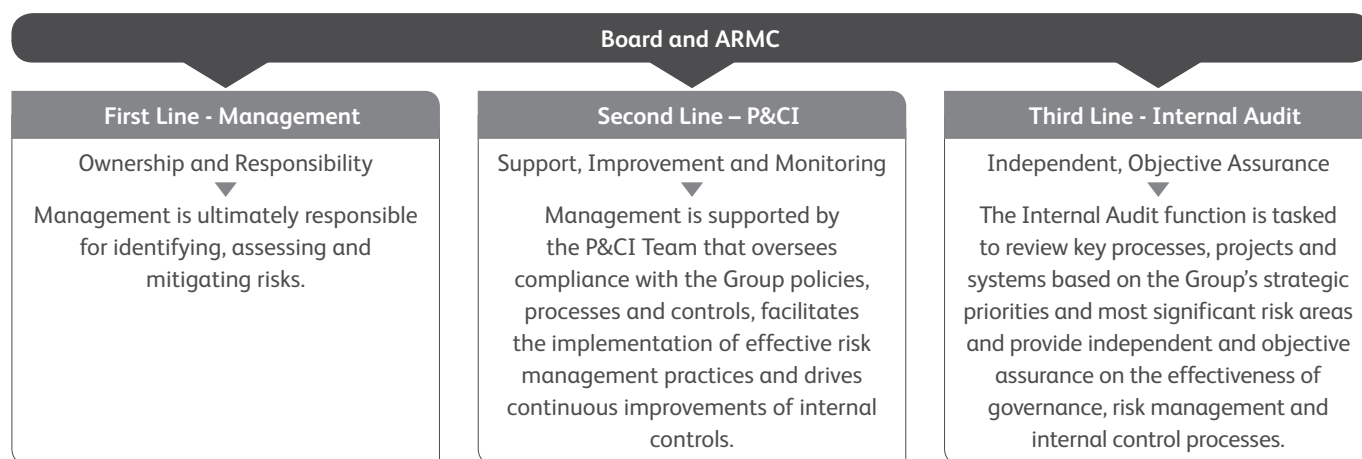
The risk profile of the Group is established during the risk assessment sessions with the Management Team. This exercise is facilitated by the Process & Control Improvement (P&CI) Team and is fully embedded as a key activity of the Risk and Control Workgroup (RCW). At each assessment session, members of the Management Team are engaged to identify and review key risk areas within their respective function and are responsible to ensure the adequacy and effectiveness of mitigating plans to manage the risks identified. The risks landscape as well as the mitigation plans are assessed and categorised based on the level of impact and likelihood as set out in the following Risk Management Matrix adopted by the Group:

IMPACT	RISK MANAGEMENT MATRIX				
	Nearly Impossible	Unlikely	Possible	Likely	Almost Certain
Major	Medium	Medium	High	High	Major
Significant	Medium	Medium	Medium	High	High
Moderate	Low	Medium	Medium	Medium	High
Minor	Low	Low	Medium	Medium	Medium
Insignificant	Low	Low	Low	Low	Medium
	LIKELIHOOD				

The identified risks will be mapped out on a heat map and ranked according to the level of risk and impact and the same will be tabled to the Management Team at the quarterly RCW meeting. In determining the most appropriate responses to be taken to address the risks, the following risk mitigation strategy will be applied:



For the managing of risk management activities, the Group applies the “Three-lines of Defence” model as follows:



The above is also supported by assurance activities carried out by the external auditors whose responsibility is to evaluate and provide independent and objective assurance on the financial statements and risk management processes including reliability of information, compliance with regulations and procedures; and efficient and effective use of resources.

Statement on Risk Management and Internal Control

The RCW, which is made up of members of the Management Team and is chaired by the Managing Director, oversees the areas of risk management and internal control of the Group. It meets on a quarterly basis to review the risk management activities and internal control issues raised. Matters deliberated in the RCW meetings are reported to the ARMC. The RCW is supported by the P&CI Team who is tasked to oversee compliance with the Group's Risk Management and Internal Control Systems and drive continuous process improvements.

The P&CI Team, which comprises a P&CI Manager and a P&CI Executive, is a function within the Finance Department with effect from 1 June 2023 whilst the Internal Audit Department maintains a functional reporting relationship with the ARMC and reports administratively to the Managing Director.

INTERNAL CONTROLS

As an integral part of the Framework, internal control activities are carried out with the aim of providing reasonable assurance as to the accuracy of financial information, non-financial disclosures, the Company's compliance with applicable laws and internal policies, and the effectiveness of internal processes.

The internal controls are defined in HeiRules, which comprise all mandatory standards and procedures including financial reporting, IT and Tax. On an annual basis, a Control Self-Assessment (CSA) is performed by each function to assess the implementation and execution of the mandatory standards and procedures required under the HeiRules. The Group has also adopted the HEINEKEN's Risk and Control Matrix (RACM) compliance programme that focuses on internal controls over financial reporting. The RACM assessment is performed on key controls surrounding the Group's financial reporting process based on materiality level; and it focuses on transparency, accountability and safeguarding of assets.

The P&CI Team coordinates both CSA and RACM assessments on an annual basis. The assessments are performed by competent assessors and the outcome are tested by qualified reviewers. The P&CI Team discusses non-compliance areas, if any, and control deficiencies with relevant process owners and reports it in a monitoring tool whilst ensuring the necessary remediation action plan is in place. Completed actions are then retested to ensure adequate remediation. Deficiencies, if any, will be assessed and reported to the RCW and the ARMC during their quarterly meetings.

INTERNAL AUDIT

The primary role of the Internal Audit function is to undertake independent and systematic reviews of the Group's internal control system so as to provide objective assurance on the adequacy, integrity and effectiveness of the Group's risk management, internal controls, anti-bribery/anti-corruption, Speak Up and the overall governance processes within the Group.

The Internal Audit function has a clear reporting line to the ARMC and its performance is reviewed by the ARMC annually. It is independent of the operational and management activities they audit and have unrestricted access to information, records, physical properties, and personnel, in order for it to complete the audit assignments.

Audits are carried out based on the Internal Audit Plan approved by the ARMC. The audit plan is developed based on the risk profiles identified in accordance with the Group's Risk Management Framework in consultation with the Management Team. The audit reports which highlight significant findings and audit recommendations in respect on the effectiveness of governance, risk management and internal control processes are presented to the RCW and the ARMC at their quarterly meetings.

Details of activities carried out by the Internal Audit function during FY2023 are further disclosed in the Audit & Risk Management Committee Report.

KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The key elements of the Group's risk management and internal controls system are described below:

Authority and Responsibility

- As part of the Risk Management Framework, and in line with the MCCG, the Board has an organisational structure with clearly defined lines of accountability and responsibilities and delegated authority to the Board Committees and the Management to ensure they discharge their duties. Matters concerning risk management and internal controls are under the purview of the ARMC that is chaired by the Senior Independent Director.
- There is a schedule of key matters reserved specifically for Board deliberation and decision. The Group practices segregation of duties to ensure that specific tasks or duties within related business processes or associated with the systems supporting business processes are allocated to different employees, to prevent unintentional or fraudulent transactions.

Statement on Risk Management and Internal Control

- Internal policies and procedures of core business processes together with limits of authority delegated to appropriate levels of employees are documented and stored in a document repository portal. These documents are subject to review and improvements to reflect changing risks or resolve operational deficiencies.

Monitoring, Reporting and Performance Measurement

- The Management Team meets on a monthly basis to review business performance, identify, discuss and resolve operational, financial and key management issues. On a quarterly basis, the Managing Director reports to the Board on key business and operational issues covering, but not limited to strategy, performance, resources and regulatory compliance.
- The RCW meets on a quarterly basis to review risk management and internal control activities and discuss risk mitigation strategies and follow-up on action plans implemented in response to matters raised as a result of reviews, assessments and tests performed by the P&CI Team and the internal / external auditors.
- Compliance audit in line with the ISO 9001:2015 Quality Management System and the Hazard Analysis Critical Control Point (HACCP) requirements are conducted based on the frequency determined by the Ministry of Health to monitor compliance with product safety requirements.
- The Group has adopted the HEINEKEN's Information Security Maturity Assessment (ISMA) framework as part of the Group's internal control to protect and detect threats against the Company's information systems. Quarterly ISMA assessment is performed to evaluate the strength of the Group's information security management system and the effectiveness of the Group's cyber security risk management measures.
- The annual planning process involves respective functions preparing and reviewing their strategies and activity plans including budgets before a new financial year commences. The annual plan which embeds the budget is reviewed by the Management Team and approved by the Board. Monthly review of performance and expenditure versus the plan is carried out by the Management Team to ensure effectiveness of execution and spends are managed in line with the strategic and financial objectives of the organisation. Performance gaps or key variances, if any, are followed up and addressed by respective functions.
- Regular stakeholder engagements with employees, investors, analysts, media, trade partners and relevant authorities are held to better gauge the needs of the stakeholders and gather feedback for continuous improvements.
- On behalf of the Management Team, the Managing Director and the Finance Director sign-off a bi-annual Letter of Representation to the Chief Financial Officer of Heineken NV, demonstrating management's accountability over

financial and non-financial reporting disclosures, financial reporting controls, compliance with the HEINEKEN Code of Business Conduct and HeiRules and reporting of fraud and irregularities.

Integrity and Ethical Values

- The Group has adopted the HEINEKEN Code of Business Conduct which governs the standards of ethics and responsible business conduct expected from employees at all levels. The Code of Business Conduct covers all aspects of the Group's business operations, categorised under four (4) broad areas namely, Caring for People and Planet, Maintaining Business Integrity, Protecting Our Assets and Engaging Responsibly. The four areas cover responsible alcohol consumption; commitment to health and safety, human rights and sustainable initiatives, equal opportunities and no discrimination and harassment, avoidance and disclosure of conflicts of interest, insider trading, management of intellectual property and confidential information, privacy and data protection; fair competition practices, responsible communication, fraud, bribery, offering and acceptance of gifts, entertainment, hospitality and donations, money laundering and sanctions; and business partner governance. On a yearly basis, all employees are required to disclose to the Company if there is a possible conflict between their interest and that of the Company or any of its subsidiaries. This is to ensure decisions within the Group are based on sound and objective business judgement, not influenced by any possible personal interests or gain.
- The Group has taken proactive actions to ensure the business partners share our values and commitment towards responsible business conduct. Our distributors and suppliers adopt the HEINEKEN Distributor Code of Conduct and the HEINEKEN Supplier Code in running their business, further details on this were set out under 'Other policies' below. A due-diligence tool was implemented to identify, assess and remedy risks associated with third parties engaged by the Group including suppliers and distributors. Bribery and corruption are among the risks to be assessed by the tool.
- The Group also adopted the HEINEKEN Speak Up Policy, which provides employees and stakeholders a standard process to raise concerns about suspected misconducts within the Group in confidence and without fear of retaliation. Speak Up allows and encourages employees and stakeholders to report suspected misconducts through their line managers, to a colleague in the people or legal function or to trusted representatives appointed by the Company. The Speak Up service is managed by an independent third party appointed by Heineken NV and is available 24/7, 365 days a year. Reports can be made online or via a phone call. All Speak Up reports are handled by a Case Manager who works under the supervision of the HEINEKEN Global Integrity Committee which comprises representatives from

Statement on Risk Management and Internal Control

the HEINEKEN Business Conduct Office, Global Audit, Global People and Global Legal Affairs. The Speak Up Policy was communicated to all employees to create awareness that there is an established channel for them to raise concerns about suspected misconduct within the organisation. The Speak Up Policy was also communicated to distributors and suppliers through engagement sessions and e-learning that focuses on the Distributor Code of Conduct and Supplier Code of Conduct to encourage business partners to raise their concerns about suspected misconducts within the Group. The Speak Up policy is available for reference at the Company's website <https://www.heinekenmalaysia.com/corporate-governance/>.

- Employees are guided by HEINEKEN's Purpose, Dream and Values which are embedded within the Group's policies and procedures and work culture.

Employees' Competency and Awareness

- On an annual basis, employees are required to complete the following e-learning as part of the Company's efforts to drive awareness and assess their understanding of the respective codes and the underlying principles. The results from the online assessments are closely monitored by the People function.
 - Code of Business Conduct
 - Anti-Bribery and Corruption
 - Responsible Marketing Code
 - Security Awareness
 - Fraud Awareness
 - Data Privacy
 - Competition law
 - Life Saving Commitments
 - Responsible Consumption

In addition to the e-learning, briefings were conducted for regional sales employees on an annual basis to keep them refreshed at the same time to address any questions on challenges or issues faced during their day-to-day operations.

- Training and development programmes on areas related to health and safety, technical knowledge and leadership are organised for employees to ensure that they are equipped with necessary knowledge / skills and competencies to carry out their responsibilities towards achieving the Group's objectives. The Group has in place an enhanced integrated learning platform for employees to access a vast selection of courses ranging from cross functional business skills and digital trends to self-development.
- The Group relies on IT systems to support its operations via data, analysis and reports essential for business decision-making. As part of the measures to raise awareness on cyber security, mandatory trainings were conducted for all employees through an online learning platform. A simulated phishing email exercise was also carried out during the year to enhance awareness on phishing and its methods of attack.

- Briefings are conducted to keep employees informed on changes to legislation that are expected to affect the Group's operations or the way the Group conducts its business. These include changes in food legislations, local council licensing requirements relevant for the beer industry and the recent revamp of the Malaysian Communications and Multimedia Content Code 2022.
- Induction programmes for new joiners are organised with the aim of raising their awareness and educating them on the Group's approach to risk management and internal control. The programmes also provide a forum to enhance the participants' understanding of the Group's risk management and control procedures as well as their roles in managing risks.

Other Policies

- The Distributor Code of Conduct and the HEINEKEN Supplier Code (the Codes) which outline the standard for ethical and business conduct expected from distributors and suppliers in their business dealings with the Group. The said Codes were communicated to distributors and suppliers via e-learning and engagement sessions to drive awareness and assess their understanding of the Codes and the underlying principles related to, among others, bribery, fraud and offering and acceptance of gifts and entertainment.
- The Group's assets are insured against any mishap that will result in material losses. Measures are also put in place to ensure major assets within the Group are physically safeguarded.
- The Group has adopted the HEINEKEN Crisis Manual and has in place a Contingency Plan and an Emergency Preparedness & Response Plan which lays out contingency plans and procedures to follow in the event of a crisis. The Group has a Crisis Management Team which comprises members of the Management Team, to provide leadership and timely decision-making to ensure continuity of business operations in the event of a significant disruption or disaster. Among the crisis scenarios covered under the plan are fire / explosion, product contamination and IT disaster. During FY2023, a disaster recovery drill was executed, focusing specifically on critical systems. This involved a thorough examination and simulation of potential disaster scenarios to evaluate the organisation's preparedness, resilience, and effectiveness in recovering essential systems and data in the event of a crisis.

Statement on Risk Management and Internal Control

BOARD ASSESSMENT

The Board is of the view that, the overall risk management and internal control systems in place for FY2023, and up to the date of approval of this statement are operating adequately and effectively. This covers all material aspects, based on, the same assurance provided by the Managing Director and the Finance Director who represent the Management Team of the Company via the Letter of Representation submitted to Heineken NV. During the financial year under review, there were no material financial and non-financial losses reported as a result of weaknesses or inadequacies in internal control. The Board will continue to review the systems and ensure that measures will be taken to strengthen the risk management and internal control environment within the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR, the external auditors have reviewed this statement on Risk Management and Internal Control for inclusion in the Annual Report 2023. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide 3 (AAPG3) issued by the Malaysian Institute of Accountants. AAPG3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems.

Based on the review, the external auditors have reported that nothing has come to their attention that had caused them to believe that this statement is not prepared, in all material respects, in accordance with the disclosures required by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is the Statement factually inaccurate.

This statement was approved by the Board on 20 March 2024.

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Directors' Report

The directors of **HEINEKEN MALAYSIA BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the production, packaging, marketing and distribution of beverages, primarily alcoholic, whilst the principal activities of the subsidiaries are as stated in Note 13 to the financial statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	386,800	371,553

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid or proposed by the Company are in respect of the following:

- (i) A final ordinary dividend of 98 sen per stock unit under the single tier tax system totalling RM296,056,040 in respect of the financial year ended 31 December 2022 on 20 July 2023; and
- (ii) An interim ordinary dividend of 40 sen per stock unit under the single tier tax system totalling RM120,839,200 in respect of the financial year ended 31 December 2023 on 10 November 2023.

The directors now recommend the declaration of a final ordinary dividend of 88 sen per stock unit under the single tier system totalling RM265,846,240 in respect of the financial year ended 31 December 2023 which if approved by the owners of the Company will be payable on 25 July 2024.

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.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

Directors' Report

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that no known bad debts to be written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would require the writing off of bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) 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; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; and
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, 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 operations of the Group and of the Company for the succeeding financial year.

DIRECTORS

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

Dato' Sri Idris Jala
Roland Bala
Choo Tay Sian, Kenneth
Seng Yi-Ying
Lau Nai Pek
Chua Carmen (appointed on 13 May 2023)
Datin Ngiam Pick Ngoh, Linda (retired on 12 May 2023)
Erin Sakinah Atan (appointed on 14 July 2023)
Raquel Batallones Esguerra (resigned on 14 July 2023)

Directors' Report

DIRECTORS (CONTINUED)

The directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Dominic Joseph Puthucheary
 Roland Bala
 Renuka A/P V. Indrarajah
 Christiaan Johannes Folkerts

DIRECTORS' INTERESTS

None of the directors in office at the end of the financial year held shares or had beneficial interest in the ordinary stock units/shares of the Company or its related corporation during or at the beginning and end of the year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, save for the consultancy services fee paid to a director of the Company during the financial year 2023, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed below) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Directors:				
Fees	598	596	592	590
Remuneration	5,583	4,854	5,583	4,854
Share-based payment	939	660	939	660
Meeting attendance allowance	63	48	63	48
Estimated monetary value of benefits-in-kind otherwise than in cash	428	569	428	569
	7,611	6,727	7,605	6,721

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains a directors and officers liability insurance for the purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance cover for the directors and officers of the Group. The amount of insurance premium paid during the financial year amounted to RM44,805.

No indemnity was given to or insurance effected for auditors of the Company and of the Group during the financial year.

Directors' Report

HOLDING CORPORATIONS

The directors regard GAPL Pte. Ltd. ("GAPL") and Heineken Asia Pacific Pte. Ltd. ("HAPPL"), both corporations incorporated in the Republic of Singapore, as the immediate and intermediate holding corporations.

HAPPL is owned by Heineken N.V., a corporation incorporated in the Netherlands, which in turn is the ultimate holding corporation of the Company.

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended 31 December is as below:

	The Group		The Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Statutory audit fees	236	214	149	136
Other services	40	40	40	40

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

Signed on behalf of the Board of Directors
in accordance with a resolution of the directors,

DATO' SRI IDRIS JALA

ROLAND BALA

Petaling Jaya, Selangor
27 February 2024

Independent Auditors' Report

to the Members of Heineken Malaysia Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of **HEINEKEN MALAYSIA BERHAD**, which comprise the statements of financial position of the Group and of the Company as at 31 December 2023, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of material accounting policy information, as set out on pages 119 to 161.

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 opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *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. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition - Accruals for Promotional Allowances and Volume Rebates

Accounting for promotional allowances and volume rebates impacts the amounts of revenue recognised during the year. The revenue accounting policies are disclosed in Note 3 to the financial statements. Management judgement is required to estimate the value of promotional allowances and volume rebates. This estimate is considered to be a key audit matter relevant to our audit of the financial statements.

Our audit response

Our audit procedures included, amongst others, evaluating controls relating to management's process for determining the value of promotional allowances and volume rebates. In addition, we performed substantive testing and analytical procedures to test the accuracy and completeness of the underlying calculation of the accruals. These procedures included challenging the appropriateness of management's assumptions and estimates, and agreeing input data, including volume sold, pricing and allowance data to the underlying agreements entered into with customers. We also compared the actual promotional discounts and rebates incurred against the accrual made in the prior year.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Independent Auditors' Report

to the Members of Heineken Malaysia 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 Chairman's Statement, Five-Year Financial Indicators, Analysis of Group Revenue, Management Discussion and Analysis, Properties owned by the Group and Directors' Report (but does not include the financial statements of the Group and of the Company and our auditors' report thereon) which we obtained prior to the date of this auditors' report and the Analysis of Stockholdings, Corporate Governance Overview Statement, Audit and Risk Management Committee Report, Statement on Risk Management and Internal Control which are expected to be made available to us after that date.

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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the other information that are expected to be made available to us after the date of this auditors' report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

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 the Company's internal control.

Independent Auditors' Report

to the Members of Heineken Malaysia Berhad (Incorporated in Malaysia)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- 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 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, actions taken to eliminate threats or safeguards applied.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are as disclosed in Note 13 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.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

LAI CAN YIEW
Partner - 02179/11/2024 J
Chartered Accountant

Kuala Lumpur
27 February 2024

Statements of Profit or Loss and Other Comprehensive Income

for the Year Ended 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue		2,637,741	2,855,065	1,478,397	1,685,611
Cost of sales		(1,758,969)	(1,888,973)	(1,442,365)	(1,628,152)
Gross profit		878,772	966,092	36,032	57,459
Other operating income		11,391	19,437	3,697	7,229
Distribution, marketing and selling expenses		(263,951)	(264,151)	(898)	(1,013)
Administrative expenses		(106,084)	(121,454)	(28,785)	(32,821)
Other operating expenses		(1,817)	(3,700)	(1,735)	(3,666)
Dividend income		-	-	370,344	398,832
Results from operating activities		518,311	596,224	378,655	426,020
Finance income	5	1,154	1,193	1,111	1,156
Finance costs	6	(8,585)	(2,917)	(8,185)	(2,744)
Net finance costs		(7,431)	(1,724)	(7,074)	(1,588)
Profit before tax	7	510,880	594,500	371,581	424,432
Income tax expense	8	(124,080)	(181,676)	(28)	(1,438)
Profit/Total comprehensive income for the year attributable to:					
Owners of the Company		386,800	412,824	371,553	422,994
Basic/Diluted earnings per ordinary stock unit (sen)	9	128.0	136.7		

The accompanying Notes form an integral part of the Financial Statements.

Statements of Financial Position

as at 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-current Assets					
Property, plant and equipment	10	576,464	505,309	544,959	472,794
Intangible assets	11	20,357	20,530	18,083	17,652
Right-of-use assets	12	18,848	16,091	11,665	13,131
Investment in subsidiaries	13	-	-	14,344	14,344
Deferred tax assets	14	1,742	2,147	-	-
Other receivables and prepaid expenses	15	2,663	889	31	11
Total Non-current Assets		620,074	544,966	589,082	517,932
Current Assets					
Inventories	16	120,564	190,684	80,309	80,626
Current tax assets		29,912	17,982	22,383	17,982
Receivables, deposits and prepaid expenses	15	433,561	602,035	7,938	166,011
Cash and bank balances		43,318	52,554	38,376	49,147
Total Current Assets		627,355	863,255	149,006	313,766
Total Assets		1,247,429	1,408,221	738,088	831,698
Equity					
Share capital	17	151,049	151,049	151,049	151,049
Reserves		307,623	337,404	151,103	196,270
Total Equity Attributable To Owners of The Company		458,672	488,453	302,152	347,319
Non-current Liabilities					
Lease liabilities	19	5,021	3,092	530	1,536
Deferred tax liabilities	14	34,567	34,208	35,149	35,502
Total Non-current Liabilities		39,588	37,300	35,679	37,038
Current Liabilities					
Borrowings	18	135,000	170,000	135,000	170,000
Trade and other payables	20	610,263	693,387	264,177	275,751
Provision for restructuring	21	-	288	-	288
Lease liabilities	19	3,906	2,857	1,080	1,302
Current tax liabilities		-	15,936	-	-
Total Current Liabilities		749,169	882,468	400,257	447,341
Total Liabilities		788,757	919,768	435,936	484,379
Total Equity and Liabilities		1,247,429	1,408,221	738,088	831,698

The accompanying Notes form an integral part of the Financial Statements.

Statements of Changes in Equity

for the Year Ended 31 December 2023

	Note	Share capital RM'000	Capital reserve RM'000	Distributable - Retained earnings RM'000	Total RM'000
Group					
As at 1 January 2022		151,049	470	244,157	395,676
Total comprehensive income for the year		-	-	412,824	412,824
Credit to equity for equity-settled share-based payments		-	177	-	177
Dividends	22	-	-	(320,224)	(320,224)
As at 31 December 2022/1 January 2023		151,049	647	336,757	488,453
Total comprehensive income for the year		-	-	386,800	386,800
Credit to equity for equity-settled share-based payments		-	314	-	314
Dividends	22	-	-	(416,895)	(416,895)
As at 31 December 2023		151,049	961	306,662	458,672
Company					
As at 1 January 2022		151,049	470	92,915	244,434
Total comprehensive income for the year		-	-	422,994	422,994
Credit to equity for equity-settle share-based payments		-	115	-	115
Dividends	22	-	-	(320,224)	(320,224)
As at 31 December 2022/1 January 2023		151,049	585	195,685	347,319
Total comprehensive income for the year		-	-	371,553	371,553
Credit to equity for equity-settle share-based payments		-	175	-	175
Dividends	22	-	-	(416,895)	(416,895)
As at 31 December 2023		151,049	760	150,343	302,152

The accompanying Notes form an integral part of the Financial Statements.

Statements of Cash Flows

for the Year Ended 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Profit before tax		510,880	594,500	371,581	424,432
Adjustments for:					
Depreciation of property, plant and equipment	10	65,343	69,899	54,203	58,168
Amortisation of prepaid contractual promotion expenses		6,959	3,209	-	-
Amortisation of intangible assets	11	5,689	4,675	5,085	4,543
Inventories written off		8,180	1,664	3,052	1,462
Depreciation of right-of-use assets	12	3,980	4,197	1,670	2,036
Finance costs	6	8,585	2,917	8,185	2,744
Property, plant and equipment written off	10	817	3,117	816	3,114
Net unrealised loss/(gain) on foreign exchange		19	(143)	3	(156)
Loss /(Gain) on disposal of right-of-use assets		-	3	-	(1)
Gain on disposal of property, plant and equipment		(254)	(109)	(107)	(24)
Reversal of provision for restructuring	21	(288)	(3,360)	(288)	(2,325)
Finance income	5	(1,154)	(1,193)	(1,111)	(1,156)
Dividend income from a subsidiary		-	-	(370,344)	(398,832)
Impairment loss on trade receivables		-	509	-	-
Operating Profit Before Working Capital Changes		608,756	679,885	72,745	94,005
Movement in working capital:					
Decrease /(Increase) in					
Receivables, deposits and prepaid expenses		159,741	(189,844)	158,053	(101,704)
Inventories		61,940	(41,170)	(2,735)	(27,757)
(Decrease) /Increase in					
Trade and other payables		(86,569)	196,205	(15,142)	89,514
Cash Generated From Operations		743,868	645,076	212,921	54,058
Income tax paid		(151,182)	(173,093)	(4,782)	(2,058)
Interest paid		(8,585)	(2,917)	(8,185)	(2,744)
Net Cash From Operating Activities		584,101	469,066	199,954	49,256

Statements of Cash Flows

for the Year Ended 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	10	(133,581)	(170,481)	(123,444)	(154,144)
Acquisition of intangible assets	11	(5,516)	(9,548)	(5,516)	(6,653)
Interest received		1,154	1,193	1,111	1,156
Proceeds from disposal of property, plant and equipment		260	119	107	25
Dividend received		-	-	370,344	398,832
Net Cash (Used In)/From Investing Activities		(137,683)	(178,717)	242,602	239,216
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Dividends paid	22	(416,895)	(320,224)	(416,895)	(320,224)
(Repayment)/Drawdown of revolving credit and trade financing - net		(35,000)	9,869	(35,000)	9,869
Repayment of lease liabilities	29	(3,759)	(3,919)	(1,432)	(1,757)
Net Cash Used In Financing Activities		(455,654)	(314,274)	(453,327)	(312,112)
NET DECREASE IN CASH AND BANK BALANCES		(9,236)	(23,925)	(10,771)	(23,640)
CASH AND BANK BALANCES AT BEGINNING OF YEAR		52,554	76,479	49,147	72,787
CASH AND BANK BALANCES AT END OF YEAR		43,318	52,554	38,376	49,147

The accompanying Notes form an integral part of the Financial Statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

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

The Company is principally engaged in the production, packaging, marketing and distribution of beverages, primarily alcoholic, whilst the principal activities of the subsidiaries are as stated in Note 13.

The registered office and principal place of business of the Company is located at Sungei Way Brewery, Lot 1135, Batu 9, Jalan Klang Lama, 46000 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 27 February 2024.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Application of Amendments to MFRS

In the current financial year, the Group and the Company adopted all the Standards and Amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") and effective for an annual financial period beginning on or after 1 January 2023:

MFRS 17	<i>Insurance Contracts</i>
Amendments to MFRS 4	<i>Extension of the Temporary Exemption from Applying MFRS 9</i>
Amendments to MFRS 17	<i>Insurance Contracts</i>
Amendments to MFRS 17	<i>Initial Application of MFRS 9 and MFRS 17 Comparative Information</i>
Amendments to MFRS 101 and MFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to MFRS 108	<i>Disclosure of Accounting Estimates</i>
Amendments to MFRS 112	<i>International Tax Reform – Pillar Two Model Rules – Other Disclosure Requirements</i>
Amendments to MFRS 112	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

The adoption of the above standards and amendments to MFRSs did not result in significant changes in the accounting policies of the Group and of the Company and has no significant effect on the financial performance or position of the Group and of the Company.

The Group has adopted amendments to MFRS 101, Presentation of Financial Statements and MFRS Practice Statement 2 - Disclosures of Accounting Policies from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to the Group's accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in Note 3.

Notes to the Financial Statements

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

Amendments to MFRSs in issue but not yet effective

At the date of authorisation for issue of these financial statements, the amendments to MFRSs which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

Amendments to MFRS 16	<i>Lease Liability in a Sale and Leaseback¹</i>
Amendments to MFRS 101	<i>Classification of Liabilities as Current or Non-current¹</i>
Amendments to MFRS 101	<i>Non-current Liabilities with Covenants¹</i>
Amendments to MFRS 121	<i>Lack of Exchangeability²</i>
Amendments to MFRS 7 and MFRS 107	<i>Supplier Finance Arrangement¹</i>
Amendments to MFRS 10 and MFRS 128	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>

¹ Effective for annual periods beginning on or after 1 January 2024, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2025, with earlier application permitted.

³ Effective date deferred to a date to be determined and announced by MASB, with earlier application permitted.

The Directors anticipate that the abovementioned Amendments will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Amendments will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

3. MATERIAL ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in the summary of material accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of MFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Notes to the Financial Statements

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation and Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

All intra-group assets and liabilities, equity income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries

Investment in subsidiaries, which are eliminated on consolidation, are stated at cost less any accumulated impairment losses, if any, in the Company's financial statements.

Revenue Recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or services (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's and the Company's customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group and the Company perform;
- the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's and the Company's performance does not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

Notes to the Financial Statements

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

Revenue for performance obligation that is not satisfied over time is recognised at a point in time at which the customer obtains control of the promised goods or services.

(i) Sales of Goods

Revenue is generated by the sale and delivery of products to customers. Revenue is measured based on the consideration specified in a contract with a customer. The products are mostly own-produced finished goods from the Group's brewing activities, but also contain purchased goods from related companies for resale to customers. The Group and the Company recognise revenue at a point in time when they transfer control over a product or service to a customer and satisfy their performance obligation to a customer. Where applicable, rebates and discounts to customers are accounted as net of revenue according to contract. The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(ii) Dividend Income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's rights to receive payment is established.

Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is provided for, using the "liability" method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting date. Deferred tax is recognised in profit or loss except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

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 benefits associated with the item will flow to the Group and the Company and the cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss in the year in which they are incurred.

Returnable bottles and kegs in circulation are recorded within property, plant and equipment and a corresponding liability is recorded in respect of the obligation to repay the customers' deposits. Deposits paid by customers for returnable items are reflected in the consolidated statement of financial position within current liabilities.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

The following annual rates based on the estimated useful lives of the various assets:

Buildings	50 years
Plant and machinery	13 - 20 years
Movable plant	2 - 10 years

Where significant parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

At each reporting date, the residual values, useful lives and depreciation method of property, plant and equipment are reviewed, and the effects of any change in estimates are recognised prospectively.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories is calculated using weighted average method, and includes cost of raw materials, duties where applicable, and other expenses incurred in acquiring inventories and bringing them to their existing location and condition. For finished goods and work-in-progress, cost also includes direct labour and an appropriate proportion of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale.

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the Financial Statements

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortisation cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

Notes to the Financial Statements

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Assets (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECL”) on investments in debt instruments that are measured at amortised cost, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Notes to the Financial Statements

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Financial Statements

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Assets (continued)

Impairment of financial assets (continued)

(iv) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group measures the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial Liabilities

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Notes to the Financial Statements

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Liabilities (continued)

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

(i) Critical judgements in applying the Group's and the Company's accounting policies

In the process of applying the Group's and the Company's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Group and the Company within the next financial year except as discussed below.

Notes to the Financial Statements

4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

(ii) Key sources of estimation uncertainty (continued)

Accruals for promotional discounts and volume rebates

Significant management judgment is required relative to the consideration of the Group's ability to estimate the promotional allowances and volume rebates, which impact revenue recognition. In making the estimates, the Group refers to the terms agreed with the customers and relies on the historical and current sales information to determine the accruals for promotional discounts and rebates as at the end of the reporting period.

Recognition of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. This involves judgement regarding the future financial performance of the Group in which the deferred tax assets have been recognised.

Allowance for obsolete and slow moving inventories

The Group and the Company review the inventory age listing on a periodic basis. This review involves comparison of the carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether an allowance is required to be made in the financial statements for any obsolete and slow moving items. In addition, the Group and the Company conduct physical counts on inventories on a periodic basis in order to determine whether an allowance is required to be made.

Returnable packaging deposits

The Group collects deposits from customers on returnable packaging materials such as bottles, kegs, crates and cylinders. Management estimates the returnable packaging materials being circulated in the market and the expected return from customers. The estimate is based on circulation time and losses of returnable packaging materials in the market.

Contingent liabilities

Contingent liabilities are recognised when a possible obligation pending on whether some uncertain future events occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably. Significant management estimate is required to determine likelihood of the obligations to be realised by the Group.

5. FINANCE INCOME

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Interest income received from deposits placed with licensed banks	1,154	1,192	1,111	1,155
Interest income received from staff loans	-	1	-	1
Recognised in profit or loss	1,154	1,193	1,111	1,156

Notes to the Financial Statements

6. FINANCE COSTS

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Interest expenses of financial liabilities that are not at fair value through profit or loss:				
Revolving credit and trade financing	8,086	2,589	8,086	2,589
Factoring	160	-	-	-
Lease liabilities	339	328	99	155
Recognised in profit or loss	8,585	2,917	8,185	2,744

7. PROFIT BEFORE TAX

Profit before tax is arrived at after the following:

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
After charging:				
Personnel expenses (including key management personnel):				
Wages, salaries and others	100,802	107,598	33,151	35,695
Contributions to state plans	15,106	16,942	4,479	5,202
Depreciation of property, plant and equipment (Note 10)	65,343	69,899	54,203	58,168
Amortisation of prepaid contractual promotion expenses	6,959	3,209	-	-
Amortisation of intangible assets (Note 11)	5,689	4,675	5,085	4,543
Inventories written off	8,180	1,664	3,052	1,462
Depreciation of right-of-use assets (Note 12)	3,980	4,197	1,670	2,036
Rental expense on buildings	7,483	7,563	802	299
Property, plant and equipment written off	817	3,117	816	3,114
Loss on disposal of right-of-use assets	-	3	-	-
Hire of equipment	2,700	2,238	1,012	683
Net unrealised loss on foreign exchange	19	-	3	-
Auditors' remuneration:				
Statutory audit	236	214	149	136
Other services	40	40	40	40
Impairment loss on trade receivables [Note 28.4(a)]	-	509	-	-
And after crediting:				
Dividend income from unquoted subsidiary	-	-	370,344	398,832
Net realised gain on foreign exchange	1,451	2,402	1,510	2,245
Reversal of provision for restructuring (Note 21)	288	3,360	288	2,325
Gain on disposal of property, plant and equipment	254	109	107	24
Gain on disposal of right-of-use assets	-	-	-	1
Net unrealised gain on foreign exchange	-	143	-	156

Notes to the Financial Statements

8. INCOME TAX EXPENSE

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Estimated tax payable:				
Current year	122,867	178,566	231	395
Under/(Over) provision in prior years	449	(2,526)	150	(1,164)
	123,316	176,040	381	(769)
Deferred tax (Note 14):				
Current year	1,115	4,159	686	2,180
(Over)/Under provision in prior years	(351)	1,477	(1,039)	27
	764	5,636	(353)	2,207
	124,080	181,676	28	1,438

A reconciliation of income tax expense applicable to profit before tax at the applicable statutory income tax rate to the 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	510,880	594,500	371,581	424,432
Tax at statutory tax rate of 24% (2022: 24%)	122,611	142,680	89,179	101,864
Prosperity tax	-	43,084	-	-
Tax effects of:				
Expenses not deductible for tax purposes	1,618	804	903	274
Recognition of deferred tax arising from reinvestment allowances	(247)	(3,843)	(247)	(3,843)
Under/(Over) provision in prior years:				
Current tax	449	(2,526)	150	(1,164)
Deferred tax	(351)	1,477	(1,039)	27
Tax exempt dividend	-	-	(88,918)	(95,720)
	124,080	181,676	28	1,438

Notes to the Financial Statements

9. EARNINGS PER ORDINARY STOCK UNIT

Basic earnings per ordinary stock unit

The calculation of basic earnings per ordinary stock unit at 31 December 2023 was based on the profit attributable to the holders of ordinary stock units of RM386,800,000 (2022: RM412,824,000) and the number of ordinary stock units outstanding of 302,098,000 (2022: 302,098,000).

	Group	
	2023 RM'000	2022 RM'000
Issued ordinary stock unit ('000)	302,098	302,098
Basic earnings per ordinary stock unit (sen)	128.0	136.7

There were no diluted earnings per ordinary stock unit for the Group as at 31 December 2023.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Movable plant RM'000	Capital work-in- progress RM'000	Total RM'000
Cost						
At 1 January 2022	4,037	106,137	451,921	321,379	92,885	976,359
Additions	-	90	3,700	59,110	127,031	189,931
Write offs	-	-	(815)	(22,004)	-	(22,819)
Disposals	-	-	(783)	(719)	-	(1,502)
Reclassifications	-	569	44,508	19,176	(64,253)	-
At 31 December 2022/ 1 January 2023	4,037	106,796	498,531	376,942	155,663	1,141,969
Additions	-	149	4,282	51,331	81,559	137,321
Write offs	-	(35)	(10,115)	(18,251)	-	(28,401)
Disposals	-	-	(84)	(2,723)	-	(2,807)
Reclassifications	-	739	111,046	5,366	(117,151)	-
At 31 December 2023	4,037	107,649	603,660	412,665	120,071	1,248,082

Notes to the Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Movable plant RM'000	Capital work-in- progress RM'000	Total RM'000
Accumulated Depreciation						
At 1 January 2022	-	64,200	316,084	207,671	-	587,955
Charge for the year	-	3,628	16,720	49,551	-	69,899
Write offs	-	-	(815)	(18,887)	-	(19,702)
Disposals	-	-	(783)	(709)	-	(1,492)
At 31 December 2022/ 1 January 2023	-	67,828	331,206	237,626	-	636,660
Charge for the year	-	2,746	20,704	41,893	-	65,343
Write offs	-	(35)	(9,863)	(17,686)	-	(27,584)
Disposals	-	-	(84)	(2,717)	-	(2,801)
At 31 December 2023	-	70,539	341,963	259,116	-	671,618
Carrying amounts						
At 31 December 2023	4,037	37,110	261,697	153,549	120,071	576,464
At 31 December 2022	4,037	38,968	167,325	139,316	155,663	505,309
Company		Buildings RM'000	Plant and machinery RM'000	Movable plant RM'000	Capital work-in- progress RM'000	Total RM'000
Cost						
At 1 January 2022		97,726	451,921	246,667	89,472	885,786
Additions		90	3,700	49,796	120,008	173,594
Write offs		-	(815)	(21,446)	-	(22,261)
Disposals		-	(783)	(386)	-	(1,169)
Reclassifications		569	44,508	9,254	(54,331)	-
At 31 December 2022/1 January 2023		98,385	498,531	283,885	155,149	1,035,950
Additions		149	4,282	48,767	73,986	127,184
Write offs		(35)	(10,115)	(17,208)	-	(27,358)
Disposals		-	(84)	(1,441)	-	(1,525)
Reclassifications		482	111,046	3,046	(114,574)	-
At 31 December 2023		98,981	603,660	317,049	114,561	1,134,251

Notes to the Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Buildings RM'000	Plant and machinery RM'000	Movable plant RM'000	Capital work-in- progress RM'000	Total RM'000
Accumulated Depreciation					
At 1 January 2022	57,532	316,084	151,687	-	525,303
Charge for the year	3,010	16,720	38,438	-	58,168
Write offs	-	(815)	(18,332)	-	(19,147)
Disposals	-	(783)	(385)	-	(1,168)
At 31 December 2022/1 January 2023	60,542	331,206	171,408	-	563,156
Charge for the year	2,208	20,704	31,291	-	54,203
Write offs	(35)	(9,863)	(16,644)	-	(26,542)
Disposals	-	(84)	(1,441)	-	(1,525)
At 31 December 2023	62,715	341,963	184,614	-	589,292
Carrying amounts					
At 31 December 2023	36,266	261,697	132,435	114,561	544,959
At 31 December 2022	37,843	167,325	112,477	155,149	472,794

During the financial year, the Group and the Company acquired property, plant and equipment as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash payments	133,581	170,481	123,444	154,144
Other payables	3,740	19,450	3,740	19,450
Total additions	137,321	189,931	127,184	173,594

Notes to the Financial Statements

11. INTANGIBLE ASSETS

Group	Computer software RM'000	Capital work-in-progress RM'000	Total RM'000
Cost			
At 1 January 2022	92,221	4,839	97,060
Additions	2,989	6,559	9,548
Reclassifications	5,468	(5,468)	-
At 31 December 2022/1 January 2023	100,678	5,930	106,608
Additions	55	5,461	5,516
Write offs	(2,392)	-	(2,392)
Reclassifications	9,242	(9,242)	-
At 31 December 2023	107,583	2,149	109,732
Amortisation			
At 1 January 2022	81,403	-	81,403
Amortisation for the year	4,675	-	4,675
At 31 December 2022/1 January 2023	86,078	-	86,078
Amortisation for the year	5,689	-	5,689
Write offs	(2,392)	-	(2,392)
At 31 December 2023	89,375	-	89,375
Carrying Amounts			
At 31 December 2023	18,208	2,149	20,357
At 31 December 2022	14,600	5,930	20,530
Company			
Cost			
At 1 January 2022	91,871	4,840	96,711
Additions	94	6,559	6,653
Reclassifications	5,468	(5,468)	-
At 31 December 2022/1 January 2023	97,433	5,931	103,364
Additions	55	5,461	5,516
Write offs	(2,392)	-	(2,392)
Reclassifications	9,242	(9,242)	-
At 31 December 2023	104,338	2,150	106,488

Notes to the Financial Statements

11. INTANGIBLE ASSETS (CONTINUED)

Company	Computer software RM'000	Capital work-in-progress RM'000	Total RM'000
Amortisation			
At 1 January 2022	81,169	-	81,169
Amortisation for the year	4,543	-	4,543
At 31 December 2022/1 January 2023	85,712	-	85,712
Amortisation for the year	5,085	-	5,085
Write offs	(2,392)	-	(2,392)
At 31 December 2023	88,405	-	88,405
Carrying amounts			
At 31 December 2023	15,933	2,150	18,083
At 31 December 2022	11,721	5,931	17,652

12. RIGHT-OF-USE ASSETS

Group	Long term leasehold land RM'000	Building RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2022	11,426	5,245	11,673	28,344
Additions	-	1,122	737	1,859
Disposals	-	(838)	(1,959)	(2,797)
At 31 December 2022/1 January 2023	11,426	5,529	10,451	27,406
Additions	-	1,461	5,276	6,737
Disposals	-	(2,964)	(115)	(3,079)
At 31 December 2023	11,426	4,026	15,612	31,064
Accumulated Depreciation				
At 1 January 2022	765	4,164	4,696	9,625
Depreciation for the year	255	1,457	2,485	4,197
Disposals	-	(722)	(1,785)	(2,507)
At 31 December 2022/1 January 2023	1,020	4,899	5,396	11,315
Depreciation for the year	255	1,126	2,599	3,980
Disposals	-	(2,964)	(115)	(3,079)
At 31 December 2023	1,275	3,061	7,880	12,216
Carrying Amounts				
At 31 December 2023	10,151	965	7,732	18,848
At 31 December 2022	10,406	630	5,055	16,091

Notes to the Financial Statements

12. RIGHT-OF-USE ASSETS (CONTINUED)

Company	Long term leasehold land RM'000	Building RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2022	11,426	1,823	4,884	18,133
Additions	-	356	737	1,093
Disposals	-	-	(624)	(624)
At 31 December 2022/1 January 2023	11,426	2,179	4,997	18,602
Additions	-	59	145	204
Disposals	-	(2,238)	-	(2,238)
At 31 December 2023	11,426	-	5,142	16,568
Accumulated Depreciation				
At 1 January 2022	765	1,472	1,658	3,895
Depreciation for the year	255	557	1,224	2,036
Disposals	-	-	(460)	(460)
At 31 December 2022/1 January 2023	1,020	2,029	2,422	5,471
Depreciation for the year	255	209	1,206	1,670
Disposals	-	(2,238)	-	(2,238)
At 31 December 2023	1,275	-	3,628	4,903
Carrying Amounts				
At 31 December 2023	10,151	-	1,514	11,665
At 31 December 2022	10,406	150	2,575	13,131

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2023 RM'000	2022 RM'000
Unquoted shares, at cost	14,344	14,344

Notes to the Financial Statements

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Proportion of ownership interest and voting power		Principal activities
		2023 %	2022 %	
Heineken Marketing Malaysia Sdn. Bhd.	Malaysia	100	100	Marketing and distribution of beverages primarily alcoholic in Malaysia
Ramaha Corporation (M) Sdn. Bhd.*	Malaysia	100	100	Property holding and land development
Heineken East Malaysia Sdn. Bhd.*	Malaysia	100	100	Dormant

* Elected to be exempted from audit under Practice Directive No.3/2017 issued by the Companies Commission of Malaysia.

14. DEFERRED TAX ASSETS/(LIABILITIES)

The deferred tax amounts, determined after appropriate offsetting, are as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deferred tax assets	1,742	2,147	-	-
Deferred tax liabilities	(34,567)	(34,208)	(35,149)	(35,502)
	(32,825)	(32,061)	(35,149)	(35,502)
Assets				
Inventories	2,338	2,994	1,335	786
Receivables, deposits and prepaid expenses	491	490	-	-
Trade and other payables	3,382	4,371	2,429	3,561
Unused reinvestment allowances	4,533	3,568	4,533	3,568
Unused capital allowances	10,547	-	10,547	-
Lease liabilities	2,142	1,420	386	673
Tax assets	23,433	12,843	19,230	8,588
Set off of tax	(21,691)	(10,696)	(19,230)	(8,588)
	1,742	2,147	-	-

Notes to the Financial Statements

14. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The deferred tax amounts, determined after appropriate offsetting, are as follows: (continued)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Liabilities				
Property, plant and equipment	(54,169)	(43,540)	(54,014)	(43,436)
Right-of-use assets	(2,089)	(1,364)	(365)	(654)
Tax liabilities	(56,258)	(44,904)	(54,379)	(44,090)
Set off of tax	21,691	10,696	19,230	8,588
	(34,567)	(34,208)	(35,149)	(35,502)
Net				
Property, plant and equipment	(54,169)	(43,540)	(54,014)	(43,436)
Inventories	2,338	2,994	1,335	786
Receivables, deposits and prepaid expenses	491	490	-	-
Trade and other payables	3,382	4,371	2,429	3,561
Unused reinvestment allowances	4,533	3,568	4,533	3,568
Unused capital allowances	10,547	-	10,547	-
Right-of-use assets and lease liabilities	53	56	21	19
Tax liabilities	(32,825)	(32,061)	(35,149)	(35,502)

Movement in temporary differences during the year:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At beginning of year	(32,061)	(26,425)	(35,502)	(33,295)
Recognised in profit or loss (Note 8):				
Property, plant and equipment	(10,629)	(9,384)	(10,578)	(8,601)
Inventories	(656)	(510)	549	278
Receivables, deposits and prepaid expenses	1	122	-	-
Trade and other payables	(986)	1,414	(1,132)	2,542
Unused reinvestment allowances	965	3,568	965	3,568
Unused capital allowances	10,547	-	10,547	-
Right-of-use assets and lease liabilities	(6)	(846)	2	6
	(764)	(5,636)	353	(2,207)
At end of year	(32,825)	(32,061)	(35,149)	(35,502)

Notes to the Financial Statements

15. RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-current				
Other receivables	55	56	31	11
Prepaid expenses	2,608	833	-	-
	2,663	889	31	11
Current				
Trade				
Trade receivables	424,351	583,836	-	-
Less: Impairment losses [Note 28.4(a)]	(2,041)	(2,041)	-	-
	422,310	581,795	-	-
Amount due from a subsidiary	-	-	-	149,847
	422,310	581,795	-	149,847
Non-trade				
Amount due from intermediate holding corporation	5	2	-	-
Amount due from related parties	633	1,934	214	681
Amount due from a subsidiary	-	-	4,043	4,043
Deposits	4,009	4,630	2,821	2,865
Other receivables	1,119	6,891	536	6,333
Prepaid expenses	5,485	6,783	324	2,242
	11,251	20,240	7,938	16,164
	433,561	602,035	7,938	166,011

(a) Trade receivables

Included in trade receivables is a portfolio of receivables which are subject to factoring arrangement. Under this arrangement, the Group will transfer the relevant trade receivables to a bank in exchange for cash with no recourse to the Group subsequent to the transfer.

(b) Amounts due from related parties, intermediate holding corporation and subsidiaries

The trade amounts due from a subsidiary is subject to normal trade terms.

The non-trade amounts due from intermediate holding corporation, related parties and a subsidiary are unsecured, interest-free and repayable on demand.

(c) Other receivables

Included in other receivables are staff loans of the Group and of the Company amounting to RM95,000 (2022: RM98,000) and RM50,000 (2022: RM32,000) respectively of which RM55,000 (2022: RM56,000) and RM31,000 (2022: RM11,000) are repayable after the next 12 months for the Group and the Company respectively.

Notes to the Financial Statements

15. RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONTINUED)

(d) Prepaid expenses

Included in prepayments of the Group are upfront payments for contracts with on-trade retailers of RM7,769,235 (2022: RM5,319,138) of which RM2,608,448 (2022: RM833,245) are to be amortised over a period of more than 12 months but not exceeding 36 months. The upfront payments are made to the on-trade retailers to carry out promotional activities over the period specified in the contract. The amount is amortised to profit or loss based on actual volumes sold by the on-trade retailers as stipulated in the contract.

16. INVENTORIES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Raw materials	35,712	43,027	35,712	43,027
Work-in-progress	12,975	9,192	12,975	9,192
Finished goods	47,730	113,741	13,127	7,531
Packaging materials	10,684	12,450	10,684	12,450
Engineering stores and spares	13,463	12,274	7,811	8,426
	120,564	190,684	80,309	80,626
Recognised in profit or loss:				
Inventories recognised as cost of sales	1,507,363	1,646,083	1,302,552	1,497,863

The Group and the Company have written off inventories of RM8,180,000 (2022: RM1,664,000) and RM3,052,000 (2022: RM1,462,000) respectively. The inventories written off arose mainly from global delay in sea freight shipment on imported brands.

17. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2023 (‘000)	2022 (‘000)	2023 RM'000	2022 RM'000
Issued and fully paid up shares with no par value classified as equity instrument:				
Ordinary stock units	302,098	302,098	151,049	151,049

The holders of ordinary stock units are entitled to receive dividends as declared from time to time, and are entitled to one vote per ordinary stock unit at meetings of the Company.

Notes to the Financial Statements

18. BORROWINGS

	Group and Company	
	2023 RM'000	2022 RM'000
Current		
Revolving credit and trade financing (unsecured)	135,000	170,000

Revolving credit and trade financing as at 31 December 2023 consist of the following:

	Tenure (weeks)	Interest rate (per annum)	Maturity date	Nominal value (RM'000)
Revolving credit	4	3.54%	4 January 2024	45,000
Trade financing	9	3.80%	5 February 2024	90,000

Revolving credit and trade financing as at 31 December 2022 consist of the following:

	Tenure (weeks)	Interest rate (per annum)	Maturity date	Nominal value (RM'000)
Revolving credit	7	3.14%	13 January 2023	50,000
Revolving credit	8	3.16%	26 January 2023	20,000
Revolving credit	8	3.16%	26 January 2023	60,000
Trade financing	14	2.96%	20 January 2023	40,000

The principal and interest are repayable in full upon maturity.

19. LEASE LIABILITIES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-current	5,021	3,092	530	1,536
Current	3,906	2,857	1,080	1,302
	8,927	5,949	1,610	2,838
Minimum lease payments:				
Not later than 1 year	4,328	3,058	1,127	1,397
Later than 1 year but not later than 5 years	5,537	3,195	538	1,590
	9,865	6,253	1,665	2,987
Less: Unexpired finance charges	(938)	(304)	(55)	(149)
	8,927	5,949	1,610	2,838
Present value of lease liabilities:				
Not later than 1 year	3,906	2,857	1,080	1,302
Later than 1 year but not later than 5 years	5,021	3,092	530	1,536
	8,927	5,949	1,610	2,838

Notes to the Financial Statements

19. LEASE LIABILITIES (CONTINUED)

The Group and the Company discounted the lease liabilities by using the Group's and the Company's incremental borrowing rates of 3.42% - 6.97% (2022: 3.42% - 5.72%).

During the year, the Group and the Company recognised RM10,183,206 (2022: RM9,801,446) and RM1,813,589 (2022: RM981,950) respectively of short-term leases and leases of low value assets on a straight-line basis as expenses.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade				
Amount due to intermediate holding corporation	9,817	11,392	619	686
Amount due to related parties	20,265	14,387	16,356	10,426
Trade payables	175,583	210,247	114,259	102,027
	205,665	236,026	131,234	113,139
Non-trade				
Amount due to intermediate holding corporation	213	87	213	87
Amount due to related parties	5,176	8,027	5,176	7,820
Amount due to a subsidiary	-	-	36,887	100
Returnable packaging deposits	31,674	35,580	355	-
Other payables	56,941	117,625	52,918	112,680
Derivative financial liabilities	-	4	-	-
Accrued expenses	310,594	296,038	37,394	41,925
	404,598	457,361	132,943	162,612
	610,263	693,387	264,177	275,751

(a) **Amount due to related parties, intermediate holding corporation and a subsidiary**

The trade amount due to related parties and intermediate holding corporation are subject to normal trade terms.

The non-trade amounts due to related parties, intermediate holding corporation and a subsidiary are unsecured, interest-free and repayable on demand.

(b) **Trade payables**

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 90 to 150 days (2022: 90 to 150 days).

(c) **Other payables**

Included in others payables are amount due to suppliers for acquisition of property, plant, and equipment, sales tax payable and payroll.

(d) **Accrued expenses**

Included in accrued expenses of the Group are accruals for promotional expenses of RM246,686,000 (2022: RM220,085,000).

Notes to the Financial Statements

20. TRADE AND OTHER PAYABLES (CONTINUED)

(e) Derivative financial liabilities

The Group's and Company's derivatives comprise solely foreign exchange forward contracts inceptioned to hedge its currency exposures arising from short term borrowings in United States Dollar ("USD"). In the previous financial year, foreign exchange forward contracts were entered into with licensed banks. The foreign exchange forward contracts generally had a maturity period between 1 to 2 months.

Details of the Group's and Company's derivative financial instruments are outlined below:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Fair value of remeasured foreign forward exchange contracts	-	4	-	-

21. PROVISION FOR RESTRUCTURING

On 28 October 2020, Heineken N.V., the ultimate holding corporation, announced a review of the effectiveness and efficiency of the organisations at Head Office, regional offices and each of its local operations as a part of its strategic review. Subsequently on 16 December 2020, the Group and the Company announced the restructuring exercise to the employees.

The provision relates to redundancy costs incurred. The Group and the Company have completed the restructuring exercise in the financial year 2023.

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At beginning of year	288	3,648	288	2,613
Reversal of provision	(288)	(3,360)	(288)	(2,325)
At end of year	-	288	-	288

22. DIVIDENDS

Dividends recognised by the Group and the Company are:

	Sen per stock unit	Total amount RM'000	Date of payment
31 December 2023			
Interim 2023 ordinary	40	120,839	10 November 2023
Final 2022 ordinary	98	296,056	20 July 2023
Total amount		<u>416,895</u>	
31 December 2022			
Interim 2022 ordinary	40.0	120,839	11 November 2022
Final 2021 ordinary	66.0	199,385	28 July 2022
Total amount		<u>320,224</u>	

Notes to the Financial Statements

22. DIVIDENDS (CONTINUED)

The Directors now recommend the declaration of a final ordinary dividend of 88 sen per stock unit under the single tier tax system totalling RM265,846,240 in respect of the financial year ended 31 December 2023 which, if approved by the owners of the Company, will be payable on 25 July 2024.

23. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include the directors of the Company and subsidiaries and certain members of senior management of the Group and the Company. Their compensation are as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Directors:				
Fees	598	596	592	590
Remuneration	5,583	4,854	5,583	4,854
Share-based payment	939	660	939	660
Meeting attendance allowance	63	48	63	48
Estimated monetary value of benefits-in-kind otherwise than in cash	428	569	428	569
	7,611	6,727	7,605	6,721
Other key management personnel:				
Short term employee benefits	10,173	9,113	6,492	5,779
Share-based payment	801	592	602	350
	18,585	16,432	14,699	12,850

Other key management personnel comprise persons other than the directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

24. OPERATING SEGMENTS

The Group's business is focussed only in malt liquor brewing including production, packaging, marketing and distribution of its products, principally in Malaysia. In the current financial year, less than 1% of the total sales is exported, mainly to Asian countries. As such, only one reportable segment analysis is prepared. The Managing Director of the Company (the chief operating decision maker) reviews internal management reports at least on a monthly basis.

Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Managing Director of the Company. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within this industry.

Segment assets and liabilities

Segment assets and liabilities information is neither included in the internal management reports nor provided regularly to the Managing Director of the Company. Hence, no disclosure is made on segment assets and liabilities.

Notes to the Financial Statements

24. OPERATING SEGMENTS (CONTINUED)

Segment capital expenditure

Segment capital expenditure is the total costs incurred during the financial year to acquire property, plant and equipment, right-of-use assets and intangible assets.

	Group	
	2023 RM'000	2022 RM'000
Total additions to property, plant and equipment, right-of-use assets and intangible assets	149,574	201,338
Segment profit		
<i>Included in the measure of segment profits are:</i>		
Revenue from external customers	2,637,741	2,855,065
Depreciation and amortisation	(75,012)	(78,771)
<i>Not included in the measure of segment profit but provided to the Managing Director of the Company:</i>		
Net finance costs	(7,431)	(1,724)

Reconciliation of reportable segment revenue, profit and other material items.

	Group	
	2023 RM'000	2022 RM'000
Net finance costs		
Finance income	1,154	1,193
Finance costs	(8,585)	(2,917)
Consolidated net finance costs	(7,431)	(1,724)

No reconciliation is performed for reportable segment profit, revenue, depreciation and amortisation to consolidated figures as there are no differences.

25. CAPITAL COMMITMENTS

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Capital expenditure commitments				
Property, plant and equipment:				
Authorised and contracted for within one year	20,445	29,420	20,324	28,806

Notes to the Financial Statements

26. CONTINGENT LIABILITY – UNSECURED

- (i) On 13 April 2021, the Company and its wholly-owned subsidiary, Heineken Marketing Malaysia Sdn. Bhd (“Companies”), had received a Writ of Summons dated 2 April 2021 and Statement of Claim dated 29 March 2021 filed by Thirteen Wings Sdn Bhd, Ashwin Kumar Kandiah (trading under Sivam Kandiah Enterprise, Ashwin Kandiah Enterprise and Skan Ventures), Astrike Sdn Bhd, Axcend Sdn Bhd, Turbo Booze Sdn Bhd and Hops Sdn Bhd (“Plaintiffs”) under Kuala Lumpur High Court Civil Suit No. WA-22NCVC-221-04/2021 (“Suit”) in respect of a dispute regarding the purchase and supply of the Company’s products. The Plaintiffs are claiming among others that the Companies had failed to honour an alleged contract and are seeking for, among others, specific performance of an alleged contract, in the alternative, damages for breach of contract in the liquidated sum of RM26,520,000; and various consequential orders and declarations relating to various contract terms. The Companies had disputed the claims and filed their defence accordingly on 20 May 2021.
- (ii) On 6 December 2021, the Companies received another Writ of Summons and Statement of Claim filed by the Plaintiffs under Kuala Lumpur High Court Civil Suit No. WA-22NCVC-781-12/2021 (“Claim”). The Claim is related to the Suit filed in April 2021 as they arose from the same series of transactions, dealings and disputes between the Plaintiffs and the Companies. The Plaintiffs claimed that the Companies have breached the contract between the Plaintiffs and Heineken Marketing Malaysia Sdn Bhd relating to the company’s products (“Contract”) and they are claiming, among others, the liquidated sum of RM58,225,545. As the Claim and the Suit are inter-related, the Plaintiffs have pleaded that they will be applying to have the Claim and the Suit consolidated and/or heard together.

The directors are of the opinion that they have a strong defence against the Suit, which is frivolous and vexatious and the Claim, which is unwarranted, premature and vexatious. Correspondingly, the Companies had on 10 January 2022 filed their defence and counterclaim against the Plaintiffs in respect of Plaintiffs’ breaches of the Contract and are claiming, among others, a sum of RM36,984,914. The Suits will be heard on 18 to 20 November 2024.

27. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the directors of the Group, and certain members of senior management of the Group.

The Group has related party relationships with its holding corporations, related corporations, subsidiaries and key management personnel.

The directors regard GAPL Pte. Ltd. (“GAPL”) and Heineken Asia Pacific Pte. Ltd. (“HAPPL”), both corporations incorporated in the Republic of Singapore, as the immediate and intermediate holding corporations.

HAPPL is owned by Heineken N.V., a corporation incorporated in the Netherlands, which in turn is the ultimate holding corporation of the Company.

Significant related party transactions

Significant related party transactions of the Group and the Company other than those disclosed elsewhere in the financial statements are shown below. The balances related to the below transactions are shown in Notes 15 and 20.

Notes to the Financial Statements

27. RELATED PARTIES (CONTINUED)

Significant related party transactions (continued)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Intermediate holding corporation				
<i>Heineken Asia Pacific Pte. Ltd.</i>				
Royalties paid and payable	(39,963)	(41,033)	-	-
Subsidiary				
<i>Heineken Marketing Malaysia Sdn. Bhd.</i>				
Dividend income	-	-	370,344	398,832
Sale of products	-	-	1,478,352	1,685,611
Management service fee received and receivable	-	-	50,533	54,469
Related corporations				
<i>Related corporations of Heineken N.V.</i>				
Sales of products	44	-	44	-
Purchase of goods	(28,099)	(28,191)	(28,099)	(28,191)
Royalties paid and payable	(13,059)	(12,263)	-	-
Marketing and technical fees paid and payable	(39,119)	(39,642)	(36,084)	(36,643)

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK 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 investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as results from operating activities divided by total equity attributable to owners of the Company. The Board of Directors also monitors the level of dividends to owners of the Company.

The Group monitors and maintains a balanced level of total equity to ensure the Group has adequate capital to support its future development and the payment of dividends to owners of the Company. There was no change in the Group's approach to capital management during the financial year.

Under the requirements of Bursa Malaysia Practice Note 17, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25 percent of the share capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

28.1 Significant Accounting Policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.2 Categories of Financial Instruments

Group	2023 RM'000	2022 RM'000
Financial assets		
At amortised cost:		
Receivables and deposits	428,131	595,308
Cash and bank balances	43,318	52,554
Financial liabilities		
At fair value:		
Trade and other payables - derivative financial liabilities	-	4
At amortised cost:		
Trade and other payables - others	610,263	693,383
Provision for restructuring	-	288
Borrowings	135,000	170,000
Lease liabilities	8,927	5,949
Company		
Financial assets		
At amortised cost:		
Receivables and deposits	7,645	163,780
Cash and bank balances	38,376	49,147
Financial liabilities		
At amortised cost:		
Trade and other payables - others	264,177	275,751
Provision for restructuring	-	288
Borrowings	135,000	170,000
Lease liabilities	1,610	2,838

28.3 Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.4 Credit Risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade receivables. The Company's exposure to credit risk arises principally from trade amount subsidiaries and advances to subsidiaries.

(a) Receivables

Risk management objectives, policies and processes for managing the risk

Management has credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group requires collateral to be pledged by most of its customers to cover a percentage of the credit limit granted to them.

The Group has factoring arrangement in place and will transfer the relevant trade receivables to a bank in exchange for cash with no recourse to the Group subsequent to the transfer.

New customers are subject to the credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further transactions are suspended and legal actions are taken to attempt recoveries and mitigate losses. Financial guarantees from certain customers may be obtained.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk from receivables is represented by the carrying amounts in the statement of financial position.

The Group has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Due to the nature of the industry, a significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor credit quality of the receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

The Group has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under these policies all customers requiring credit are reviewed and new customers are analysed individually for creditworthiness before payment and delivery terms and conditions are offered. This review can include external ratings, where available, and in some cases bank references. Credit limits are determined for each customer and are reviewed regularly.

The Group has a policy in place in respect of compliance with Anti-Money Laundering Laws. The Group considers it important to know with whom business is done and from whom payments are received.

The Group establishes allowances on trade receivables using an expected credit losses model. These allowances cover specific loss components that relate to individual exposures, and a collective loss component established for groups of similar customers. The collective loss allowance is determined based on historical data of payment statistics and updated periodically to incorporate forward looking information.

At the end of the reporting period, the Group has a concentration of credit risk in the form of trade debtors from 3 (2022: 3) main customers, representing approximately 53% (2022: 44%) of the Group's trade receivables.

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.4 Credit Risk (continued)

(a) Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

The carrying amounts of collateral for trade receivables as at the end of reporting period were:

	Group Carrying amounts	
	2023 RM'000	2022 RM'000
Type of collateral		
Bank guarantees	65,270	63,770
Properties charged	51,067	51,067
Quoted shares pledged	1,554	1,554
	117,891	116,391

Impairment losses

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

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 60 days.

The Group uses an allowance matrix to measure ECLs of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due more than 180 days will be considered as credit impaired. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the end of the reporting period which are grouped together as they are expected to have similar risk nature:

2023 Group	Trade receivables - days past due				Total RM'000
	Not past due RM'000	1 - 30 days RM'000	31 - 180 days RM'000	More than 180 days RM'000	
Expected credit loss rate	0%	0%	0%	100%	
Estimated total gross carrying amount at default	404,929	16,683	698	2,041	424,351
Lifetime ECL				(2,041)	(2,041)
					422,310

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.4 Credit Risk (continued)

(a) Receivables (continued)

Impairment losses (continued)

2022 Group	Not past due RM'000	Trade receivables - days past due			Total RM'000
		1 - 30 days RM'000	31 - 180 days RM'000	More than 180 days RM'000	
Expected credit loss rate	0%	0%	0%	47%	
Estimated total gross carrying amount at default	553,125	21,875	4,494	4,342	583,836
Lifetime ECL				(2,041)	(2,041)
					<u>581,795</u>

The movements in the allowance for impairment losses of receivables during the financial year were:

	Group	
	2023 RM'000	2022 RM'000
At beginning of year	2,041	1,532
Impairment loss recognised (Note 7)	-	509
At end of year	<u>2,041</u>	<u>2,041</u>

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

(b) Amount due from subsidiaries, intermediate holding corporation and related parties

Risk management objectives, policies and processes for managing the risk

The Group and the Company undertake trade and non-trade transactions with the intermediate holding corporation and related parties. The Company also provides unsecured advances to subsidiaries. The Group and the Company monitor their results regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the intercompany balances are not recoverable.

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.5 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

(a) Foreign currency risk

The Group is exposed to foreign currency risk through normal trading activities on sales and purchases that are denominated in currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Singapore Dollar ("SGD"), Euro Dollar ("EURO") and Great Britain Pound ("GBP").

Risk management objectives, policies and processes for managing the risk

The Group uses forward exchange contracts to hedge its foreign currency risk. The outstanding forward exchange contracts as at the end of reporting period are disclosed in Note 20(e).

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the respective functional currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

Group	Denominated in			
	USD RM'000	SGD RM'000	EURO RM'000	GBP RM'000
2023				
Trade payables	(3,391)	(6,424)	(28,702)	-
2022				
Trade payables	(3,055)	(7,986)	(17,842)	-

A foreign currency risk arising from Group's operations is not material, sensitivity analysis is not presented.

(b) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group does not have a formal policy in place for managing the risk arising from interest rate. The fluctuation of interest rate is however monitored closely by the Group.

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.5 Market Risk (continued)

(b) 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 as at the end of reporting period was:

	Group and Company	
	2023 RM'000	2022 RM'000
Fixed rate instruments		
Borrowings	135,000	170,000

Interest rate risk sensitivity analysis

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of reporting period would not affect profit or loss.

28.6 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its trade and other payables and borrowings.

The Group maintains a level of cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. It is not expected that the cash flows included in the maturity analysis could occur significant earlier, on at significant different amounts.

Maturity analysis

The table below summaries the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest	Contractual cash flows RM'000	Under 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000
As at 31 December 2023						
Borrowings						
- Revolving credit and trade financing	135,000	3.54% to 3.80%	135,693	135,693	-	-
Trade and other payables	610,263	-	610,263	610,263	-	-
Lease liabilities	8,927	3.42% to 6.97%	9,865	4,328	2,371	3,166
	754,190		755,821	750,284	2,371	3,166

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.6 Liquidity risk (continued)

Maturity analysis (continued)

The table below summaries the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments: (continued)

Group	Carrying amount RM'000	Contractual interest	Contractual cash flows RM'000	Under 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000
As at 31 December 2022						
Borrowings						
- Revolving credit and trade financing	170,000	2.96% to 3.16%	170,510	170,510	-	-
Trade and other payables	693,387	-	693,387	693,387	-	-
Provision for restructuring	288	-	288	288	-	-
Lease liabilities	5,949	3.42% to 5.72%	6,253	3,058	2,289	906
	869,624		870,438	867,243	2,289	906

Company

As at 31 December 2023

Borrowings						
- Revolving credit and trade financing	135,000	3.54% to 3.80%	135,693	135,693	-	-
Trade and other payables	264,177	-	264,177	264,177	-	-
Provision for restructuring	-	-	-	-	-	-
Lease liabilities	1,610	3.42% to 6.97%	1,665	1,127	538	-
	400,787		401,535	400,997	538	-

As at 31 December 2022

Borrowings						
- Revolving credit and trade financing	170,000	2.96% to 3.16%	170,510	170,510	-	-
Trade and other payables	275,751	-	275,751	275,751	-	-
Provision for restructuring	288	-	288	288	-	-
Lease liabilities	2,838	3.42% to 5.72%	2,987	1,397	1,052	538
	448,877		449,536	447,946	1,052	538

Notes to the Financial Statements

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.7 Fair values

The carrying amounts of cash and bank balances, short term receivables and payables, short term borrowings and lease liabilities reasonably approximate their fair values due to the relatively short term nature of these financial instruments or exposed to floating interest rates.

The fair value of the Group's foreign exchange forward contracts at the end of the reporting period as disclosed in Note 20(d) is determined by reference to the differences between the contract rates and quoted forward exchange rates of contract with similar quantum and maturity profile at the end of the reporting period. The fair value is categorised as Level 2 in the fair value hierarchy and classified as financial liabilities at fair value through profit or loss.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details the reconciliation of the opening and closing amounts in the statements of financial position for each liability for which cash flows have been, or would be, classified as financing activities in the statements of cash flows:

	Note	As at 1.1.2023 RM'000	Non-cash changes Addition RM'000	← Cash Flows →		As at 31.12.2023 RM'000
				Drawdown RM'000	Repayment RM'000	
Group						
Borrowings	18	170,000	-	2,252,000	(2,287,000)	135,000
Lease liabilities	19	5,949	6,737	-	(3,759)	8,927
Company						
Borrowings	18	170,000	-	2,252,000	(2,287,000)	135,000
Lease liabilities	19	2,838	204	-	(1,432)	1,610

	Note	As at 1.1.2022 RM'000	Non-cash changes Addition RM'000	← Cash Flows →		As at 31.12.2022 RM'000
				Drawdown RM'000	Repayment RM'000	
Group						
Borrowings	18	160,131	-	1,040,000	(1,030,131)	170,000
Lease liabilities	19	8,298	1,570	-	(3,919)	5,949
Company						
Borrowings	18	160,131	-	1,040,000	(1,030,131)	170,000
Lease liabilities	19	3,668	927	-	(1,757)	2,838

Statement by Directors

The directors of **HEINEKEN MALAYSIA BERHAD** state that, in their opinion, the accompanying financial statements 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 the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board of Directors
in accordance with a resolution of the directors,

DATO' SRI IDRIS JALA

ROLAND BALA

Petaling Jaya, Selangor
27 February 2024

Declaration by the Officer Primarily Responsible for the Financial Management of the Company

I, **CHRISTIAAN JOHANNES FOLKERTS**, the officer primarily responsible for the financial management of **HEINEKEN MALAYSIA BERHAD**, do solemnly and sincerely declare that the accompanying financial statements 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.

CHRISTIAAN JOHANNES FOLKERTS

Subscribed and solemnly declared by the abovenamed **CHRISTIAAN JOHANNES FOLKERTS** at **PETALING JAYA, SELANGOR** this 27th day of February 2024.

Before me,

PESURUHJAYA SUMPAH MALAYSIA
B459

GUNALAN A/L MUNUSAMY
1.1.2022 - 31.12.2024

NO. 13 (TINGKAT 1), JALAN 52/10, PJ NEW TOWN, 45200 PETALING JAYA, SELANGOR

COMMISSIONER FOR OATHS

Other Information

PROPERTIES OWNED BY THE GROUP

Address	Land area (acres)	Existing use	Tenure	Approximate age of building (years)	Audited Net Carrying Amount as of 31 December 2023 RM'000	Date of Acquisition/ Revaluation*
Lot 1135, Batu 9 Jalan Klang Lama 46000 Petaling Jaya Selangor	20.84	Office building & factory	Leasehold expiring 23 September 2063	57	44,972	30 September 1984*
120, Air Keroh Industrial Estate 75450 Melaka	1.07	Office building & store	Leasehold expiring 13 January 2080	41	231	30 September 1984*
Lot 123, Semambu Industrial Site 25350 Kuantan Pahang	0.52	Office building & store	Leasehold expiring 5 March 2046	41	160	30 September 1984*
Lot 1136, Batu 9 Jalan Klang Lama 46000 Petaling Jaya Selangor	2.88	Storage	Freehold	Not applicable	4,037	31 December 1991
					49,400	

* The revaluation of properties was carried out primarily for the purpose of bonus issue in 1984.

UTILISATION OF PROCEEDS

There was no corporate proposal undertaken by Heineken Malaysia Berhad to raise proceeds during the financial year ended 31 December 2023.

MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by Heineken Malaysia Berhad and/or its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2023 or entered into since the end of the previous financial year.

CONFLICT OF INTEREST/CONVICTION OF OFFENCES/SANCTIONS/PENALTIES

None of the members of the Board and the Management Team has any:

- family relationship with any Director and/or major shareholder of Heineken Malaysia Berhad.
- conflict of interest in any business arrangement involving Heineken Malaysia Berhad.
- convictions for any offences, other than traffic offences, within the past 5 years.
- public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

Analysis of Stockholdings

As of 8 March 2024

Share Capital	: RM151,049,000
Number of Issued Shares	: 302,098,000 ordinary stock units
Class of Shares	: Ordinary stock unit
Voting Rights	: One vote per ordinary stock unit

Size of Holdings	No. of Stockholders	%	No. of Stock Units	%
1 – 99	1,059	7.99	7,640	0.00
100 – 1,000	6,671	50.34	3,934,083	1.30
1,001 – 10,000	4,427	33.41	16,244,176	5.38
10,001 – 100,000	925	6.98	26,331,198	8.72
100,001 – 15,104,899	169	1.27	101,511,003	33.60
15,104,900 and above	1	0.01	154,069,900	51.00
TOTAL	13,252	100.00	302,098,000	100.00

SUBSTANTIAL STOCKHOLDERS AS PER REGISTER OF SUBSTANTIAL STOCKHOLDERS

Name	Direct No. of Stock Units	%	Indirect No. of Stock Units	%
GAPL Pte Ltd	154,069,900	51.00	-	-

DIRECTORS' INTEREST

According to the Register of Directors' Shareholdings, none of the Directors (including the spouses or children of the Directors who themselves are not Directors of the Company) holding office as of 8 March 2024 had any interest in the ordinary stock units of the Company or its related corporations.

30 LARGEST STOCKHOLDERS AS PER RECORD OF DEPOSITORS

Name	No. of Stock Units	%
1. GAPL Pte Ltd	154,069,900	51.00
2. Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	7,082,880	2.34
3. Cartaban Nominees (Asing) Sdn Bhd - The Bank of New York Mellon for Virtus KAR International Small-Mid Cap Fund	5,931,800	1.96
4. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Hong Leong Value Fund	4,112,600	1.36
5. Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd	4,099,500	1.36
6. UOB Kay Hian Nominees (Asing) Sdn Bhd - Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	3,841,059	1.27
7. CIMB Group Nominees (Asing) Sdn Bhd - Exempt AN for DBS Bank Ltd (SFS)	2,857,700	0.95
8. Tai Tak Estates Sdn Bhd	2,156,000	0.71
9. Key Development Sdn Berhad	2,037,000	0.67
10. Cartaban Nominees (Asing) Sdn Bhd - The Bank of New York Mellon for Virtus KAR Emerging Markets Small-CAP Fund	2,002,400	0.66

Analysis of Stockholdings

As of 8 March 2024

30 LARGEST STOCKHOLDERS AS PER RECORD OF DEPOSITORS (CONTINUED)

Name	No. of Stock Units	%
11. ChinChoo Investment Sdn Berhad	1,865,000	0.62
12. Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	1,786,500	0.59
13. Ho Han Seng	1,600,000	0.53
14. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund JNDP for JNL Multi-Manager Emerging Markets Equity Fund	1,592,800	0.53
15. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund KG33 for Invesco EQV Asia Pacific Equity Fund	1,574,800	0.52
16. Cartaban Nominees (Asing) Sdn Bhd - The Bank of New York Mellon for Florida Retirement System	1,497,800	0.50
17. Cartaban Nominees (Asing) Sdn Bhd - Exempt An for State Street Bank & Trust Company (West CLT OD67)	1,488,400	0.49
18. Hong Leong Assurance Berhad - As Beneficial Owner (Life PAR)	1,404,700	0.46
19. Kam Loong Mining Sdn Bhd	1,320,000	0.44
20. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund KG67 for Invesco EQV International Small Company Fund	1,319,400	0.44
21. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Hong Leong Balanced Fund	1,300,000	0.43
22. Gan Teng Siew Realty Sdn Berhad	1,277,000	0.42
23. Cartaban Nominees (Tempatan) Sdn Bhd - Prudential Assurance Malaysia Berhad for Prulink Strategic Fund	1,261,800	0.42
24. Cartaban Nominees (Asing) Sdn Bhd - BBH (Lux) SCA for Fidelity Funds Asean	1,259,400	0.42
25. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund DU5J for Caisse De Depot ET Placement DU Quebec	1,228,300	0.41
26. Cartaban Nominees (Asing) Sdn Bhd - The Bank of New York Mellon for Public Employees Retirement System of Ohio	1,213,676	0.40
27. Citigroup Nominees (Asing) Sdn Bhd - CBLDN for PohJola Bank PLC (Client AC-EUR)	1,212,100	0.40
28. HLB Nominees (Asing) Sdn Bhd - Tan Eng Chin Holdings (Pte.) Limited (CUST.SIN 40555)	1,150,000	0.38
29. Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	1,143,300	0.38
30. Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (PAR 1 ACB Fund)	1,076,400	0.36
TOTAL	215,762,215	71.42



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Ann Arbor, MI 48108
734.332.1200
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Statement of Confirmation of 2023 Volumetric Water Benefits of Water Stewardship Projects Implemented by HEINEKEN Malaysia

LimnoTech conducted an independent third-party quantification of volumetric water benefits of project activities implemented by HEINEKEN Malaysia to achieve its water balancing goal.

Industry standard methodologies, consistent with the Volumetric Water Benefit Accounting (VWBA) framework published by the World Resources Institute were applied to quantify the water balance benefits of these water stewardship projects.

The 2023 volumetric water benefits were confirmed for 4 different project activities as shown below.

Project	Benefit (HL)
Sungei Way River Rehabilitation	3,890,000
Rainwater Harvesting System (25)	56,440
Peatland Reforestation (3 hectares)	127,500
Clay Dyke Implementation	1,361,020
TOTAL	5,434,960

The 2023 water balancing target for HEINEKEN Malaysia is 2,433,276 HL. Therefore, the 2023 water balance achievement is **223%** of the target.

Sincerely,
LimnoTech

Pranesh Selvendiran
Sr. Project Engineer

March 7, 2024

Limited Assurance Statement

Relating to Heineken Malaysia Berhad's Sustainability Statement (ESG Review) in the Group's Annual Report 2023

Terms of Engagement

The engagement of **Rapid Genesis Sdn. Bhd.** as commissioned by Heineken Malaysia Berhad is to provide an independent, limited assurance engagement on the following selected *key performance indicators (KPIs)*, referred to thereafter as "Selected Information", as described below, that have been prepared in accordance with HEINEKEN Malaysia's reporting criteria that accompanies the sustainability information on the relevant pages of the Report (the accompanying HEINEKEN reporting criteria) and presented in the Group's "*Sustainability Statement (ESG Review)*". This engagement was conducted by a multidisciplinary team including social, environmental and governance specialists with relevant experience in sustainability reporting.

Governance			
Material Matters	GRI Standards	Sub-Topic	Selected KPIs
Regulatory Compliance	GRI2: General Disclosures		Sustainability Statement 2023
Ethical Business Conduct	GRI 205: Anti-corruption	Anti-Corruption	<input type="checkbox"/> Anti-Corruption & Bribery Training <input type="checkbox"/> Composition of the highest governance body
Data Privacy & Cybersecurity	GRI 418: Customer Privacy	Data Privacy	Data Privacy & Security
Risk Management	GRI 201: Economic Performance	Economic Performance	Economic Performance
Environment			
Climate Resilience & Energy Efficiency	GRI 302: Energy GRI 305: Emissions	Scope 1, 2 & 3 emissions	<input type="checkbox"/> Scope 1: Natural Gas <input type="checkbox"/> Scope 2: Electricity <input type="checkbox"/> Scope 3: - Employee commute - Business travel (Land) - Business travel (Air)
		Energy Consumption	Total energy usage

Water Stewardship	GRI 303: Water & Effluent	Water Consumption	<input type="checkbox"/> Total Water Usage <input type="checkbox"/> Water Efficiency <input type="checkbox"/> Water Circularity <input type="checkbox"/> Total Wastewater Discharged <input type="checkbox"/> Water Balancing
Waste & Effluent Management	GRI 306: Waste	Organic & Inorganic Waste	<input type="checkbox"/> Total Waste Generated <input type="checkbox"/> Organic & Inorganic Waste Management
Resource Use	GRI 301: Materials	Material Return Rate	Material Return Rate
Social Sustainability			
Diversity	GRI 405: Diversity & Equal Opportunity	Workforce Diversity	<input type="checkbox"/> Workforce Breakdown <input type="checkbox"/> Workforce Diversity by Race <input type="checkbox"/> Employees that are contractors of temporary staff <input type="checkbox"/> Employee Engagement <input type="checkbox"/> Speak Up
Employee Health, Safety & Wellbeing	GRI 403: Occupational Health & Safety	Safety & Health	<input type="checkbox"/> Training on Health & Safety Standards <input type="checkbox"/> Additional Health & Training programmes for FY2023
Human Rights & Labour Standards	GRI 401: Employment GRI 404: Training & Education	Human Rights & Labour Standards	<input type="checkbox"/> Total number of Employee new hires by employee category, age & gender <input type="checkbox"/> Total number of employee turnover by employee category <input type="checkbox"/> Length of service <input type="checkbox"/> Human Rights Violation <input type="checkbox"/> Parental Leave

Human Capital Development	GRI 404: Training & Education	Training & Development	<input type="checkbox"/> Total training spend <input type="checkbox"/> Total Hours of Training by employee category <input type="checkbox"/> Average Hours of training per employee <input type="checkbox"/> Employee Training & Development Programmes in FY2023 <input type="checkbox"/> Graduate & Internship Programmes <input type="checkbox"/> Short Term Assignment
Community Investment & Development	GRI 201: Economic Performance GRI 413: Local Communities	Community	<input type="checkbox"/> SPARK Foundation <input type="checkbox"/> Education – English Enrichment Training Programmes (EETP) <input type="checkbox"/> Environment – W.A.T.E.R Project <input type="checkbox"/> HEINEKEN Cares <input type="checkbox"/> Big Day Out <input type="checkbox"/> Other Support (Floor, Fire, Virus) <input type="checkbox"/> GRAB code investment <input type="checkbox"/> Tiger CECC
Supply Chain Management	GRI 204: Procurement	Supply Chain	<input type="checkbox"/> Supply Chain Performance <input type="checkbox"/> Green Fridges <input type="checkbox"/> Supplier Code <input type="checkbox"/> Supplier Screening <input type="checkbox"/> Supplier Assessment
Responsible Consumption			
Product Safety, Quality & Hygiene	GRI 416: Customer Health & Safety	Responsible Drinking	Responsible Drinking
Responsible Marketing & Consumption	GRI 417: Marketing & Labelling	Responsible Drinking	Product Responsibility

We have not performed any modification, work, conclusion or any other information to be included in the ESG Review for the current year or for the previous periods unless stated otherwise.

Scope of Coverage

The scope of work engaged covers the verification and validation of Selected Information within the organisation's boundary:

- Organisational boundary: Heineken Malaysia Bhd and Heineken Marketing Malaysia Sdn. Bhd.
- Control approach: Operational Control and Finance Control
- Period: 1 January 2023 to 31 December 2023

Reporting Criteria

The Reporting Criteria used by HEINEKEN Malaysia include:

- Bursa Malaysia Main Market Listing Requirements on Sustainability Reporting
- Bursa Malaysia's Sustainability Reporting Guide (3rd Edition)
- The Global Reporting Initiative ("GRI") Sustainability Reporting Standards 2021

Management's Responsibility

Heineken Malaysia management is responsible for:

- Selection, preparation and presentation of the selected KPIs in accordance with HEINEKEN Malaysia's reporting criteria;
- Identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance;
- The design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material mistreatment, whether due to fraud or error;

- Determining the appropriateness of the measurement and reporting criteria in view of the intended users of the "Selected Information" and for ensuring that those criteria are publicly available to the Report users.

Our Independence and Quality Control

We have complied with the independence and all other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the selected KPIs based on the procedures we have performed and the evidence we have obtained. The engagement was conducted in accordance with the ISO 14064-3:2019 standard for Greenhouse gases "Part 3: Specification with guidance for the verification and validation of greenhouse gas statements" for the Environment component and International Standard for Assurance Engagement (ISAE) 3000: "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board for both Social and Governance component. We at our level best comply with ethical requirements and plan and perform the verification to obtain a limited assurance conclusion based on the work undertaken and evidence provided.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of HEINEKEN Malaysia's use of its reporting criteria as the basis of preparation for the selected KPIs, assessing the risks of material misstatement of the selected KPIs whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected KPIs. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Assurance Activities

The main objective is to examine whether the "Selected Information" is reported as complete and accurate. Our verification strategy used a combined data and controls testing approach. Works as below are carried out but not limited to:

- Review of 2023 Annual Report data reporting and sampling of operational records to confirm traceability and accuracy of source data;
- Re-calculation of energy and water consumption, GHG emissions and waste generation;
- Examination of recycling and waste activities;

- Review of water project details and water balancing reports;
- Performed interview with key sustainability personnel to obtain an understanding of HEINEKEN Malaysia's business, internal control environment and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management and senior executives;
- Evaluated the reasonableness and appropriateness of significant estimates and judgments made by the directors in the preparation of the selected KPIs;
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected KPIs; and
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria, including evaluation on whether the selected KPIs presented in the Report are consistent with our overall knowledge and experience of sustainability management and performance.

Limited Assurance Conclusion

Based on our examination of the data, inventory and evidence provided by HEINEKEN Malaysia, nothing has come to our attention that causes us to believe that the "Selected Information" for the year ended 2023 are not prepared, in all material respects, in accordance with the aforementioned Reporting Criteria.

Other Matters

In the context of external assurance review 2024, no other assurance procedures were performed on the previous sustainability report. The information relating to the prior reporting periods has not been subject to assurance procedures. Our report does not include any other disclosures (other than “*Selected Information*”) in HEINEKEN’s Sustainability Report 2023 (SR 2023). The maintenance and integrity of HEINEKEN Malaysia’s website is the responsibility of HEINEKEN Malaysia management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the

information in the Report or our independent limited assurance report that may have occurred since the initial date of its presentation on HEINEKEN Malaysia website.

Restriction of Liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected KPIs to the management of HEINEKEN Malaysia in accordance with the terms of our engagement, and for no other purpose.

We do not accept or assume liability to any party other than HEINEKEN Malaysia, for our work, for this report, or for the conclusion we have reached.

Rapid Genesis Sdn Bhd

Tang Kok Mun
Lead Consultant
04 April 2024



Bursa Malaysia Sustainability Reporting Index

The table below contains the common and specific sustainability indicators required by Bursa Malaysia under their Enhanced Sustainability Guide (3rd edition). This content index helps stakeholders navigate the disclosures and information that the Group has reported.

Bursa Malaysia's Common Material Matters	Indicators	Location (Page)
Anti-corruption	Percentage of employees who have received training on anti-corruption by employee category	Corporate Governance & Anti-Corruption (51-52)
	Percentage of operations assessed for corruption-related risks	Corporate Governance & Anti-Corruption (51-52)
	Confirmed incidents of corruption and action taken	Corporate Governance & Anti-Corruption (51-52)
Community/ Society	Total amount invested in the community where the target beneficiaries are external to the listed issuer	Community Investment & Development (79)
	Total number of beneficiaries of the investment in communities	Community Investment & Development (79)
Diversity	Percentage of employees by gender and age group, for each employee category	Diversity (71-72)
	Percentage of directors by gender and age group	Diversity (71)
Energy management	Total energy consumption	Climate Resilience and Energy Management (57)
Health and safety	Number of work-related fatalities	Employee Health, Safety & Wellbeing (74)
	Lost time incident rate	Employee Health, Safety & Wellbeing (74)
	Number of employees trained on health and safety standards	Employee Health, Safety & Wellbeing (74)
Labour practices and standards	Total hours of training by employee category	Human Capital Development (78)
	Percentage of employees that are contractors or temporary staff	Human Rights and Labour Standards (75)
	Total number of employee turnover by employee category	Human Rights and Labour Standards (75)
	Number of substantiated complaints concerning human rights violations	Human Rights and Labour Standards (75)
Supply chain management	Proportion of spending on local suppliers	Supply Chain Management (77)
Data privacy and security	Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Data Privacy and Cybersecurity (54)
Water	Total volume of water used	Water Efficiency (63)
Waste management	Total waste generated, and a breakdown of the following: (i) total waste diverted from disposal (ii) total waste directed to disposal	Waste and Effluent Management (60-61)
Emissions management	Scope 1 emissions in tonnes of CO ₂ e	Climate Resilience and Energy Management (58-59)
	Scope 2 emissions in tonnes of CO ₂ e	Climate Resilience and Energy Management (58-59)
	Scope 3 emissions in tonnes of CO ₂ e (at least for the categories of business travel and employee commuting)	Climate Resilience and Energy Management (58-59)

GRI Standards 2021 Content Index

GRI CONTENT INDEX

The GRI Standards 2021 Content Index ensures reported ESG information is traceable and increases the transparency of information covered in this report. HEINEKEN Malaysia 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. This content index helps stakeholders navigate the disclosures and information that the Group has reported.

GRI	Disclosure	Location (Page)	
GRI 2: General Disclosures 2021	2-1 Organisational details	3	
	2-2 Entities included in the organisation's sustainability reporting	36	
	2-3 Reporting period, frequency and contact point	36	
	2-5 External assurance	36, 166-172	
	2-6 Activities, value chain and other business relationships	3, 14-15, 26-34	
	2-7 Employees	71-72, 75	
	2-8 Workers who are not employees	71, 75	
	2-9 Governance structure and composition	39, 93-94	
	2-10 Nomination and selection of the highest governance body	94	
	2-11 Chair of the highest governance body	93-94	
	2-12 Role of the highest governance body in overseeing the management of impacts	39, 89-90	
	2-13 Delegation of responsibility for managing impacts	39, 89	
	2-14 Role of the highest governance body in sustainability reporting	39	
	2-16 Communication of critical concerns	92, 108-109	
	2-17 Collective knowledge of the highest governance body	77	
	2-18 Evaluation of the performance of the highest governance body	95	
	2-19 Remuneration policies	96	
	2-20 Process to determine remuneration	96	
	2-22 Statement on sustainable development strategy	35-42	
	2-23 Policy commitments	41, 51-52	
	2-24 Embedding policy commitments	41, 51-52, 91-92	
	2-25 Processes to remediate negative impacts	52-54	
	2-26 Mechanisms for seeking advice and raising concerns	52, 92	
	2-27 Compliance with laws and regulations	52	
	2-28 Membership associations	45	
	2-29 Approach to stakeholder engagement	43-45	
	GRI 3: Material Topics 2021	3-1 Process to determine material topics	45-46
		3-2 List of material topics	46
		3-3 Management of material topics	35-88
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	48-50	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	77	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	52	
	205-2 Communication and training about anti-corruption policies and procedures	52	
	205-3 Confirmed incidents of corruption and actions taken	52	

GRI Standards 2021 Content Index

GRI	Disclosure	Location (Page)
GRI 301: Materials 2016	301-1 Materials used by weight or volume	60-62
	301-2 Recycled input materials used	61-62
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	57
	302-2 Energy consumption outside of the organisation	58-59
	302-3 Energy intensity	57
	302-4 Reduction of energy consumption	57
	302-5 Reductions in energy requirements of products and services	56-57
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	62-67
	303-2 Management of water discharge-related impacts	62-67
	303-3 Water withdrawal	63
	303-4 Water discharge	64
	303-5 Water consumption	63
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	58-59
	305-2 Energy indirect (Scope 2) GHG emissions	58-59
	305-3 Other indirect (Scope 3) GHG emissions	58-59
	305-4 GHG emissions intensity	58
	305-5 Reduction of GHG emissions	58-59
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	60
	306-2 Management of significant waste-related impacts	60-62
	306-3 Waste generated	60
	306-4 Waste diverted from disposal	61-62
	306-5 Waste directed to disposal	61-62
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	75
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	75
	401-3 Parental leave	75
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	73-74
	403-2 Hazard identification, risk assessment, and incident investigation	73-74
	403-3 Occupational health services	73-74
	403-4 Worker participation, consultation, and communication on occupational health and safety	73-74
	403-5 Worker training on occupational health and safety	73-74
	403-6 Promotion of worker health	73-74
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	73-74
	403-8 Workers covered by an occupational health and safety management system	73-74
	403-9 Work-related injuries	74
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	78
	404-2 Programmes for upgrading employee skills and transition assistance programmes	77-78
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	71-72
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	72

GRI Standards 2021 Content Index

GRI	Disclosure	Location (Page)
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	74
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	74
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	74
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	78-79
GRI 417: Marketing and Labelling 2016	417-2 Incidents of non-compliance concerning product and service information and labelling	82
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UN GLOBAL COMPACT INDEX

Global Compact Principle	Location (Page)
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;	Human Rights and Labour Standards (74-75) Supply Chain Management (76)
Principle 2: make sure that they are not complicit in human rights abuses.	Human Rights and Labour Standards (74-75) Supply Chain Management (76)
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Human Rights and Labour Standards (74-75)
Principle 4: the elimination of all forms of forced and compulsory labour;	Human Rights and Labour Standards (74-75) Supply Chain Management (76)
Principle 5: the effective abolition of child labour;	Human Rights and Labour Standards (74-75)
Principle 6: the elimination of discrimination in respect of employment and occupation.	Diversity (69-72) Human Rights and Labour Standards (74-75)
Principle 7: Businesses should support a precautionary approach to environmental challenges;	Climate Resilience and Energy Management (55-59)
Principle 8: undertake initiatives to promote greater environmental responsibility; and	Waste and Effluent Management (60-61)
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	Resource Use (62) Towards Healthy Watersheds (62-67)
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Corporate Governance & Anti-Corruption (51-52) Risk Management (52-54)

Group Directory

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TAWAU

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Corporate Information

BOARD OF DIRECTORS

Dato' Sri Idris Jala
Chairman,
Independent Non-Executive Director

Roland Bala
Managing Director,
Non-Independent Executive Director

Lau Nai Pek
Senior Independent Non-Executive Director

Seng Yi-Ying
Non-Independent Non-Executive Director

Choo Tay Sian, Kenneth
Non-Independent Non-Executive Director

Chua Carmen
Independent Non-Executive Director

Erin Sakinah Atan
Non-Independent Non-Executive Director

COMPANY SECRETARY

Ng Sow Hoong
MAICSA 7027552
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PRINCIPAL BANKERS

Citibank Berhad
BNP Paribas Malaysia Berhad
HSBC Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Listed on the Main Market of Bursa Malaysia since 1965
Stock name : HEIM
Stock number : 3255



www.heinekenmalaysia.com



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