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).

Financial year 2022 (FY2022) was a year of recovery as the Group witnessed encouraging recovery in business performance following the full re-opening of economic activities when the country transitioned to the endemic phase in April 2022. Despite this positive development, the business environment remained volatile given the continued pressures from rising input costs and inflation that were expected to impact consumer purchasing power. The Board remained focus on strengthening the Group's resilience by providing an effective stewardship whilst maintaining high CG standards and embracing a responsible business culture throughout the Group. This has enabled the Group to deliver a solid performance for FY2022.

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 FY2022. 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 FY2022 which is available on the Company's website *https://www.heinekenmalaysia.com/corporate-governance/*

Principle A	Principe B	Principle C
Board Leadership and Effectiveness	Effective Audit and Risk Management	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:

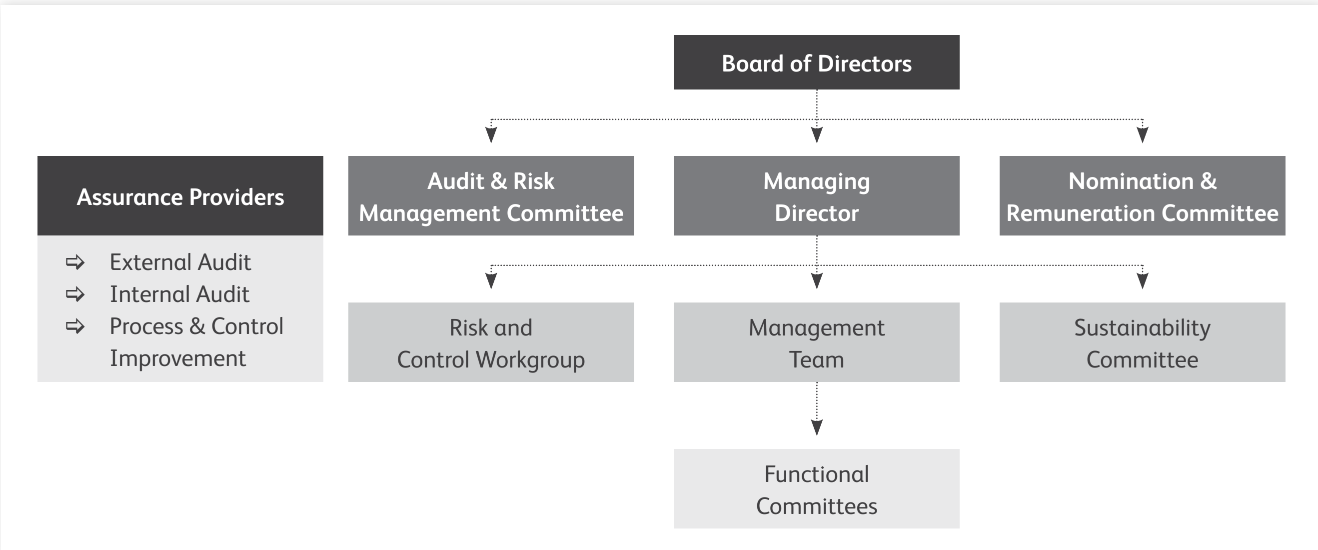
Practice 1.4	Chairman of the Board should not be a member of the Nomination & Remuneration Committee
Practice 5.2	For Large Companies, the Board comprises a majority Independent Directors
Practice 5.3	Tenure of an Independent Director does not exceed nine years
Practice 8.2	Disclosure on a named basis 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 2022.

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:



Corporate Governance Overview Statement

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.

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, organizational 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 2022, the Board had four (4) 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	4/4
Datin Ngiam Pick Ngoh, Linda	Independent Non-Executive Director	4/4
Roland Bala	Managing Director	4/4
Choo Tay Sian, Kenneth	Non-Independent Non-Executive Director	4/4
Seng Yi-Ying	Non-Independent Non-Executive Director	4/4
Lau Nai Pek	Senior Independent Non-Executive Director	4/4
Raquel Batallones Esquerra	Non-Independent Non-Executive Director	3/4*

* *Absent from one meeting due to other meeting commitment abroad*

Corporate Governance Overview Statement

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 June 2022 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 emphasizes 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.

During FY2022, Directors attended various development and learning programmes on topics related to corporate governance and sustainability, consumer trends and commercial strategy, anti-bribery and corruption, data protection and information security, digital assets, risk management, leadership and organizational management. Some Board members have also been 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 to comply with relevant regulatory requirements and policies adopted by the Group, including those relating to anti-bribery and anti-corruption.

The Group has in place the following codes which outline its commitment to conducting business with integrity and fairness, respect for the laws, our values and our Company Manifesto - We are HEINEKEN; as well as the principles for ethical and business conduct expected from relevant stakeholders in their dealing with the Group.

HEINEKEN Code of Business Conduct (HeiCode)

The HeiCode has embedded seventeen (17) policies that covers all aspects of the Group's business operations, categorised under four (4) key commitments namely:

- We advocate for responsible consumption
- We respect people and the planet
- We conduct business with integrity and fairness
- We safeguard our Company's assets

The HeiCode and the underlying policies, communication and training materials are documented and available in a Business Conduct Portal for employee access. They are reviewed and updated periodically to reflect the changing business environment. 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

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.

In 2022, nine (9) reports were received via the HEINKEN Speak Up channel and of these, four (4) reports were referred to the Company for further investigation. The remaining five (5) cases were not referred to the Company for further investigation upon assessment by the HEINEKEN Global Speak Up Review Team as they were found to be frivolous and unsubstantiated. Internal Audit and People functions conducted necessary investigations and resolved all the four (4) cases. The nature of these Speak Up reports were centered around non-compliances with the Group's policies and procedures. Corrective and preventive actions including disciplinary measures as well as process and control improvements were taken by the Company subsequent to the investigations. None of the Speak Up cases has caused any material financial impact to the Group. The Group will continue to encourage its employees and business partners to Speak Up given that this is an effective mechanism to protect the Group against fraud and non-compliance with rules and policies.

The HeiCode 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 emphasizes 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 commitments until year 2030 that prioritise on the following areas to protect the environment, support local communities and make a positive contribution to the society:

Environmental Sustainability	▪ Reach Net Zero Carbon ▪ Maximise Circularity ▪ Towards Healthy Watersheds
Social Sustainability	▪ Embrace Diversity, Equity and Inclusion ▪ A Fair & Safe Workplace ▪ Positive Impact on Our Communities
Responsible Consumption	▪ Always A Choice ▪ Address Harmful Use ▪ Promoting Moderation Cool

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.

In FY2022, the Group developed 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 also in place 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.

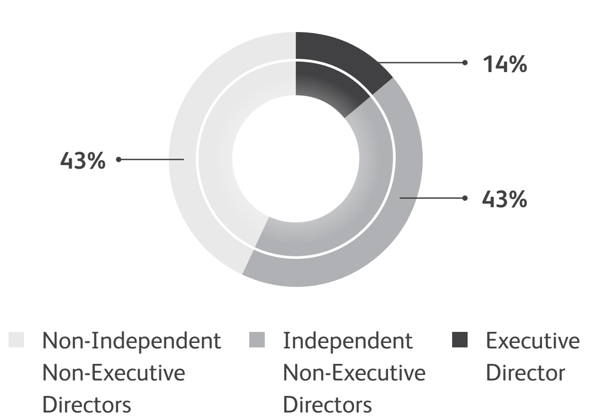
Further information about the Company's approach to sustainability are disclosed in the ESG Review in this Annual Report.

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.

Board Composition



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, business and administration, finance and accounting, media and public relations, legal and human resource 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.

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.

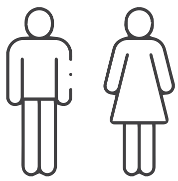
The Board acknowledged the practice recommended under the MCCG for large companies to have a majority Independent Non-Executive Directors in the Board. Based on the current shareholding structure of the Company in which 51% of its equity interest are held indirectly by Heineken NV via its wholly-owned subsidiary, GAPL Pte Ltd, the Board was of the view that

Corporate Governance Overview Statement

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:

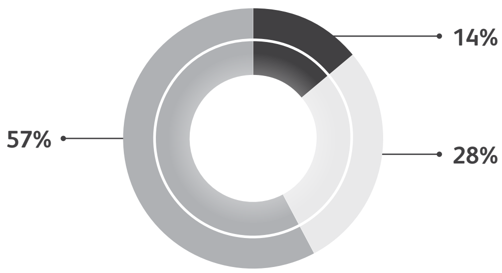
57% Male



43% Female

The female representation on the Board has exceeded the Malaysian Government's target of 30% for public listed companies.

Ethnic Diversity



Bumiputera | Chinese | Others

Age Diversity

45-60 years | Above 60 years

The Group has adopted the HeiCode 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.

At the 58th AGM held in 2022, the Company has obtained shareholders' approval via a two-tier voting process to allow Datin Ngiam Pick Ngoh, Linda, whose tenure had exceeded the 9-year mark on 3 December 2021, to continue as an Independent Non-Executive Director of the Company until the conclusion of the forthcoming AGM.

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 and 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.

Induction programme will be arranged for newly appointed Directors to enable them to better understand the Group's business and operations, organizational 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.

Newly appointed Directors (if appointed for the first time in a listed issuer) are also expected to complete the Mandatory Accreditation Programme as required by Bursa Malaysia.

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

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 FY2022, the Board engaged the Institute of Corporate Directors Malaysia (ICDM) to conduct an independent and objective Board and Directors Effectiveness Evaluation.

The evaluation was conducted by ICDM through a combination of the following steps:

- Review of relevant corporate governance-related documents in confidentiality.
- Directors and Management Team participated in online surveys on the Board and Board Committees' performance, as well as individual Director's self and peer evaluation.
- One-on-one confidential interviews with the Chairman and each of the Directors.
- Performed a gap analysis on the Company's governance standards and practices versus the prescribed requirements and best practices.
- Compilation of observations and recommendations based on feedback gathered from the interviews, online surveys and document review.
- Report the key observations and recommendations to the Chairman and subsequently to the Board for consideration.
- Following the Board discussion, feedback and recommendations for individual Directors were shared to the Chairman and all Directors respectively.

Based on the evaluation, the Board concluded that the Board has been effective in discharging its functions and duties, in that:

- Board members unanimously viewed the Chairman as an inclusive and effective leader who is open-minded and most knowledgeable. The Chairman provided room for the Directors to voice their views and succinctly summarises their observations, thus keeping the Board constantly focused during every meeting. In addition, his extensive experience and wide exposures have enabled him to effectively share best practices of other boards he sits on and facilitate robust discussions at meetings. All Board members have expressed their utmost respect for the Chairman.
- Board members considered the Managing Director to be a performing and capable leader, with a high level of passion, enthusiasm and in-depth knowledge of the business, culminating in the Managing Director earning the trust of the Board and the Management Team.
- Board members were committed in discharging their fiduciary duties where active and fruitful discussions were had with participation by the Independent Directors at the Board level and in the Board Committees. 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 Board comprises a good mix and balance of experience, skillsets, diversity in gender and is a qualified Board. 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 worked as a team with emphasis on honest open communications, trust, respect as well as driving the right level of accountability and integrity. The relationships between the Board members were generally friendly, collegial and new members found their fellow Directors supportive and available for advice, if needed. In addition, the Management Team was generally very receptive to the Board's critical questioning and challenges resulting in driving the Management performance positively.
- With effective guidance and support of the Board, the Management Team managed the crisis very well during the pandemic years, with radical but good decisions being made resulting in a strong recovery of the Group's business performance.

The Board deliberated on and agreed to implement the following recommendations for enhancement:

- A dedicated session for the Board to discuss the Group's strategy plan.
- Establish a Board succession plan, refresh long serving Independent Director and consider exploring independent sources in identifying candidates for appointment of Directors.
- Establish a more comprehensive on-boarding program for the Board.
- Establish a structured annual training and development plan for the Board (following findings from the technical competencies of each individual Director) to enable the Directors to continuously keep abreast of the emerging trends and developments in sustainability, regulatory requirements and other relevant areas.
- Board to consider additional forward-looking topics beyond the normal meeting agenda.
- Board to have open discussion with the Managing Director periodically for sharing of new insights.

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 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	6 years +
Datin Ngiam Pick Ngoh, Linda	Independent Non-Executive Director	8 April 2013	9 years +
Choo Tay Sian, Kenneth*	Non-Independent Non-Executive Director	26 October 2020	2 years +
Lau Nai Pek	Senior Independent Non-Executive Director	22 May 2021	1 year +
Raquel Batallones Esguerra*	Non-Independent Non-Executive Director	1 September 2021	1 year +

* *Representing HEINEKEN, major shareholder of the Company.*

The roles and responsibilities of the NRC are defined in the NRC's Terms of Reference.

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. During FY2022, the NRC had one (1) meeting with a 100% attendance rate.

During FY2022, 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;
- Evaluation of effectiveness of the Board and the Board Committees and the Directors' contribution in relation to the effective decision-making of the Board and the independence of Independent Directors;
- Recommendation for re-election of retiring Directors at the Company's AGM based on satisfactory evaluation of the Directors' performance and contribution to the Board; and
- Recommendation for retention of Datin Ngiam Pick Ngoh, Linda, who had served on the Board beyond nine years, as Independent Director of the Company.

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

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 2022.

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 58th AGM held on 12 May 2022, shareholders' approval was sought for the payment of Directors' fees and benefits up to RM700,000 to the Non-Executive Directors for FY2022. Total remuneration paid to the Non-Executive Directors of the Company for FY2022 was RM661,950. The detailed breakdown of the remuneration paid to the Directors, including the Managing Director, of the Company who served during FY2022 is disclosed in the CG Report 2022.

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

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 FY2022 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. The external auditors are engaged mainly to perform statutory audit on the Group's financial statements. For FY2022, the external auditors also reviewed the reporting deliverables to Deloitte Netherlands and the Company's Statement on Risk Management and Internal Control. The fees paid for the above 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

Corporate Governance Overview Statement

criteria and the assessment performed by HEINEKEN Global 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

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.

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 Corporate Assurance, 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 FY2022, 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 FY2022 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 spokesperson 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 2022, 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 twenty-eight (28) clear days ahead of the meeting and they were allowed to send pre-meeting questions in relation to the AGM agenda items to the Tricor's TIIH Online website.

In 2022, the Company's AGM was conducted entirely on a virtual basis using the remote participation and voting (RPV) facilities. Save for Ms Raquel Batallones Esguerra who was absent due to other meeting commitment abroad, all other 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 the Group's strategies and priorities for the ensuring year was 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. A scrutineer was appointed to validate the votes cast at the AGM, after which, the poll results were announced and 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 published on the Company's website within 30 business days after the AGM.

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 2023.

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 Director	22 May 2021	1 year +
Datin Ngiam Pick Ngoh, Linda	Independent Director	21 August 2014	8 years +
Choo Tay Sian, Kenneth*	Non-Independent Director	26 October 2020	2 year +

* *Representing HEINEKEN, major shareholder of the Company.*

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 2022 (FY2022), the ARMC had four (4) meetings with a 100% attendance rate. The Managing Director, the Finance Director and the Head of Corporate Assurance 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 FY2022 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.
- 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 ten (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 and tax expense, cyber security risks, rising input costs, supply chain disruptions, environmental risks 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
  (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 BWise 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 key changes to the HEINEKEN Rules and additional actions required to ensure compliance.

Audit & Risk Management Committee Report

- Reviewed the implementation of non-financial reporting controls 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.

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 reported via the Speak Up channel 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 Corporate Assurance.

External Audit

- Reviewed the external audit plan including the significant accounting and auditing issues and potential financial implication of climate-related risks and impact of new or proposed changes in accounting standards and regulatory requirements 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.
- Held two private sessions with the external auditors without the presence of the Management in conjunction with the ARMC meetings in February 2022 and November 2022. 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 on 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.
- 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 FY2022. The re-appointment of external auditors will be tabled at the forthcoming Annual General Meeting for shareholders' approval.

For FY2022, 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	136	214
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
	176	254

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.

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.

Audit & Risk Management Committee Report

Others

- Reviewed Management's recommendation on dividend distribution for FY2022, 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 issues raised by the tax authority arising from a tax audit and the mitigating measures and actions undertaken by Management to address the issues.

During FY2022, the ARMC Chairman had two meetings with the external auditors and had separate meetings with the Managing Director, Finance Director and the Head of Corporate Assurance prior to every scheduled ARMC Meeting.

The ARMC Chairman reports to the Board on matters deliberated and highlighted significant matters including unusual events or transactions 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 under the purview of the Corporate Assurance Department (CAD) which oversees both internal audit and process & control improvement (P&CI) matters. The CAD is headed by Mr Eugene Ding Diew Ping who reports functionally to the ARMC and administratively to the Managing Director and the Finance Director for P&CI related matters. 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 CAD, Mr Eugene Ding Diew Ping, is a holder of a Bachelor's Degree of Business (Accounting) from the University of Technology Sydney, Australia. He is a Chartered Accountant of the Malaysian Institute of Accountants and a Chartered Member of the Institute of Internal Auditors Malaysia (IIAM). He has over twenty (20) years of internal audit experience. Currently, he is supported by a P&CI Manager who is assisted by a P&CI Executive; and an Internal Audit Manager assisted by an Internal Audit Executive. During FY2022, 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 CAD reports to the ARMC on the progress of internal audit activities and the resource requirements, including interim changes and the impact of resource limitations. 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.

The Internal Audit function maintains a Quality Assurance and Improvement Programme (QAIP) to evaluate the internal audit activity's conformance with the IIA Standards and the Code of Ethics. The QAIP includes periodic internal self-assessment and external assessment to be conducted at least once every five (5) years by a qualified independent assessor or assessment team from outside the organisation. The external assessment is scheduled to be carried out in the second half of 2023.

During FY2022, the Internal Audit function completed eighteen (18) audit assignments which included four (4) investigative audits on matters reported via the Speak Up channel and requested 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 and monitoring of its internal control systems. The audit covered various operational areas within the Group, which included:

- Regional sales offices and distributors' warehouse safety standards.
- Third party vendors' compliance with the minimum wage requirements and the working hours limit prescribed in the Employment Act 1955 and their workers' living conditions.
- Trade activities in selected outlets in East Malaysia.
- Safety, health and environment standards in workplace.
- Management of returnable packaging materials.
- Accounts payable process.
- Employees' disclosure on 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 P&CI 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 FY2022 amounted to RM883,000 (FY2021: RM780,000). The expenses incurred comprised mostly of salaries and departmental overheads.

The ARMC had evaluated the performance of the Internal Audit function for FY2022 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 FY2022, 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 2023.

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 2022 (FY2022). 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).

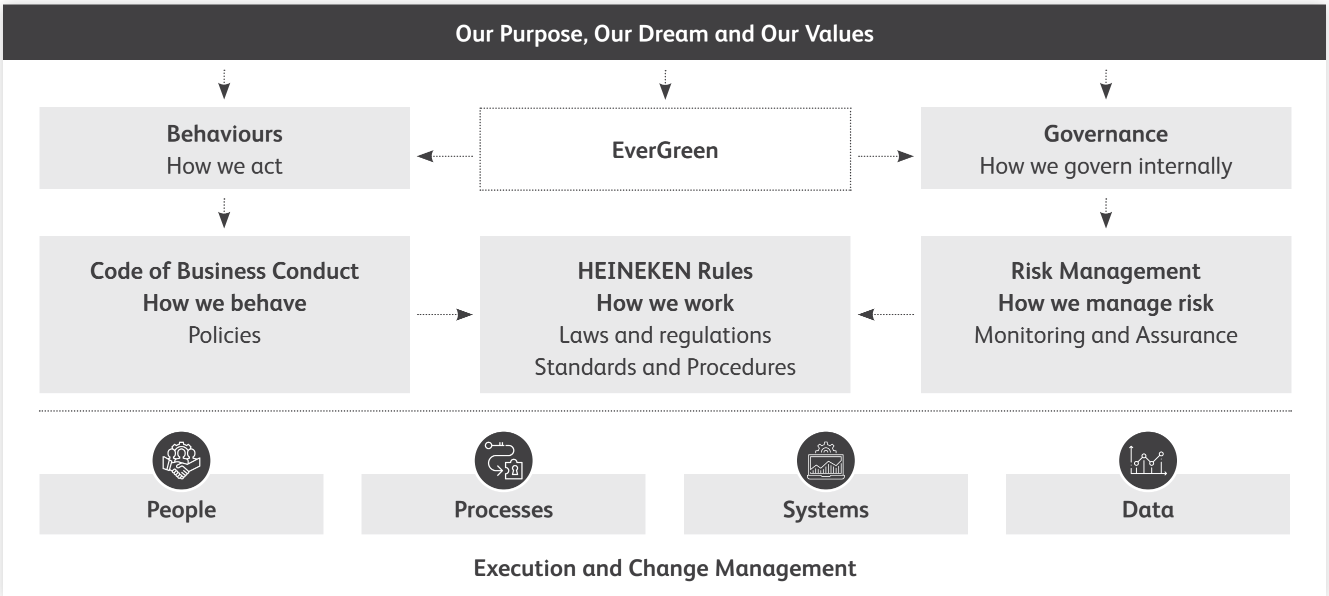
BOARD'S RESPONSIBILITY

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 organizational 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 (HeiCode) 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 HeiCode 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.

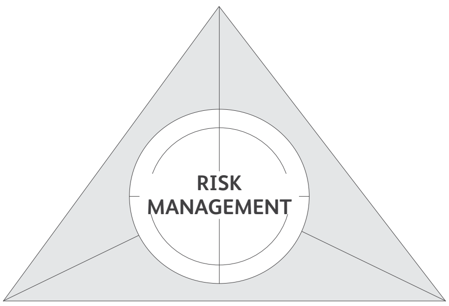
The Group's systems of risk management and internal control, which are based on the Committee on Sponsoring Organisations (COSO) Enterprise Risk Management and Internal Control Reference model, form a fundamental part of the Business Framework.

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.

How we do Business
Risk management is an integral part of how we do business, and is at the core of HEINEKEN Business Framework



How it is Structured
To manage risks, we are structured around the HEINEKEN 3 Lines of Defence model

How it is Embedded
Risk management is embedded in operations at all levels of the organisation

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

Objectives
Strategic and business objectives are aligned to the Group strategy

↓

Risks
Risk assessment is performed on identified risk based on impact and likelihood of occurrence

↓

Actions & Controls
Management actions to mitigate the identified risk are periodically monitored

↓

Evaluation
Management action plan is reviewed as part of business performance review and risk assessment cycle

Key Pillars

Risk Management supports the achievement of our objectives, through more effective decision making.

- **Structure**
  Risk management is an integral part of how we do business and is embedded in operations at all levels of the organisation.
- **Governance & Performance**
  Risk management aligns with the organisational governance with a strong tone at the top.
- **Processes & Tasks**
  Processes are key for effective risk management, this is done via a four-step process embedded into our daily activities.
- **People & Competencies**
  Having people with the right mindset and behaviour, equipped to address opportunities, risks and required actions.
- **Reward & Recognition**
  Employees are recognised for their contributions towards risk management.
- **Information & Systems**
  Utilising risk management information system that contains a comprehensive database of key risks faced by the Group.

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 responsible function and they 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				
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
	Nearly Impossible	**Unlikely**	**Possible**	**Likely**	**Almost Certain**
	LIKELIHOOD				

The identified risks will be mapped out in 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:

RISK RESPONSE ACTIONS

TAKE
Accept the risk, the probability and possible impact on the business are accepted

TREAT
Take action to reduce the risk by lessening the impact. This can involve improved procedures and internal controls

TRANSFER
Decide to pass the risk or costs of the impact outside the organisation, through third party contracts or take out insurance to cover the costs of the impact

TERMINATE
Decide to eliminate the risk by terminating the activity or the pursuance of the objective that causes the risk

Statement on Risk Management and Internal Control

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

Board and ARMC		
First Line – Management Ownership and Responsibility	**Second Line – P&CI** Support, Improvement and Monitoring	**Third Line – Internal Audit** Independent, Objective Assurance
Management is ultimately responsible for identifying, assessing and mitigating risks.	Management is supported by the P&CI Team that oversees compliance with the Group policies, processes and controls, facilitates the implementation of effective risk management practices and drives continuous improvements of internal controls.	Internal Audit function is tasked to review key processes, projects and systems based on the Group's strategic priorities and most significant risk areas and provide independent and objective assurance on the effectiveness of governance, risk management and internal control processes.

The above is 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.

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 Corporate Assurance Department (CAD) which oversees both internal audit and P&CI matters. The Head of CAD reports functionally to the ARMC and administratively to the Managing Director and the Finance Director for P&CI related matters.

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 Internal Audit function is performed in-house under the purview of the CAD. 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.

Statement on Risk Management and Internal Control

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 FY2022 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 organizational 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.
- 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 HeiCode and HeiRules and reporting of fraud and irregularities.

Integrity and Ethical Values

- The Group has adopted the HeiCode which governs the standards of ethics and responsible business conduct expected from employees at all levels. The HeiCode has embedded seventeen (17) policies which covers all aspects of the Group's business operations, categorised under four (4) broad areas namely, Responsible Consumption, Respect People and the Planet, Conducting Business with

Statement on Risk Management and Internal Control

Integrity and Fairness and Safeguarding of Company's Assets. The four areas cover responsible alcohol consumption; commitment to health and safety, human rights and sustainable initiatives, equal opportunities and no discrimination, 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 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.
  - o Code of Business Conduct
  - o Anti-Bribery and Corruption
  - o Responsible Marketing Code
  - o Security Awareness
  - o Fraud Awareness
  - o Data Privacy
  - o Competition law

  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 licencing 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.

Statement on Risk Management and Internal Control

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 FY2022, a cyber crisis preparedness simulation was conducted by an external party with the support of the Information Security Team of Heineken NV to evaluate the Group's preparedness in managing cyber-attack related incidences.

BOARD ASSESSMENT

The Board is of the view that, the overall risk management and internal control systems in place for FY2022, 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 2022. 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 2023.

Our Numbers & Other Information

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 2022.

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	412,824	422,994

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 66 sen per stock unit under the single tier tax system totalling RM199,384,680 in respect of the financial year ended 31 December 2021 on 28 July 2022; 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 2022 on 11 November 2022.

The directors now recommend the declaration of a final ordinary dividend of 98 sen per stock unit under the single tier system totalling RM296,056,040 in respect of the financial year ended 31 December 2022 which if approved by the owners of the Company will be payable on 20 July 2023.

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.

Directors' Report

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.

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' Report

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
Datin Ngiam Pick Ngoh, Linda
Roland Bala
Choo Tay Sian, Kenneth
Seng Yi-Ying
Lau Nai Pek
Raquel Batallones Esguerra

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

The interest in the ordinary stock units of the Company of a director at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, are as follows:

	Number of ordinary stock units			
	Balance as at 1.1.2022	**Bought**	**Sold**	**Balance as at 31.12.2022**
Datin Ngiam Pick Ngoh, Linda	6,700	-	-	6,700

By virtue of the director's interest in the ordinary stock units of the Company, she is also deemed to have interest in ordinary stock units/shares of the subsidiaries to the extent the Company has an interest.

None of the other 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 2022, 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.

DIRECTORS' BENEFITS (CONTINUED)

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors:				
Fees	**596**	601	**590**	595
Remuneration	**4,854**	2,360	**4,854**	2,360
Share-based payment	**660**	621	**660**	621
Meeting attendance allowance	**48**	55	**48**	55
Estimated monetary value of benefits-in-kind otherwise than in cash	**569**	587	**569**	587
	6,727	4,224	**6,721**	4,218

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 RM44,540.

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

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	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Statutory audit fees	**214**	203	**136**	126
Other services	**40**	40	**40**	40

Directors' Report

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,

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DATO' SRI IDRIS JALA

____
ROLAND BALA

Petaling Jaya, Selangor
24 February 2023

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 2022, 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 significant accounting policies, as set out on page 117 to 168.

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

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 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
24 February 2023

Statements Of Profit Or Loss And Other Comprehensive Income

For The Year Ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Revenue		**2,855,065**	1,979,348	**1,685,611**	1,203,511
Cost of sales		**(1,888,973)**	(1,379,166)	**(1,628,152)**	(1,158,862)
Gross profit		**966,092**	600,182	**57,459**	44,649
Other operating income		**19,437**	5,849	**7,229**	4,070
Distribution, marketing and selling expenses		**(264,151)**	(171,520)	**(1,013)**	(992)
Administrative expenses		**(121,454)**	(102,029)	**(32,821)**	(31,059)
Other operating expenses		**(3,700)**	(8,557)	**(3,666)**	(1,782)
Dividend income		**-**	-	**398,832**	227,904
Results from operating activities		**596,224**	323,925	**426,020**	242,790
Finance income	5	**1,193**	1,559	**1,156**	1,528
Finance costs	6	**(2,917)**	(4,057)	**(2,744)**	(3,790)
Net finance costs		**(1,724)**	(2,498)	**(1,588)**	(2,262)
Profit before tax	7	**594,500**	321,427	**424,432**	240,528
Income tax expense	8	**(181,676)**	(75,749)	**(1,438)**	(2,369)
Profit/Total comprehensive income for the year attributable to:					
Owners of the Company		**412,824**	245,678	**422,994**	238,159
Basic/Diluted earnings per ordinary stock unit (sen)	9	**136.7**	81.3		

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

Statements Of Financial Position

As At 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Non-current Assets					
Property, plant and equipment	10	**505,309**	388,404	**472,794**	360,483
Intangible assets	11	**20,530**	15,657	**17,652**	15,542
Right-of-use assets	12	**16,091**	18,719	**13,131**	14,238
Investment in subsidiaries	13	**-**	-	**14,344**	14,344
Deferred tax assets	14	**2,147**	5,782	**-**	-
Other receivables and prepaid expenses	15	**889**	1,546	**11**	32
Total Non-current Assets		**544,966**	430,108	**517,932**	404,639
Current Assets					
Inventories	16	**190,684**	151,178	**80,626**	54,331
Current tax assets		**17,982**	15,155	**17,982**	15,155
Receivables, deposits and prepaid expenses	15	**602,035**	415,253	**166,011**	64,286
Cash and bank balances		**52,554**	76,479	**49,147**	72,787
Total Current Assets		**863,255**	658,065	**313,766**	206,559
Total Assets		**1,408,221**	1,088,173	**831,698**	611,198
Equity					
Share capital	17	**151,049**	151,049	**151,049**	151,049
Reserves		**337,404**	244,627	**196,270**	93,385
Total Equity Attributable To Owners of The Company		**488,453**	395,676	**347,319**	244,434
Non-current Liabilities					
Lease liabilities	19	**3,092**	5,015	**1,536**	2,322
Deferred tax liabilities	14	**34,208**	32,207	**35,502**	33,295
Total Non-current Liabilities		**37,300**	37,222	**37,038**	35,617
Current Liabilities					
Borrowings	18	**170,000**	160,131	**170,000**	160,131
Trade and other payables	20	**693,387**	478,051	**275,751**	167,057
Provision for restructuring	21	**288**	3,648	**288**	2,613
Lease liabilities	19	**2,857**	3,283	**1,302**	1,346
Current tax liabilities		**15,936**	10,162	**-**	-
Total Current Liabilities		**882,468**	655,275	**447,341**	331,147
Total Liabilities		**919,768**	692,497	**484,379**	366,764
Total Equity and Liabilities		**1,408,221**	1,088,173	**831,698**	611,198

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

Statements Of Changes In Equity

For The Year Ended 31 December 2022

Group	Note	Share capital RM'000	Capital reserve RM'000	Distributable -Retained earnings RM'000	Total RM'000
As at 1 January 2021		151,049	470	197,864	349,383
Total comprehensive income for the year		-	-	245,678	245,678
Dividends	22	-	-	(199,385)	(199,385)
As at 31 December 2021/1 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		**151,049**	**647**	**336,757**	**488,453**

Company	Note	Share capital RM'000	Capital reserve RM'000	Distributable -Retained earnings RM'000	Total RM'000
As at 1 January 2021		151,049	470	54,141	205,660
Total comprehensive income for the year		-	-	238,159	238,159
Dividends	22	-	-	(199,385)	(199,385)
As at 31 December 2021/1 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		**151,049**	**585**	**195,685**	**347,319**

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

Statements Of Cash Flows

For The Year Ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Profit before tax		**594,500**	321,427	**424,432**	240,528
Adjustments for:					
Depreciation of property, plant and equipment	10	**69,899**	59,310	**58,168**	47,072
Amortisation of prepaid contractual promotion expenses		**3,209**	27,299	**-**	-
Amortisation of intangible assets	11	**4,675**	6,214	**4,543**	6,028
Inventories written down		**1,664**	5,486	**1,462**	960
Depreciation of right-of-use assets	12	**4,197**	5,182	**2,036**	2,252
Finance costs	6	**2,917**	4,057	**2,744**	3,790
Property, plant and equipment written off	10	**3,117**	1,700	**3,114**	1,698
Bad debts written off		**-**	953	**-**	-
Net unrealised (gain)/loss on foreign exchange		**(143)**	729	**(156)**	764
Intangible assets written off		**-**	15	**-**	15
Loss /(Gain) on disposal of right-of-use assets		**3**	(8)	**(1)**	(8)
Gain on disposal of property, plant and equipment		**(109)**	(818)	**(24)**	(605)
Reversal of impairment loss on trade receivables		**-**	(1,285)	**-**	-
Reversal of provision for restructuring	21	**(3,360)**	-	**(2,325)**	-
Finance income	5	**(1,193)**	(1,559)	**(1,156)**	(1,528)
Dividend income from a subsidiary		**-**	-	**(398,832)**	(227,904)
Impairment loss on trade receivables		**509**	-	**-**	-
Operating Profit Before Working Capital Changes		**679,885**	428,702	**94,005**	73,062
Movement in working capital:					
(Increase)/Decrease in:					
Receivables, deposits and prepaid expenses		**(189,844)**	(113,238)	**(101,704)**	(1,226)
Inventories		**(41,170)**	31,598	**(27,757)**	(2,345)
Increase in:					
Trade and other payables		**196,205**	72,434	**89,514**	40,947
Cash Generated From Operations		**645,076**	419,496	**54,058**	110,438
Income tax paid		**(173,093)**	(75,568)	**(2,058)**	(6,635)
Interest paid		**(2,917)**	(4,057)	**(2,744)**	(3,790)
Net Cash From Operating Activities		**469,066**	339,871	**49,256**	100,013

Statements Of Cash Flows

For The Year Ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	10	**(170,481)**	(98,819)	**(154,144)**	(90,942)
Acquisition of intangible assets	11	**(9,548)**	(5,360)	**(6,653)**	(5,236)
Interest received		**1,193**	1,559	**1,156**	1,528
Proceeds from disposal of property, plant and equipment		**119**	825	**25**	607
Dividend received		**-**	-	**398,832**	227,904
Net Cash (Used In)/From Investing Activities		**(178,717)**	(101,795)	**239,216**	133,861
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Dividends paid	22	**(320,224)**	(199,385)	**(320,224)**	(199,385)
Drawdown/ (Repayment) of revolving credit and trade financing - net		**9,869**	(89,208)	**9,869**	(89,208)
Repayment of lease liabilities	29	**(3,919)**	(4,906)	**(1,757)**	(2,061)
Net Cash Used In Financing Activities		**(314,274)**	(293,499)	**(312,112)**	(290,654)
NET DECREASE IN CASH AND BANK BALANCES		**(23,925)**	(55,423)	**(23,640)**	(56,780)
CASH AND BANK BALANCES AT BEGINNING OF YEAR		**76,479**	131,902	**72,787**	129,567
CASH AND BANK BALANCES AT END OF YEAR		**52,554**	76,479	**49,147**	72,787

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 24 February 2023.

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 Amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") and effective for an annual financial period beginning on or after 1 January 2022:

Amendments to:

MFRSs	Annual Improvements to MFRS Standards 2018-2020
MFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
MFRS 3	Reference to Conceptual Framework
MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract

The adoption of the above Amendments to MFRS did not result in significant changes in the accounting policies of the Group and of the Company and had no significant effect on the financial performance or position of the Group and of the Company.

Standards and Amendments in issue but not yet effective

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

Effective immediately for annual periods beginning before 1 January 2023

Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9

Effective for annual periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 108	Disclosure of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 17	Initial Application of MFRS 9 and MFRS 17 – Comparative Information

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

Standards and Amendments in issue but not yet effective (continued)

Effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 16	Lease Liability in a Sale and Leaseback
Amendments to MFRS 101	Non-current Liabilities with Covenants

Effective date deferred to a date to be announced by MASB

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The directors anticipate that the abovementioned Standards and 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 Standards and Amendments will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

3. SIGNIFICANT 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 significant 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:

3. SIGNIFICANT 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.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Group's accounting policies.

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.

<u>Business combinations</u>

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation and Subsidiaries (continued)

Business combinations (continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Non-controlling interests in subsidiary are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Changes in Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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.

Translation of Foreign Currency Transactions

Transactions denominated in foreign currencies are translated and recorded at the rates of exchange prevailing at the respective dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the period (i.e. the closing rates). Non-monetary items carried at fair values that are denominated in foreign currencies are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items that are measured at their historical cost amounts continue to be translated at their respective historical rates and are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Translation of Foreign Currency Transactions (continued)

All exchange differences arising on settled transactions and on unsettled monetary items are recognised in profit or loss in the period in which they arise.

Functional and Presentation Currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to nearest thousand, unless otherwise stated.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

(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.

(iii) **Interest Income**

Interest income is recognised as it accrues using the effective interest method in profit or loss.

Employee Benefits

(i) **Short-Term Benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which employees of the Group and of the Company render the associated services. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) **Defined Contribution Plan**

The Group and the Company and their eligible employees are required by law to make monthly contributions to Employees Provident Fund ("EPF"), a statutory defined contribution plan, at certain prescribed rates based on the employees' salaries. The Group's and the Company's contributions to EPF are disclosed separately while the employees' contributions to EPF are included in staff costs. Once these contributions have been paid, the Group and the Company have no further payment obligations.

(iii) **Share-based payment transactions**

Certain employees of the Group and of the Company are entitled to a long term incentive plan established by Heineken N.V., ultimate holding corporation, that gives the right to Heineken N.V. shares. The grant date fair value is calculated by deducting expected foregone dividends from the grant date during the performance period share price. The costs of the share plans are adjusted for expected performance and forfeiture and spread evenly over the service period. The grant date fair value of the plan granted to these employees is recognised as an employee expense in profit or loss and a corresponding increase in amount due to ultimate holding corporation.

Any excess or shortfall in relation to the incentive plan provision is treated as a capital contribution or distribution respectively and would be recorded directly in equity.

(iv) **Termination Benefits**

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised in the cost of those assets until the assets are substantially ready for their intended use or sale. Subsequently, borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Leases

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment except for long term leasehold land which the estimated useful life is determined at 61 to 95 years. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The lease term is determined as the non-cancellable period of a lease, together with both:

(a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
(b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Group and the Company apply MFRS 136 to determine whether a right-of-use asset is impaired and account for any identified impairment loss as described in "Impairment of Non-Financial Assets" policy.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's and the Company's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM25,000 each when purchased new.

Impairment of Non-Financial Assets

The carrying amounts of property, plant and equipment and right-of-use asset are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in profit or loss.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (continued)

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.

Freehold land is not depreciated. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

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.

Intangible assets

Computer software that are acquired by the Group and the Company, which have finite useful lives, are stated at cost less accumulated amortisation and any accumulated impairment losses. Capital work-in-progress is measured at cost and is not amortised until the assets are ready for their intended use.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Computer software are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 5 years. Amortisation methods, useful life and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

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.

3. SIGNIFICANT 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (continued)

Amortisation cost and effective interest method (continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. 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.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (continued)

Impairment of financial assets (continued)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (continued)

Impairment of financial assets (continued)

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

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. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with MFRS 16 Leases.

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. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Liabilities and Equity Instruments (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.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Derivatives Instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Notes To The Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Liabilities and Equity Instruments (continued)

Derivatives Instruments (continued)

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

At each reporting date, the provisions are reviewed by the directors and adjusted to reflect the current best estimate. The provisions are reversed if it is no longer probable that the Group and the Company will be required to settle the obligation.

Restructuring

A restructuring provision is recognised when the Group and the Company have developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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.

Earnings per ordinary stock unit

The Group presents basic earnings per stock unit data for its ordinary shares. Basic earnings per ordinary stock unit is calculated by dividing the profit or loss for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

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.

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.

Depreciation of property, plant and equipment

The Group and the Company estimate the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimate due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

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.

Impairment losses of trade receivables

The Group recognises impairment loss for financial assets based on assumption about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables and impairment loss in the period in which such estimate has been changed.

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.

Notes To The Financial Statements

4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

(ii) Key sources of estimation uncertainty (continued)

Right-of-use assets and lease liabilities

Significant management judgement is required to determine the lease term and the incremental borrowing rate. Management assesses whether the Group and the Company are reasonably certain to exercise such options impacts the lease term, which as a result could affect the amount of lease liabilities recognised. The assumptions used in the determination of the incremental borrowing rate could impact the rate used in discounting future payments, which as a result could have an impact on the amount of lease liabilities recognised.

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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Interest income received from deposits placed with licensed banks	**1,192**	1,558	**1,155**	1,527
Interest income received from staff loans	**1**	1	**1**	1
Recognised in profit or loss	**1,193**	1,559	**1,156**	1,528

6. FINANCE COSTS

	Group		Company	
	2022	2021	2022	2021
	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	**2,589**	3,588	**2,589**	3,588
Lease liabilities	**328**	469	**155**	202
Recognised in profit or loss	**2,917**	4,057	**2,744**	3,790

Notes To The Financial Statements

7. PROFIT BEFORE TAX

Profit before tax is arrived at after the following:

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
After charging:				
Personnel expenses (including key management personnel):				
Wages, salaries and others	**107,598**	97,197	**35,695**	29,310
Contributions to state plans	**16,942**	14,018	**5,202**	4,295
Depreciation of property, plant and equipment (Note 10)	**69,899**	59,310	**58,168**	47,072
Amortisation of prepaid contractual promotion expenses	**3,209**	27,299	**-**	-
Amortisation of intangible assets (Note 11)	**4,675**	6,214	**4,543**	6,028
Inventories written down	**1,664**	5,486	**1,462**	960
Depreciation of right-of-use assets (Note 12)	**4,197**	5,182	**2,036**	2,252
Rental expense on buildings	**7,563**	4,545	**299**	96
Property, plant and equipment written off	**3,117**	1,700	**3,114**	1,698
Loss on disposal of right-of-use assets	**3**	-	**-**	-
Hire of equipment	**2,238**	1,229	**683**	579
Bad debts written off	**-**	953	**-**	-
Net unrealised loss on foreign exchange	**-**	729	**-**	764
Auditors' remuneration:				
Statutory audit	**214**	203	**136**	126
Other services	**40**	40	**40**	40
Intangible assets written off	**-**	15	**-**	15
Impairment loss on trade receivables [Note 28.4 (a)]	**509**	-	**-**	-
And after crediting:				
Dividend income from unquoted subsidiary	**-**	-	**398,832**	227,904
Net realised gain on foreign exchange	**2,402**	1,285	**2,245**	1,136
Reversal of provision for restructuring (Note 21)	**3,360**	-	**2,325**	-
Reversal of impairment loss on trade receivables [Note 28.4 (a)]	**-**	1,285	**-**	-
Gain on disposal of property, plant and equipment	**109**	818	**24**	605
Gain on disposal of right-of-use assets	**-**	8	**1**	8
Net unrealised gain on foreign exchange	**143**	-	**156**	-

Notes To The Financial Statements

8. INCOME TAX EXPENSE

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable:				
Current year	**178,566**	77,091	**395**	3,086
Overprovision in prior years	**(2,526)**	(949)	**(1,164)**	(884)
	176,040	76,142	**(769)**	2,202
Deferred tax (Note 14):				
Current year	**4,159**	(705)	**2,180**	158
Under/(Over)provision in prior years	**1,477**	312	**27**	9
	5,636	(393)	**2,207**	167
	181,676	75,749	**1,438**	2,369

The Finance Act 2021 gazetted on 31 December 2021 enacted the Prosperity Tax on companies that generate high income during the Year of Assessment 2022 i.e. chargeable income up to first RM100 million would be taxed at 24% and the remaining chargeable income would be taxed at an one-off rate of 33%. Accordingly, the computation of deferred tax assets and deferred tax liabilities had been adjusted to reflect such changes in 2021.

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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit before tax	**594,500**	321,427	**424,432**	240,528
Tax at statutory tax rate of 24% (2021: 24%)	**142,680**	77,142	**101,864**	57,727
Prosperity tax	**43,084**	-	**-**	-
Tax effects of:				
Effect of change in tax rate relating to Prosperity Tax	**-**	(1,619)	**-**	-
Expenses not deductible for tax purposes	**804**	863	**274**	214
Recognition of deferred tax arising from reinvestment allowances	**(3,843)**	-	**(3,843)**	-
(Over)/Underprovision in prior years:				
Current tax	**(2,526)**	(949)	**(1,164)**	(884)
Deferred tax	**1,477**	312	**27**	9
Tax exempt dividend	**-**	-	**(95,720)**	(54,697)
	181,676	75,749	**1,438**	2,369

9. EARNINGS PER ORDINARY STOCK UNIT

Basic earnings per ordinary stock unit

The calculation of basic earnings per ordinary stock unit at 31 December 2022 was based on the profit attributable to the holders of ordinary stock units of RM412,824,000 (2021: RM245,678,000) and the number of ordinary stock units outstanding of 302,098,000 (2021: 302,098,000).

	Group	
	2022	**2021**
Issued ordinary stock unit ('000)	**302,098**	302,098
Basic earnings per ordinary stock unit (sen)	**136.7**	81.3

There were no diluted earnings per ordinary stock unit for the Group as at 31 December 2022.

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 2021	4,037	104,046	439,000	309,558	30,471	887,112
Additions	-	67	1,054	24,670	81,714	107,505
Write offs	-	-	(1,982)	(6,521)	-	(8,503)
Disposals	-	-	-	(9,755)	-	(9,755)
Reclassifications	-	2,024	13,849	3,427	(19,300)	-
At 31 December 2021/1 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	**4,037**	**106,796**	**498,531**	**376,942**	**155,663**	**1,141,969**

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 2021	-	59,333	300,319	185,544	-	545,196
Charge for the year	-	4,867	17,747	36,696	-	59,310
Write offs	-	-	(1,982)	(4,821)	-	(6,803)
Disposals	-	-	-	(9,748)	-	(9,748)
At 31 December 2021/1 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	**-**	**67,828**	**331,206**	**237,626**	**-**	**636,660**
Carrying amounts						
At 31 December 2022	**4,037**	**38,968**	**167,325**	**139,316**	**155,663**	**505,309**
At 31 December 2021	4,037	41,937	135,837	113,708	92,885	388,404

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 2021	97,654	439,000	237,638	27,436	801,728
Additions	67	1,054	22,617	75,890	99,628
Write offs	-	(1,982)	(6,339)	-	(8,321)
Disposals	-	-	(7,249)	-	(7,249)
Reclassifications	5	13,849	-	(13,854)	-
At 31 December 2021/1 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	**98,385**	**498,531**	**283,885**	**155,149**	**1,035,950**

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Buildings	Plant and machinery	Movable plant	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated Depreciation					
At 1 January 2021	53,333	300,319	138,449	-	492,101
Charge for the year	4,199	17,747	25,126	-	47,072
Write offs	-	(1,982)	(4,641)	-	(6,623)
Disposals	-	-	(7,247)	-	(7,247)
At 31 December 2021/1 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	**60,542**	**331,206**	**171,408**	**-**	**563,156**
Carrying amounts					
At 31 December 2022	**37,843**	**167,325**	**112,477**	**155,149**	**472,794**
At 31 December 2021	40,194	135,837	94,980	89,472	360,483

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Cash payments	**170,481**	98,819	**154,144**	90,942
Other payables	**19,450**	8,686	**19,450**	8,686
Total additions	**189,931**	107,505	**173,594**	99,628

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 2021	87,503	4,255	91,758
Additions	124	5,236	5,360
Write off	(58)	-	(58)
Reclassifications	4,652	(4,652)	-
At 31 December 2021/1 January 2022	**92,221**	**4,839**	**97,060**
Additions	**2,989**	**6,559**	**9,548**
Reclassifications	**5,468**	**(5,468)**	**-**
At 31 December 2022	**100,678**	**5,930**	**106,608**
Amortisation			
At 1 January 2021	75,232	-	75,232
Amortisation for the year	6,214	-	6,214
Write off	(43)	-	(43)
At 31 December 2021/1 January 2022	**81,403**	**-**	**81,403**
Amortisation for the year	**4,675**	**-**	**4,675**
At 31 December 2022	**86,078**	**-**	**86,078**
Carrying Amounts			
At 31 December 2022	**14,600**	**5,930**	**20,530**
At 31 December 2021	10,818	4,839	15,657

Company	Computer software RM'000	Capital work-in-progress RM'000	Total RM'000
Cost			
At 1 January 2021	87,277	4,256	91,533
Additions	-	5,236	5,236
Write off	(58)	-	(58)
Reclassifications	4,652	(4,652)	-
At 31 December 2021/1 January 2022	**91,871**	**4,840**	**96,711**
Additions	**94**	**6,559**	**6,653**
Reclassifications	**5,468**	**(5,468)**	**-**
At 31 December 2022	**97,433**	**5,931**	**103,364**

11. INTANGIBLE ASSETS (CONTINUED)

Company	Computer software RM'000	Capital work-in-progress RM'000	Total RM'000
Amortisation			
At 1 January 2021	75,184	-	75,184
Amortisation for the year	6,028	-	6,028
Write off	(43)	-	(43)
At 31 December 2021/1 January 2022	**81,169**	**-**	**81,169**
Amortisation for the year	**4,543**	**-**	**4,543**
At 31 December 2022	**85,712**	**-**	**85,712**
Carrying amounts			
At 31 December 2022	**11,721**	**5,931**	**17,652**
At 31 December 2021	10,702	4,840	15,542

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 2021	11,426	4,520	13,851	29,797
Additions	-	1,324	839	2,163
Disposals	-	(599)	(3,017)	(3,616)
At 31 December 2021/1 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	**11,426**	**5,529**	**10,451**	**27,406**
Accumulated Depreciation				
At 1 January 2021	510	3,013	4,377	7,900
Depreciation for the year	255	1,591	3,336	5,182
Disposals	-	(440)	(3,017)	(3,457)

12. RIGHT-OF-USE ASSETS (CONTINUED)

Group	Long term leasehold land RM'000	Building RM'000	Motor vehicles RM'000	Total RM'000
At 31 December 2021/1 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	**1,020**	**4,899**	**5,396**	**11,315**
Carrying Amounts				
At 31 December 2022	**10,406**	**630**	**5,055**	**16,091**
At 31 December 2021	10,661	1,081	6,977	18,719

Company	Long term leasehold land RM'000	Building RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2021	11,426	1,893	5,350	18,669
Additions	-	529	515	1,044
Disposals	-	(599)	(981)	(1,580)
At 31 December 2021/ 1 January 2022	**11,426**	**1,823**	**4,884**	**18,133**
Additions	**-**	**356**	**737**	**1,093**
Disposals	**-**	**-**	**(624)**	**(624)**
At 31 December 2022	**11,426**	**2,179**	**4,997**	**18,602**
Accumulated Depreciation				
At 1 January 2021	510	1,257	1,298	3,065
Depreciation for the year	255	655	1,342	2,252
Disposals	-	(440)	(982)	(1,422)
At 31 December 2021/1 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	**1,020**	**2,029**	**2,422**	**5,471**
Carrying Amounts				
At 31 December 2022	**10,406**	**150**	**2,575**	**13,131**
At 31 December 2021	10,661	351	3,226	14,238

13. INVESTMENT IN SUBSIDIARIES

	Company 2022 RM'000	Company 2021 RM'000
Unquoted shares, at cost	**14,344**	14,344

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Proportion of ownership interest and voting power 2022 %	2021 %	Principal activities
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 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Deferred tax assets	**2,147**	5,782	**-**	-
Deferred tax liabilities	**(34,208)**	(32,207)	**(35,502)**	(33,295)
	(32,061)	(26,425)	**(35,502)**	(33,295)

As mentioned in Note 8, the Finance Act 2021 gazetted on 31 December 2021 enacted the special one-time "Prosperity Tax" at the rate of 33% on companies with chargeable income exceeding RM100 million for Year of Assessment 2022. Accordingly, the computation of deferred tax assets and deferred tax liabilities had been adjusted to reflect such changes in 2021.

Notes To The Financial Statements

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Assets				
Property, plant and equipment	**-**	679	**-**	-
Inventories	**2,994**	3,504	**786**	508
Receivables, deposits and prepaid expenses	**490**	368	**-**	-
Trade and other payables	**4,371**	2,957	**3,561**	1,019
Unused reinvestment allowances	**3,568**	-	**3,568**	-
Lease liabilities	**1,420**	2,100	**673**	872
Tax assets	**12,843**	9,608	**8,588**	2,399
Set off of tax	**(10,696)**	(3,826)	**(8,588)**	(2,399)
	2,147	5,782	**-**	-
Liabilities				
Property, plant and equipment	**(43,540)**	(34,835)	**(43,436)**	(34,835)
Right-of-use assets	**(1,364)**	(1,198)	**(654)**	(859)
Tax liabilities	**(44,904)**	(36,033)	**(44,090)**	(35,694)
Set off of tax	**10,696**	3,826	**8,588**	2,399
	(34,208)	(32,207)	**(35,502)**	(33,295)
Net				
Property, plant and equipment	**(43,540)**	(34,156)	**(43,436)**	(34,835)
Inventories	**2,994**	3,504	**786**	508
Receivables, deposits and prepaid expenses	**490**	368	**-**	-
Trade and other payables	**4,371**	2,957	**3,561**	1,019
Unused reinvestment allowances	**3,568**	-	**3,568**	-
Right-of-use assets and lease liabilities	**56**	902	**19**	13
Tax liabilities	**(32,061)**	(26,425)	**(35,502)**	(33,295)

Notes To The Financial Statements

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

Movement in temporary differences during the year:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
At beginning of year	(26,425)	(26,818)	(33,295)	(33,128)
Recognised in profit or loss (Note 8):				
Property, plant and equipment	(9,384)	436	(8,601)	(99)
Inventories	(510)	608	278	(185)
Receivables, deposits and prepaid expenses	122	(308)	-	-
Trade and other payables	1,414	(1,190)	2,542	122
Unused reinvestment allowances	3,568	-	3,568	-
Right-of-use assets and lease liabilities	(846)	847	6	(5)
	(5,636)	393	(2,207)	(167)
At end of year	(32,061)	(26,425)	(35,502)	(33,295)

15. RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Non-current				
Other receivables	56	98	11	32
Prepaid expenses	833	1,448	-	-
	889	1,546	11	32
Current				
Trade				
Trade receivables	583,836	403,523	-	-
Less: Impairment losses [Note 28.4(a)]	(2,041)	(1,532)	-	-
	581,795	401,991	-	-
Amount due from a subsidiary	-	-	149,847	56,112
	581,795	401,991	149,847	56,112

15. RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONTINUED)

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Non-trade				
Amount due from intermediate holding corporation	**2**	4	**-**	-
Amount due from related parties	**1,934**	765	**681**	355
Amount due from a subsidiary	**-**	-	**4,043**	4,043
Deposits	**4,630**	4,451	**2,865**	2,817
Other receivables	**6,891**	1,913	**6,333**	545
Prepaid expenses	**6,783**	6,129	**2,242**	414
	20,240	13,262	**16,164**	8,174
	602,035	415,253	**166,011**	64,286

(a) **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.

(b) **Other receivables**

Included in other receivables are staff loans of the Group and of the Company amounting to RM98,000 (2021: RM257,000) and RM32,000 (2021: RM123,000) respectively of which RM56,000 (2021: RM98,000) and RM11,000 (2021: RM32,000) are repayable after the next 12 months for the Group and the Company respectively.

(c) **Prepaid expenses**

Included in prepayments of the Group are upfront payments for contracts with on-trade retailers of RM5,319,138 (2021: RM7,163,089) of which RM833,245 (2021: RM1,448,063) 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.

Notes To The Financial Statements

16. INVENTORIES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Raw materials	**43,027**	21,016	**43,027**	21,016
Work-in-progress	**9,192**	7,817	**9,192**	7,817
Finished goods	**113,741**	104,016	**7,531**	9,205
Packaging materials	**12,450**	10,083	**12,450**	10,083
Engineering stores and spaces	**12,274**	8,246	**8,426**	6,210
	190,684	151,178	**80,626**	54,331
Recognised in profit or loss:				
Inventories recognised as cost of sales	**1,646,083**	1,218,405	**1,497,863**	1,066,648

The Group and the Company have written down inventories by RM1,664,000 (2021: RM5,486,000) and RM1,462,000 (2021: RM960,000) respectively to net realisable value.

17. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2022	2021	2022	2021
	('000)	('000)	RM'000	RM'000
Issued and fully paid				
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.

18. BORROWINGS

	Group and Company	
	2022	2021
	RM'000	RM'000
Current		
Revolving credit and trade financing (unsecured)	**170,000**	160,131

18. BORROWINGS (CONTINUED)

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

Revolving credit and trade financing as at 31 December 2021 consist of the following:

	Tenure (weeks)	Interest rate (per annum)	Maturity date	Nominal value (RM'000)
Revolving credit	9	2.05%	24 January 2022	30,000
Trade financing	6	2.08%	19 January 2022	20,000
Trade financing	4	2.08%	20 January 2022	60,000
Trade financing	8	0.30%	14 January 2022	50,000

The principal and interest are repayable in full upon maturity.

19. LEASE LIABILITIES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current	**3,092**	5,015	**1,536**	2,322
Current	**2,857**	3,283	**1,302**	1,346
	5,949	8,298	**2,838**	3,668
Minimum lease payments:				
Not later than 1 year	**3,058**	3,586	**1,397**	1,483
Later than 1 year but not later than 5 years	**3,195**	5,294	**1,590**	2,456
	6,253	8,880	**2,987**	3,939
Less: Unexpired finance charges	**(304)**	(582)	**(149)**	(271)
	5,949	8,298	**2,838**	3,668
Present value of lease liabilities:				
Not later than 1 year	**2,857**	3,283	**1,302**	1,346
Later than 1 year but not later than 5 years	**3,092**	5,015	**1,536**	2,322
	5,949	8,298	**2,838**	3,668

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% - 5.72% (2021: 3.31% - 5.72%).

During the year, the Group and the Company recognised RM9,801,446 (2021: RM5,773,818) and RM981,950 (2021: RM675,339) 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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Trade				
Amount due to intermediate holding corporation	**11,392**	11,620	**686**	2,278
Amount due to related parties	**14,387**	10,297	**10,426**	7,541
Trade payables	**210,247**	137,672	**102,027**	72,691
	236,026	159,589	**113,139**	82,510
Non-trade				
Amount due to intermediate holding corporation	**87**	520	**87**	520
Amount due to related parties	**8,027**	3,047	**7,820**	3,047
Amount due to a subsidiary	**-**	-	**100**	100
Returnable packaging deposits	**35,580**	31,187	**-**	-
Other payables	**117,625**	45,783	**112,680**	41,494
Derivative financial liabilities	**4**	243	**-**	234
Accrued expenses	**296,038**	237,682	**41,925**	39,152
	457,361	318,462	**162,612**	84,547
	693,387	478,051	**275,751**	167,057

(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 (2021: 90 to 150 days).

(c) **Accrued expenses**

Included in accrued expenses of the Group are accruals for promotional expenses of RM220,085,000 (2021: RM175,017,000).

Notes To The Financial Statements

20. TRADE AND OTHER PAYABLES (CONTINUED)

(d) Derivative financial liabilities

The Group's and Company's derivatives comprise solely foreign exchange forward contracts incepted to hedge its currency exposures arising from short term borrowings in United States Dollar ("USD"). Foreign exchange forward contracts are entered into with licensed banks. The foreign exchange forward contracts generally have a maturity period between 1 to 2 months.

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Fair value of remeasured foreign forward exchange contracts	**4**	243	**-**	234

21. PROVISION FOR RESTRUCTURING

On 28 October 2020, Heineken N.V., 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 2022.

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
At beginning of year	**3,648**	13,590	**2,613**	3,308
Reversal of provision	**(3,360)**	-	**(2,325)**	-
Utilisation of provision	**-**	(9,942)	**-**	(695)
At end of year	**288**	3,648	**288**	2,613

22. DIVIDENDS

Dividends recognised by the Group and the Company are:

	Sen per stock unit	Total amount RM'000	Date of payment
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		**320,224**	
31 December 2021			
Interim 2021 ordinary	15.0	45,315	18 November 2021
First and final 2020 ordinary	51.0	154,070	28 July 2021
Total amount		199,385	

The Directors now recommend the declaration of 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 which, if approved by the owners of the Company, will be payable on 20 July 2023.

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors:				
Fees	**596**	601	**590**	595
Remuneration	**4,854**	2,360	**4,854**	2,360
Share-based payment	**660**	621	**660**	621
Meeting attendance allowance	**48**	55	**48**	55
Estimated monetary value of benefits-in-kind otherwise than in cash	**569**	587	**569**	587
	6,727	4,224	**6,721**	4,218
Other key management personnel:				
Short term employee benefits	**9,113**	7,315	**5,779**	4,710
Share-based payment	**592**	537	**350**	334
	16,432	12,076	**12,850**	9,262

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.

Notes To The Financial Statements

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. 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.

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	
	2022	**2021**
	RM'000	**RM'000**
Total additions to property, plant and equipment, right-of-use assets and intangible assets	**201,338**	115,028
Segment profit		
Included in the measure of segment profits are:		
Revenue from external customers	**2,855,065**	1,979,348
Depreciation and amortisation	**(78,771)**	(70,706)
Not included in the measure of segment profit but provided to the Managing Director of the Company:		
Net finance costs	**(1,724)**	(2,498)

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

	Group	
	2022	**2021**
	RM'000	**RM'000**
Net finance costs		
Finance income	**1,193**	1,559
Finance costs	**(2,917)**	(4,057)
Consolidated net finance costs	**(1,724)**	(2,498)

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

Notes To The Financial Statements

25. CAPITAL COMMITMENTS

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Capital expenditure commitments				
Property, plant and equipment:				
Authorised and contracted for within one year	**29,420**	9,011	**28,806**	8,501

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 trial for the first suit was fixed on 27 until 31 March 2023 but was subsequently vacated until further direction from the court. Trial for the second suit has been fixed 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.

Notes To The Financial Statements

27. RELATED PARTIES (CONTINUED)

Identity of related parties (continued)

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.

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Intermediate holding corporation				
Heineken Asia Pacific Pte. Ltd.				
Royalties paid and payable	**(41,033)**	(27,944)	**-**	-
Subsidiary				
Heineken Marketing Malaysia Sdn. Bhd.				
Dividend income	**-**	-	**398,832**	227,904
Sale of products	**-**	-	**1,685,611**	1,203,511
Management service fee received and receivable	**-**	-	**54,469**	41,800
Related corporations				
Related corporations of Heineken N.V.				
Purchase of goods	**(28,191)**	(14,269)	**(28,191)**	(14,269)
Royalties paid and payable	**(12,263)**	(6,956)	**-**	-
Marketing and technical fees paid and payable	**(39,642)**	(26,291)	**(36,643)**	(24,645)

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.

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

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.

28.2 Categories of Financial Instruments

Group	2022 RM'000	2021 RM'000
Financial assets		
At amortised cost:		
Receivables and deposits	**595,308**	409,222
Cash and bank balances	**52,554**	76,479
Financial liabilities		
At fair value:		
Trade and other payables - derivative financial liabilities	**4**	243
At amortised cost:		
Trade and other payables - others	**693,383**	477,808
Provision for restructuring	**288**	3,648
Borrowings	**170,000**	160,131
Lease liabilities	**5,949**	8,298
Company		
Financial assets		
At amortised cost:		
Receivables and deposits	**163,780**	63,904
Cash and bank balances	**49,147**	72,787
Financial liabilities		
At fair value:		
Trade and other payables - derivative financial liabilities	**-**	234
At amortised cost:		
Trade and other payables - others	**275,751**	166,823
Provision for restructuring	**288**	2,613
Borrowings	**170,000**	160,131
Lease liabilities	**2,838**	3,668

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

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

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.

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 (2021: 3) main customers, representing approximately 44% (2021: 38%) of the Group's trade receivables.

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 2022 RM'000	Group Carrying amounts 2021 RM'000
Type of collateral		
Bank guarantees	**63,770**	61,970
Properties charged	**51,067**	51,067
Quoted shares pledged	**1,554**	1,554
	116,391	114,591

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:

		Trade receivables - days past due			
2022	**Not past due**	**1 - 30 days**	**31 - 180 days**	**More than 180 days**	**Total**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**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)**
					581,795

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.4 Credit Risk (continued)

(a) **Receivables (continued)**

Impairment losses (continued)

	Trade receivables - days past due				
2021	**Not past due**	**1 - 30 days**	**31 - 180 days**	**More than 180 days**	**Total**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Expected credit loss rate	0%	0%	0%	100%	
Estimated total gross carrying amount at default	395,752	4,694	1,545	1,532	403,523
Lifetime ECL	-	-	-	(1,532)	(1,532)
					401,991

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

	Group 2022 RM'000	Group 2021 RM'000
At beginning of year	**1,532**	2,817
Impairment loss recognised (Note 7)	**509**	-
Reversal of impairment loss (Note 7)	**-**	(1,285)
At end of year	**2,041**	1,532

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 subsidiary, 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.

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 (d).

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:

	Denominated in			
Group	**USD**	**SGD**	**EURO**	**GBP**
	RM'000	**RM'000**	**RM'000**	**RM'000**
2022				
Trade payables	(3,055)	(7,986)	(17,842)	-
2021				
Other receivables	-	-	-	581
Trade payables	(2,175)	(9,183)	(15,887)	-
Borrowings	(50,131)	-	-	-
Gross exposure	(52,306)	(9,183)	(15,887)	581
Less: Borrowing hedged using forward contracts	50,149	-	-	-
Net exposure	(2,157)	(9,183)	(15,887)	581

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.

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.5 Market Risk (continued)

(b) **Interest rate risk (continued)**

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.

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	
	2022	**2021**
	RM'000	**RM'000**
Fixed rate instruments		
Borrowings	**170,000**	160,131

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.

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.6 Liquidity risk (continued)

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 rate	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**
As at 31 December 2021						
Borrowings						
- Revolving credit and trade financing	160,131	0.30% to 2.08%	160,407	160,407	-	-
Trade and other payables	478,051	-	478,051	478,051	-	-
Provision for restructuring	3,648	-	3,648	3,648	-	-
Lease liabilities	8,298	3.31% to 5.72%	8,880	3,586	2,366	2,928
	650,128		650,986	645,692	2,366	2,928

Company	Carrying amount RM'000	Contractual interest rate	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	**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**

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)

Company	Carrying amount RM'000	Contractual interest rate	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 2021						
Borrowings						
- Revolving credit and trade financing	160,131	0.30% to 2.08%	160,407	160,407	-	-
Trade and other payables	167,057	-	167,057	167,057	-	-
Provision for restructuring	2,613	-	2,613	2,613	-	-
Lease liabilities	3,668	3.31% to 5.72%	3,939	1,483	1,066	1,390
	333,469		334,016	331,560	1,066	1,390

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:

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

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

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: (continued)

Company	Note	As at 1.1.2022 RM'000	Non-cash changes Addition RM'000	Cash Flows: Drawdown RM'000	Cash Flows: Repayment RM'000	As at 31.12.2022 RM'000
Borrowings	18	**160,131**	**-**	**1,040,000**	**(1,030,131)**	**170,000**
Lease liabilities	19	**3,668**	**927**	**-**	**(1,757)**	**2,838**

	Note	As at 1.1.2021 RM'000	Non-cash changes Addition RM'000	Cash Flows: Drawdown RM'000	Cash Flows: Repayment RM'000	As at 31.12.2021 RM'000
Group						
Borrowings	18	249,208	131	1,793,000	(1,882,208)	160,131
Lease liabilities	19	11,208	1,996	-	(4,906)	8,298
Company						
Borrowings	18	249,208	131	1,793,000	(1,882,208)	160,131
Lease liabilities	19	4,763	966	-	(2,061)	3,668

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 2022 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
24 February 2023

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 24th day of February 2023.

Before me,

PESURUHJAYA SUMPAH MALAYSIA
GUNALAN
No. B459
1.1.2022 - 31.12.2024
NO. 13 (TINGKAT 1), JALAN 52/10, PJ NEW TOWN, 46200 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 2022 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	56	46,536	30 September 1984*
120, Air Keroh Industrial Estate 75450 Melaka	1.07	Office building & store	Leasehold expiring 13 January 2080	40	242	30 September 1984*
Lot 123, Semambu Industrial Site 25350 Kuantan Pahang	0.52	Office building & store	Leasehold expiring 5 March 2046	40	174	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
					50,989	

* 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 2022.

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 2022 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 2022.

Analysis Of Stockholdings

As of 10 March 2023

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	1,049	8.70	7,349	0.00
100 – 1,000	5,789	48.01	3,486,811	1.16
1,001 – 10,000	4,075	33.80	15,462,811	5.12
10,001 – 100,000	971	8.05	27,865,504	9.22
100,001 – 15,104,899	173	1.43	101,205,625	33.50
15,104,900 and above	1	0.01	154,069,900	51.00
TOTAL	**12,058**	**100.00**	**302,098,000**	**100.00**

SUBSTANTIAL STOCKHOLDERS AS PER REGISTER OF SUBSTANTIAL STOCKHOLDERS

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

DIRECTORS' INTEREST

According to the Register of Directors' Shareholdings, save for the following Director, none of the other Directors (including the spouses or children of the Directors who themselves are not Directors of the Company) holding office as of 10 March 2023 had any interest in the ordinary stock units of the Company or its related corporations:

Name	Direct		Indirect	
	No. of Stock Units	%	No. of Stock Units	%
Datin Ngiam Pick Ngoh, Linda	6,700	negligible	-	-

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)	7,315,280	2.42
3. HSBC Nominees (Asing) Sdn Bhd - JPMSE Lux for Stichting Depositary APG Emerging Markets Equity Pool	6,225,200	2.06
4. Cartaban Nominees (Asing) Sdn Bhd - The Bank of New York Mellon for Virtus KAR International Small-Mid Cap Fund	4,210,900	1.39
5. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Hong Leong Value Fund	3,882,600	1.29
6. UOB Kay Hian Nominees (Asing) Sdn Bhd - Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	3,879,439	1.28

Analysis Of Stockholdings

As of 10 March 2023

30 LARGEST STOCKHOLDERS AS PER RECORD OF DEPOSITORS (CONTINUED)

Name	No. of Stock Units	%
7. Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd	2,318,100	0.77
8. Tai Tak Estates Sdn Bhd	2,156,000	0.71
9. Key Development Sdn Berhad	2,037,000	0.67
10. ChinChoo Investment Sdn Berhad	1,865,000	0.62
11. CIMB Group Nominees (Asing) Sdn Bhd - Exempt AN for DBS Bank Ltd (SFS)	1,839,800	0.61
12. Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	1,717,600	0.57
13. Ho Han Seng	1,600,000	0.53
14. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund KG33 for Invesco EQV Asia Pacific Equity Fund	1,532,400	0.51
15. Cartaban Nominees (Asing) Sdn Bhd - BBH (Lux) SCA for Fidelity Funds Asean	1,403,500	0.46
16. Kam Loong Mining Sdn Bhd	1,320,000	0.44
17. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Hong Leong Balanced Fund	1,300,000	0.43
18. Gan Teng Siew Realty Sdn Berhad	1,277,000	0.42
19. Cartaban Nominees (Asing) Sdn Bhd - The Bank of New York Mellon for Virtus KAR Emerging Markets Small-CAP Fund	1,234,600	0.41
20. Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	1,191,000	0.39
21. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund DU5J for Caisse De Depot ET Placement DU Quebec	1,166,800	0.39
22. HLB Nominees (Asing) Sdn Bhd - Tan Eng Chin Holdings (Pte.) Limited (CUST.SIN 40555)	1,150,000	0.38
23. Hong Leong Assurance Berhad - As Beneficial Owner (Life PAR)	1,141,400	0.38
24. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West CLT OD67)	1,126,600	0.37
25. Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (PAR 1 ACB Fund)	1,105,600	0.37
26. Citigroup Nominees (Asing) Sdn Bhd - UBS AG	1,096,265	0.36
27. HSBC Nominees (Asing) Sdn Bhd - JPMSE Lux for JPMorgan Funds	1,068,300	0.35
28. Cartaban Nominees (Asing) Sdn Bhd - The Bank of New York Mellon for Florida Retirement System	1,017,800	0.34
29. Cartaban Nominees (Tempatan) Sdn Bhd - Prudential Assurance Malaysia Berhad for Prulink Strategic Fund	991,400	0.33
30. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund KG67 for Invesco EQV International Small Company Fund	982,600	0.33
TOTAL	**213,222,084**	**70.58**

LimnoTech
Water | Scientists
Environment | Engineers

501 Avis Drive
Ann Arbor, MI 48108
734.332.1200
www.limno.com

Statement of Confirmation of 2022 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 2022 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 (23)	52,440
Peatland Reforestation (2 hectares)	85,000
Clay Dyke Implementation	1,361,020
TOTAL	**5,388,460**

The 2022 water balancing target for HEINEKEN Malaysia is 2,648,943 HL. Therefore, the 2022 water balance achievement is **203%** of the target**.**

Sincerely,
LimnoTech

Pranesh Selvendiran
Sr. Project Engineer

March 21, 2023

STATEMENT OF EXTERNAL ASSURANCE

Relating to HEINEKEN Malaysia's ESG Review Section in the Company's Annual Report 2022

RAPID GENESIS

Terms of Engagement

The engagement of Rapid Genesis Sdn. Bhd. as commissioned by Heineken Malaysia Berhad is to provide an independent, limited assurance on the following Selected Information from their Sustainability Statement 2022:

- Scope 1 emissions from natural gas
- Scope 2 emissions from purchased electricity
- Water consumption
- Energy consumption
- Thermal energy
- Biogas generation and consumption
- Green refrigerator
- Waste circularity
- Water balancing

The Selected Information was found within Heineken Malaysia Berhad's 2022 Sustainability Statement . We have not performed any modification, work, conclusion or any other information to be included in the Sustainability Statement for the current year or for the previous periods unless stated otherwise.

Scope

The scope of work engaged covers the verification and validation of Selected Information where GHG emissions are included within the following boundary:

- Organisational boundary : Heineken Malaysia Bhd and Heineken Marketing Malaysia Sdn. Bhd.
- Control approach : Operational Control and Financial Control
- Period: 1 January 2022 to 31 December 2022

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)
- Global Reporting Initiative Standards

Management Responsibility

HEINEKEN Malaysia's management is responsible for:

- Designing, implementing and maintaining internal management system relevant to the preparation and fair presentation of the Selected Information that is free from material mistreatment, whether due to fraud of error;
- Selecting and/or developing objectives in accordance with the Reporting Criteria;
- Measuring and reporting the Selected Information in accordance with the Reporting Criteria; and
- The content and statement contained within the Report and the Reporting Criteria

STATEMENT OF EXTERNAL ASSURANCE

Relating to HEINEKEN Malaysia's ESG Review Section in the Company's Annual Report 2022

RAPID GENESIS

Our Responsibility

Our responsibility is to express an opinion on whether the Selected Information has been prepared in accordance with the Reporting Criteria. We at our level best comply with professional requirements to plan and perform the verification to obtain a limited assurance conclusion based on the work undertaken and evidence provided.

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 2022 Annual Report data reporting
- Sampling of operational records to confirm traceability and accuracy of source data
- Re-calculation of GHG emissions
- Re-calculation of water consumption
- Analytical procedures between production and energy consumption
- Examination of recycling and waste activities
- Review of 4 sets of water balancing reports
- Review of water project details

Our conclusion

Based on our examination of the data, inventory and evidence provided by Heineken Malaysia, it is believed that these assumptions provide a reasonable basis for the forecast. In our opinion, the forecast is properly prepared on the basis of the assumptions and in accordance with the stated Reporting Criteria.

3RD APRIL 2023

RAPID GENESIS SDN BHD
TANG KOK MUN
PROJECT LEAD

GRI Content Index

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

GRI Standards	Disclosures		Reference
General Disclosures			
GRI 2: General Disclosures 2021	2-1	Organisational details	3, 36
	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, 174
	2-6	Activities, value chain and other business relationships	3, 14-15, 26-34
	2-9	Governance structure and composition	41
	2-10	Nomination and selection of the highest governance body	91
	2-11	Chair of the highest governance body	90-91
	2-12	Role of the highest governance body in overseeing the management of topics	42, 90
	2-13	Delegation of responsibility for managing impacts	42, 90
	2-14	Role of highest governance body in sustainability reporting	42
	2-15	Conflicts of interest	89-101, 170
	2-16	Communication of critical concerns	89, 106
	2-17	Collective knowledge of the highest governance body	76
	2-18	Evaluation of the performance of the highest governance body	92
	2-19	Remuneration policies	93-94
	2-20	Process to determine remuneration	93-94
	2-22	Statement on sustainable development strategy	4-6
	2-28	Membership associations	44
	2-29	Approach to stakeholder engagement	43-44
Material Topics			
GRI 3: Material Topics 2021	3-1	Process to determine material topics	45
	3-2	List of material topics	46
Economic Performance			
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	16
	201-3	Defined benefit plan obligations and other retirement plans	127
Ethical Business Conduct			
GRI 2: General Disclosures 2021	2-23	Policy commitments	49-50
	2-24	Embedding policy commitments	49-51
	2-25	Processes to remediate negative impacts	50-51
	2-26	Mechanisms for seeking advice and raising concerns	50-51
GRI 3: Material Topics 2021	3-3	Management of material topics	49-51
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	50
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	50

GRI Content Index

GRI Standards	Disclosures		Reference
Regulatory Compliance			
GRI 3: Material Topics 2021	3-3	Management of material topics	51
Risk Management			
GRI 3: Material Topics 2021	3-3	Management of material topics	53-55
Data Privacy and Cybersecurity			
GRI 3: Material Topics 2021	3-3	Management of material topics	55
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	55
Climate Resilience & Energy Efficiency			
GRI 3: Material Topics 2021	3-3	Management of material topics	54-58
GRI 201: Economic Performance 2016	201-2	Financial implications and other risks and opportunities due to climate change	66, 98
GRI 302: Energy 2016	302-1	Energy consumption within the organization	57-58
	302-3	Energy intensity	57
	302-4	Reduction of energy consumption	57
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	56
	305-2	Energy indirect (Scope 2) GHG emissions	56
	305-4	GHG emissions intensity	55-56
	305-5	Reduction of GHG emissions	55-56
Waste and Effluent Management			
GRI 3: Material Topics 2021	3-3	Management of material topics	58-59, 61
GRI 306: Waste 2020	306-2	Management of significant waste-related impacts	58
	306-3	Waste generated	59
	306-4	Waste diverted from disposal	59
Water Stewardship			
GRI 3: Material Topics 2021	3-3	Management of material topics	59-64
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	63-64
	203-2	Significant indirect economic impacts	64-65
GRI 303: Water and Effluents 2018	303-2	Management of water discharge-related impacts	61
	303-4	Water discharge	61
	303-5	Water consumption	60-61
Resource Use			
GRI 3: Material Topics 2021	3-3	Management of material topics	58-59
GRI 301: Materials 2016	301-3	Reclaimed products and their packaging materials	59
Diversity			
GRI 2: General Disclosures	2-7	Employees	74
GRI 3: Material Topics 2021	3-3	Management of material topics	70-72
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	71
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	72

GRI Content Index

GRI Standards	Disclosures		Reference
Employee Health, Safety & Wellbeing			
GRI 3: Material Topics 2021	3-3	Management of material topics	72-73
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	72
	403-2	Hazard identification, risk assessment, and incident investigation	52
	403-3	Occupational health services	73
	403-4	Worker participation, consultation and communication on occupational health and safety	73
	403-5	Worker training on occupational health and safety	73
	403-9	Work-related injuries	73
Human Rights & Labour Standards			
GRI 3: Material Topics 2021	3-3	Management of material topics	74-75
GRI 2: General Disclosures 2021	2-27	Compliance with laws and regulations	75
	2-30	Collective bargaining agreements	75
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	74
Supply Chain Management			
GRI 3: Material Topics 2021	3-3	Management of material topics	75
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	75
Human Capital Development			
GRI 3: Material Topics 2021	3-3	Management of material topics	75-76
GRI 404: Training and Education 2016	404-2	Programs for upgrading employee skills and transition assistance programs	76
Community Investment & Development			
GRI 3: Material Topics 2021	3-3	Management of material topics	77-79
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments and development programmes	77
Product Safety, Quality & Hygiene			
GRI 3: Material Topics 2021	3-3	Management of material topics	80
Responsible Marketing & Consumption			
GRI 3: Material Topics 2021	3-3	Management of material topics	80-83
GRI 417: Marketing and Labelling 2016	417-2	Incidents of non-compliance concerning product and service information and labelling	80
	417-3	Incidents of non-compliance concerning marketing communications	80

Group Directory

CORPORATE OFFICE
Heineken Malaysia Berhad
Sungei Way Brewery, Lot 1135
Batu 9, Jalan Klang Lama
46000 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : +603 7861 4688
Fax : +603 7861 4567

REGIONAL SALES OFFICES
Heineken Marketing Malaysia Sdn Bhd

BUTTERWORTH
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Butterworth, Malaysia
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IPOH
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Perak, Malaysia
Tel : +603 7861 4688

KUANTAN
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Kawasan Perindustrian Semambu,
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Pahang, Malaysia
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MENTAKAB
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Taman Perindustrian Temerloh,
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Pahang, Malaysia
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KLANG VALLEY
Sungei Way Brewery, Lot 1135
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46000 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 1800-88-6633 / +603 7861 4688
Fax : +603 7861 4567

MALACCA
No. 120, Jalan Usaha 10
Ayer Keroh Industrial Estate
75450 Malacca, Malaysia
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JOHOR BAHRU
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Off Jalan Tampoi
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Tel : +603 7861 4688

KUCHING
No.14, Lorong Evergreen 2A,
RH Park Commercial, Batu 9½
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93250 Kuching
Sarawak, Malaysia
Tel : +603 7861 4688

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Lorong Then Kung Suk 4
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Sarawak, Malaysia
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BINTULU
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Kidurong Light Industrial Estate,
97000 Bintulu,
Sarawak,
Malaysia.
Tel : +608 634 8819

MIRI
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Eastwood Valley
Industrial Park Phase 1
98000 Miri
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Tel : +608 541 1898
Fax : +608 541 1897

KOTA KINABALU
Building No. 19B, Lot 21
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Sabah, Malaysia
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TAWAU
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Jalan Apas,
91000 Tawau
Sabah, Malaysia
Tel : +608 9912 066

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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

Datin Ngiam Pick Ngoh, Linda
Independent
Non-Executive Director

Seng Yi-Ying
Non-Independent
Non-Executive Director

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

Raquel Batallones Esguerra
Non-Independent
Non-Executive Director

COMPANY SECRETARY

Ng Sow Hoong
MAICSA 7027552
SSM PC No. 202008000593
Tel : +603 7861 4571
Email : rachel.ng@heineken.com

REGISTERED OFFICE

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Fax : +603 7861 4567
Email : my1-generalenquiry@heineken.com
Website : www.heinekenmalaysia.com

SHARE REGISTRAR

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Tel : +603 2783 9299
Fax : +603 2783 9222
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AUDITORS

Deloitte PLT (AF0080)
Chartered Accountants
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur, Malaysia
Tel : +603 7610 8888
Fax : +603 7726 8986

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

HEINEKEN

www.heinekenmalaysia.com

HEINEKEN MALAYSIA BERHAD 196401000020 (5350-X)

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