ADVANCE SYNERGY BERHAD

annual report

Contents

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STRATEGIC REPORT

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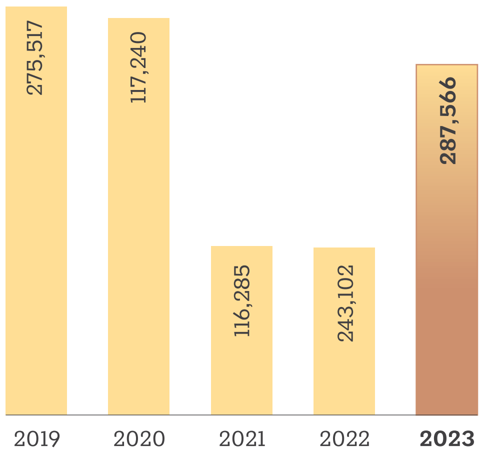
Five-Year Group Financial Highlights

	Year ended 31 December				
	2019 RM'000	**2020 RM'000**	**2021 RM'000 (Restated)**	**2022 RM'000 (Restated)**	**2023 RM'000**
Statements of Comprehensive Income					
Revenue	275,517	117,240	116,285	243,102	**287,566**
Gross Profit	86,330	44,946	45,321	66,616	**67,633**
Gross Profit Margin (%)	31.3	38.3	39.0	27.4	**23.5**
Operating profit/(loss)	102,174	(19,352)	8,023	(35,971)	**(66,629)**
EBITDA	121,771	(710)	24,718	(18,574)	**(49,232)**
Profit/(Loss) before tax	95,614	(22,536)	2,077	(41,260)	**(76,835)**
Profit/(Loss) after tax	81,329	(26,894)	(1,409)	(44,431)	**(80,625)**
Statements of Financial Position					
Total assets	753,036	710,449	765,522	833,957	**747,413**
Total liabilities	202,268	187,465	236,150	270,398	**259,181**
Shareholders' funds	481,696	452,718	447,801	488,357	**420,639**
Share Information					
Per Ordinary Share					
Earnings/(Loss) per share, basic (sen)	8.07	(3.30)	(1.21)	(2.94)	**(1.95)**
Net assets per share (sen) (Note 1)	51.84	48.72	48.19	19.31	**16.63**
Financial Ratios					
Return on equity (%)	14.77	(5.14)	(0.27)	(7.88)	**(16.51)**
Current ratio	3.1 : 1	2.9 : 1	2.2 : 1	2.5 : 1	**2.3 : 1**
Debt-Equity ratio (Note 2)	0.09 : 1	0.11 : 1	0.20 : 1	0.25 : 1	**0.28 : 1**

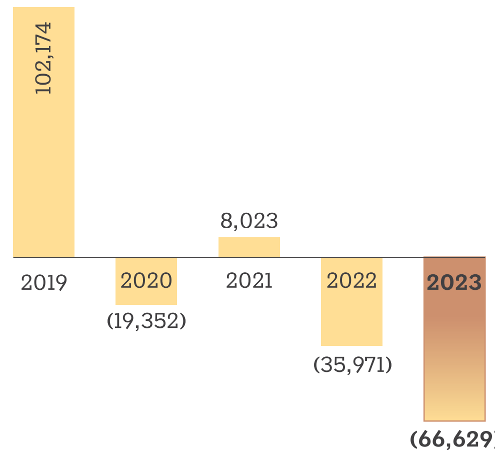
Note 1 : The lower net assets per share for 2022 compared to 2021 is mainly due to increase in the number of ordinary shares of the Company after the allotment of 1.6 billion new ordinary shares on 31 October 2022 pursuant to the Rights Issue.

Note 2 : Debt comprises current and non-current borrowings.

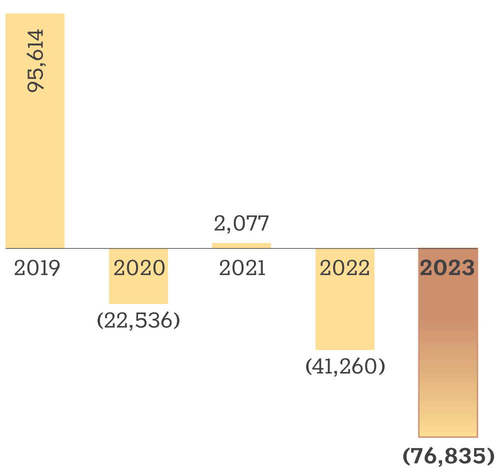
REVENUE
(RM'000)



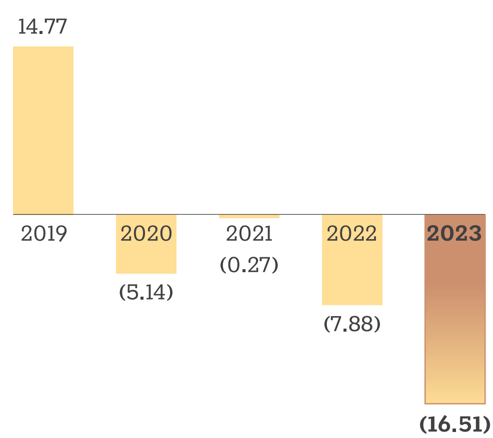
OPERATING PROFIT/(LOSS)
(RM'000)



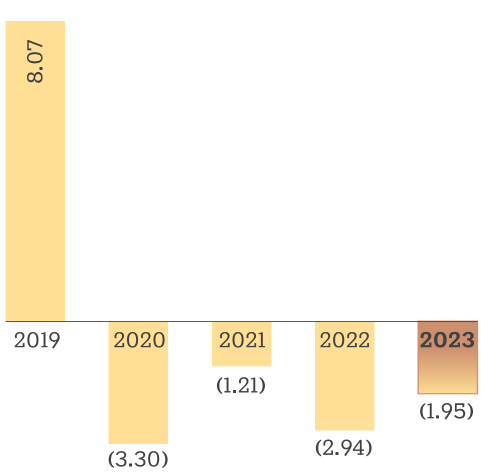
PROFIT/(LOSS) BEFORE TAX
(RM'000)



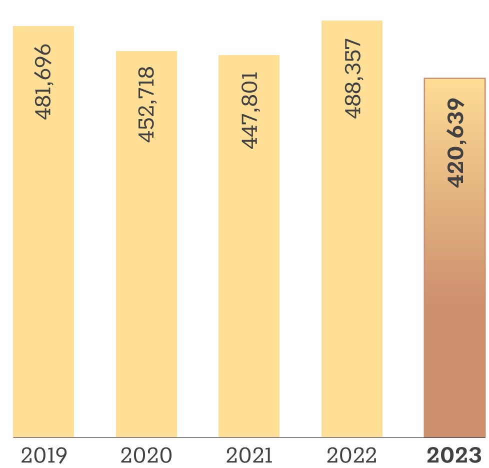
RETURN ON EQUITY
(%)



EARNINGS/(LOSS) PER SHARE
(Sen)



SHAREHOLDERS' FUNDS
(RM'000)



Chair's Statement

Dear Shareholders

It's a privilege for me to present the Chair Statement and I would like to thank the Board for their trust.

2023 was an exciting year for the Group with most of our business plans coming to fruition. Our property development unit commenced its development of Phase 2, Federal Park project in March 2023. The aparthotel in London, The Marloes, had a soft opening in December 2023. Yap Ah Shak House ("YASH") has finalised its review and revamp of the business plans to repurpose YASH as a destination in Kuala Lumpur for discovering music, arts, food and drink, and will be operational in the first half of 2024.

The Group had remained resilient despite the economic uncertainties in 2023 with persistently elevated inflation, ongoing conflicts in Ukraine and slower than expected economic momentum in China. We closed the year with higher revenue of RM287.6 million compared to RM243.1 million in 2022 with the most contribution for the increase from our Travel and Tours division, followed by the Hospitality and Financial Services businesses as domestic demand showed resilience.

Unfortunately, it was disappointing that the positive impact of Group revenue in fiscal 2023 was not reflected in the bottom line with the Group showing a year of higher loss compared to last year. The bulk of the higher loss was attributable to non-cash goodwill impairment and fair value losses under the accounting rules. Our Information and Communications Technology ("ICT") division made an impairment loss on goodwill of RM14.3 million due primarily to the weaker performance of certain managed service contracts thus impacting the value of the business' expected cash flows coupled with the fair value loss on the venture investment portfolio of RM23.0 million due to the challenging environment for market valuation whilst our Hospitality unit made impairment loss on the right-of-use asset relating to Holiday Villa Hotel & Residence Shanghai Jiading P.R.C. ("Shanghai Hotel") as the weak performance of Shanghai Hotel in the current financial year adversely impacted the projected future cash flows and fair value loss on the aparthotel in London, The Marloes. With the flowdown effect of lower revenue and weaker performance from ICT Group, the value in use of our investment in Captii Limited was also adversely affected hence an impairment loss on goodwill of RM25.2 million was made by the Investment Holding division which also recorded a fair value loss of RM2.8 million on its venture investment securities. All these impairments and fair value losses were made after taking into consideration the current weaker trading environment of our investments and in accordance to accounting standards, have no impact on the Group's or Company's cashflow. The net gain on the termination of the lease agreement by Langkawi Holiday Villa Sdn Bhd of RM38.6 million was unfortunately not sufficient to cushion the abovementioned impairment and fair value losses.

We remained steadfast in our commitment to turnaround loss-making subsidiaries and are cautiously optimistic to see positive results in the medium future. Ongoing measures and actions are in place to safeguard these investments with continuing efforts to restructure by implementing new roadmaps and business plans which are expected to bear fruits in the coming years barring any unforeseen economic headwinds.

However, we foresee increased expenses, especially in staff costs, as our operating subsidiaries gear up their operations in anticipation of the increased business volume in the coming year. In fiscal 2023, operating expenses (excluding impairment and fair value losses) was RM98.7 million, an increase of RM11.4 million from the previous year.

In the outlook for 2024, global growth may remain modest due to impact from the monetary tightening since 2022 whilst the country although is expected to achieve a stronger economic growth of 4-5% in 2024 may face some headwinds such as geopolitical risks, uncertainty in China's growth prospects, slower US's growth and domestic issues such as possible spike in inflation due to planned subsidy cuts. However, I believe that the Group is agile to accommodate various economic scenarios and respond quickly to market changes. The positive developments that we expect from the new roadmaps and business plans adopted by the subsidiaries will hopefully show results from late 2024 onwards.

As Chair of Advance Synergy Berhad ("ASB") Group with my many years' understanding of the Group's businesses serving as a Director of the Company, I am impressed by the dedication, loyalty, and passion of the Company's Executive Directors, Heads of our operating divisions and subsidiaries to continuously strive for excellence. Hence, I am confident that the Group will continue to enhance value to our shareholders.

During the year, the Group continues to build on the sustainability materiality assessment that it has undertaken in 2022 with measures/indicators and monitoring to assess the Group's performance in managing sustainability matters under the Group's 3 pillars — Sustaining Growth, Empowering Lives and Nurturing Communities. We believe that sustainability efforts of the Group are crucial in our journey to ensure the long-term success of our businesses.

Our Board continues to believe in a strong governance framework to ensure that our stakeholders' values are enhanced through the responsible conduct of the businesses in the Group. On this note, I would like to announce the following changes to our Board and Board committees.

On behalf of the Board, I would like to give special thanks to Dato' Ahmad Sebi Bakar for his long service, and am pleased to inform that Dato' Ahmad Sebi has agreed to continue to serve by assuming the role as Group Advisor.

To ensure a dynamic board with diversity and to bring new perspectives to the Board, we are pleased to welcome Ms Chew Lee Fong, non-independent non-executive director, and Mr Loo Pak Soon, independent non-executive director. Ms Chew is also a member of the Nomination Committee whilst Mr Loo is a member of the Audit Committee, Nomination Committee and Remuneration Committee, and the Chair of the Risk Management and Sustainability Committee.

Other Board changes include the resignation of Puan Sri Datin Masri Khaw Abdullah as non-executive non-independent director and member of the Nomination Committee. I would like to express my and the Board's gratitude to Puan Sri Datin Masri for her invaluable contribution to the Group.

Our independent non-executive director, Dr. Rali Mohd Nor, has also resigned from the Board, and as Chair of Risk Management and Sustainability Committee and Remuneration Committee, and member of Audit Committee and Nomination Committee. I, on behalf of the Board, sincerely thank him for his invaluable contribution and leadership as Chair of the Board committees.

DIVIDEND

The Board is pleased to recommend to our shareholders a single-tier dividend of 0.05 sen per ordinary share for fiscal 2023. This is in line with our commitment to maintain our long track record of paying dividend and to best support the interest of our shareholders.

APPRECIATION

The Board and I would like to extend our sincere gratitude to our shareholders for your trust and confidence in the Group during these difficult times. With your support, we remain committed to maximising value for all our shareholders.

We also appreciate the guidance provided by the regulatory authorities, who have helped us navigate the challenges and uncertainties of the past year.

On behalf of the Board, I would like to thank our employees for their resilience and professionalism during the difficult years, and to our customers, partners, and shareholders, I thank them for their continued support and trust in Advance Synergy Berhad. I am confident that, with all stakeholders' support, we can achieve our goals and deliver strong results in the years to come.

YONG TECK MING
Group Chair
30 April 2024

Performance Review

The Group recorded higher revenue of RM287.6 million for the year as compared to RM243.1 million in the previous year. Group total assets amounted to RM747.4 million as at 31 December 2023 and our shareholders' funds stood at RM420.6 million compared to RM834.0 million and RM488.4 million respectively as at 31 December 2022. A summary review of several key financial indicators is outlined below.

HIGHER REVENUE

Compared to fiscal 2022, there was an increase of revenue by RM44.5 million with the Group recording total revenue of RM287.6 million for fiscal 2023 compared to RM243.1 million for fiscal 2022. All divisions recorded higher revenue compared to last year except for Information and Communications Technology ("ICT") and Others divisions. The biggest contributor to the Group's revenue in fiscal 2023 was the Travel and Tours division, which achieved revenue of RM159.8 million, higher by RM43.3 million compared to fiscal 2022, mainly driven by high demands from travellers after the COVID-19 pandemic restrictions have been fully lifted.

For the Property Development and Investment ("PDI") division, the hospitality business also benefited after the COVID-19 pandemic restrictions have been fully lifted. With higher occupancy and average room rates, the unit recorded higher revenue for fiscal 2023 (2023: RM37.2 million, 2022: RM27.4 million). The property development unit recorded revenue of RM0.3 million in fiscal 2023 (2022: NIL) as the Phase 2, Federal Park project commenced construction in March 2023.

The investment property, Synergy 9 in Temasya Glenmarie, continued to generate rental income. Synergy 9 houses the corporate office of ASB and operational headquarters of several subsidiaries of ASB with a small portion of the area rented to a third party. Thus rental income from Synergy 9 had minimal impact to the Group's revenue in fiscal 2023 and 2022. Another investment property of the division, Yap Ah Shak House in Kuala Lumpur, recorded lower revenue in fiscal 2023 of RM5.1 million compared to revenue of RM5.7 million in fiscal 2022 with the bulk of the revenue contributed by our food and beverage ("F&B") business under the restaurant, Osteria Gamberoni ("OG") which recorded lower revenue in fiscal 2023 compared to fiscal 2022. Minimal income was recorded from the serviced offices business in both fiscal years as the rental market for commercial offices remained soft.

HIGHER REVENUE (continued)

Overall, the property investment business generated comparable revenue of RM8.0 million in fiscal 2023 and 2022.

With many markets returning to pre-pandemic level of operations, our Financial Services division also recorded higher merchant sales transactions in fiscal 2023 compared to fiscal 2022 resulting in higher revenue for the division of RM9.2 million compared to RM4.4 million in fiscal 2022.

However, the increased revenues from Travel and Tours, PDI and Financial Services divisions were offset by the ICT division which recorded lower revenue in fiscal 2023 compared to fiscal 2022. The decline in revenue in ICT division was mainly attributable to lower revenue from managed service contracts recorded by both GlobeOSS and Unifiedcomms business units coupled with lower revenue from system sale contracts recorded by GlobeOSS business unit.

The Others division also recorded lower revenue of RM12.5 million in fiscal 2023 compared to fiscal 2022 of RM14.1 million as the bus-body fabrication unit faced logistical issues with congested shipper schedule. It had difficulty in securing shipment slots in fiscal 2023 resulting in 31 buses being exported to Australia compared to the previous year (2022: 48 buses). Higher revenue from the education unit in fiscal 2023 compared to the previous year as it recorded more foreign students. It was also able to conduct physical classes.

HIGHER GROSS PROFIT BUT LOWER GROSS PROFIT MARGIN

With the higher revenue in the current year, the Group recorded higher gross profit of RM67.6 million compared to RM66.6 million in fiscal 2022, an increase of RM1.0 million. However, the gross profit margin for the Group declined to 23.5% this year compared to 27.4% in fiscal 2022. This was the result of higher proportionate contribution from the Travel and Tours division which generally generated a much lower gross profit margin as compared to the other divisions.

HIGHER OTHER INCOME AND OTHER OPERATING EXPENSES

Higher other income for fiscal 2023 was mainly due to compensation from the lessor of RM45.0 million for termination of our lease for Holiday Villa Beach Resort & Spa Langkawi ("Langkawi Hotel").

The fiscal year 2023 recorded a substantial increase in other operating expenses from RM55.2 million in fiscal 2022 to RM131.9 million. The main increase are of non-cash nature amounting to RM88.8 million, attributable to higher impairment loss on goodwill (2023: RM39.5 million, 2022: RM9.0 million); fair value loss on venture investment portfolio (2023: RM25.9 million, 2022: RM11.6 million); fair value loss on an aparthotel in London of RM15.7 million (2022: NIL); impairment loss on a right-of-use asset for a hotel lease in Shanghai namely, Holiday Villa Hotel & Residence Shanghai Jiading P.R.C. ("Shanghai Hotel") of RM6.0 million (2022: NIL) and inventories written off of RM1.7 million (2022: NIL) while the main increase of cash nature relates to a one-time compensation for staff retrenchment and provision of liquidated damages amounting to RM6.4 million in fiscal 2023 arising from termination of the lease for Langkawi Hotel.

MIXED FINANCIAL PERFORMANCE FOR THE DIVISIONS

In fiscal 2023, with the exception of Travel and Tours and PDI divisions which recorded profit before tax, all the other divisions have suffered losses.

The strong growth in revenue for the Travel and Tours division resulted in a contribution of RM6.5 million profit before tax to the Group in fiscal 2023 as compared to profit before tax of RM3.1 million in the prior year.

The PDI division reported a profit before tax of RM6.2 million in fiscal 2023 compared to loss before tax of RM10.9 million in fiscal 2022.

Under the PDI division, the property development unit recorded further loss before tax mainly due to delay in the launching of new property development projects with RM0.3 million revenue recorded in fiscal 2023 from Phase 2, Federal Park project as construction of this project is still on-going (2022: NIL).

The property investment unit, which comprises the hospitality business, and F&B, property investment and serviced office businesses housed under Yap Ah Shak House, recorded profit before tax of RM8.2 million in fiscal 2023 compared to loss before tax of RM9.0 million in the previous year. The net gain on termination of our Langkawi Hotel's lease of RM38.6 million was partly offset by fair value and impairment losses totalling RM21.7 million on our aparthotel in London and right-of-use asset for the lease of Shanghai Hotel respectively. Excluding these fair value and impairment losses and net gain on termination of lease, the unit managed to narrow its loss in fiscal 2023 to RM8.7 million from the loss of RM9.0 million in the previous year.

Our Investment Holding division showed a loss before tax as compared to profit before tax in fiscal 2022 mainly due to the impairment loss on goodwill of RM25.2 million (2022: NIL) on our investment in ICT division partly offset by lower fair value loss assessed on venture investment portfolio of RM2.8 million (2022: RM5.0 million). Excluding these exceptional items, the division recorded lower profit before tax in fiscal 2023 (RM4.4 million) compared to fiscal 2022 (RM6.2 million) mainly due to lower dividends from subsidiaries.

The ICT division recorded higher loss before tax of RM38.4 million for fiscal 2023 as opposed to a loss before tax of RM8.1 million in the prior year. This was mainly due to the significantly higher other operating expenses for the current year compared to the prior year resulting mainly from the higher fair value loss of RM23.0 million on its unquoted venture investment portfolio (2022: RM6.6 million) as well as higher impairment loss on goodwill of RM14.3 million (2022: RM9.0 million).

The goodwill was related to the acquisition of Ahead Mobile Sdn Bhd in 2012 and the impairment loss on goodwill reflects the excess of the carrying amount of a cash-generating unit ("CGU") over its recoverable amount as certain managed services contracts under the CGU are now believed to generate lower than expected profitability and returns.

The Financial Services division recorded higher loss before tax of RM7.8 million in fiscal 2023 compared to loss before tax of RM6.8 million in fiscal 2022 despite the higher revenue in fiscal 2023 compared to fiscal 2022 mainly due to higher operating expenses and lower gross profit margin in fiscal 2023. Operating expenses increased significantly as the division geared up its operations including increasing its manpower to prepare for the anticipated improved trading conditions in the immediate future and the launching of new products and services under its product roadmap.

MIXED FINANCIAL PERFORMANCE FOR THE DIVISIONS (continued)

The Others division, consisting of bus-body fabrication and education units, reported higher total loss before tax of RM5.7 million compared to the loss before tax of RM2.4 million in fiscal 2022. The substantial increase in loss before tax in the Others division for the year under review was mainly due to inventories written off and impairment loss on receivables recognised by the bus-body fabrication unit.

HIGHER INCOME TAX

Group income tax expense was comparable to the prior year despite having a higher loss before tax in fiscal 2023 compared to the previous year as impairment loss on goodwill, and fair value and impairment losses on unquoted venture investment portfolio, aparthotel and right-of-use asset recorded in the year under review are not deductible for taxation purpose. The bulk of Group's income tax expense in fiscal 2023 was attributable to the income tax expenses of the ICT (RM1.5 million) and Travel and Tours (RM1.5 million) divisions.

DECREASE IN TOTAL ASSETS

As at 31 December 2023, total assets of the Group decreased by 10.4% to RM747.4 million (2022: RM834.0 million) arising from the decrease in non-current assets (2023: RM428.7 million, 2022: RM519.4 million) partly offset by increase in current assets (2023: RM318.7 million, 2022: RM314.5 million).

The major movements in the assets of the Group for fiscal 2023 can be summarised as follows:

1) The decrease in property, plant & equipment ("PPE") by RM11.1 million attributable mainly to the fair value loss of PPE by PDI division, and depreciation charges during the year partly offset by addition to PPE in various divisions;
2) The decrease in right-of-use assets by RM18.8 million mainly due to the termination of lease for Langkawi Hotel coupled with the depreciation charges during the year;
3) The reduction in intangible assets by RM39.2 million mainly due to the impairment loss on goodwill recorded by the ICT and Investment Holding divisions during the year;
4) The decrease in investment securities (non-current) by RM21.5 million mainly due to impairment loss on unquoted venture investment portfolio recognised during the year by the ICT and Investment Holding divisions;
5) The increase in inventories of RM9.1 million mainly due to the increase in inventories for our property development unit;
6) Trade and other receivables and other assets increased by RM57.1 million from RM98.6 million in fiscal year 2022 to RM155.7 million in fiscal year 2023 mainly due to PDI division reporting an increase; and
7) The decrease in cash and bank balances and fixed deposits by RM60.8 million.

DECREASE IN LIABILITIES

Total liabilities of the Group decreased from RM270.4 million in fiscal 2022 to RM259.2 million in fiscal 2023, a reduction of RM11.2 million.

The decrease in the total liabilities of the Group was mainly due to net repayment of borrowings (term loans and revolving credit) amounting to RM5.4 million and decrease in lease liabilities resulting from termination of lease for Langkawi Hotel of RM10.5 million.

The decrease was partly offset by increase in trade and other payables and other liabilities.

DECREASE IN GROUP EQUITY AND INCREASE IN LOSS PER SHARE

The reduction in the Group's equity was mainly due to the Group's current year total comprehensive loss of RM73.3 million which was made up of loss after tax of RM80.6 million and other comprehensive income of RM7.3 million resulting in the Group's total equity decreasing from RM563.6 million in fiscal 2022 to RM488.2 million in fiscal 2023.

In the current fiscal year, despite the Group recording a higher loss after tax and non-controlling interest of RM49.3 million compared to the loss after tax and non-controlling interest of RM35.3 million in fiscal 2022, the Group reported a lower loss per share of 1.95 sen (2022: loss per share of 2.94 sen) mainly due to higher weighted average number of shares of 2.5 billion in fiscal 2023 (2022: 1.2 billion).

INFORMATION AND COMMUNICATIONS TECHNOLOGY DIVISION

In fiscal 2023, both of our GlobeOSS and Unifiedcomms businesses continued to have a weaker revenue performance compared to the year before. However, this was not the main factor for our negative bottom-line outcome for the year. The diminished expected performance of certain managed service contracts of Unifiedcomms had significantly impacted the value of expected cash flows of the business. Meanwhile, the challenging environment for market valuations of technology startup had resulted in a substantial reduction in the fair value of our venture investment portfolio. The impact of both these non-cash goodwill impairment and fair value losses of almost RM37.3 million combined, was the main factor of having a higher net loss in fiscal 2023 against fiscal 2022.

The division comprises three main segments namely Unifiedcomms, GlobeOSS and Captii Ventures. Unifiedcomms continued to address mobile network operators and integrated telecoms service providers with application and platform software, turnkey solutions and systems and a variety of professional and managed services. In fiscal 2016 a unit within Unifiedcomms called PostPay was revitalised into a fresh start-up and given prominence as part of a wider reorganisation of the Unifiedcomms business. PostPay focuses mainly on providing advanced solutions for prepaid credit on a managed service model. GlobeOSS meanwhile, has developed into Malaysia's leading systems integration and solutions provider in the field of telecoms big data and analytics. Captii Ventures, the venture investment arm of the division, focuses primarily on the South East Asia ("SEA") market for start-up investment opportunities.

The consolidated revenue of the division dropped from RM74.4 million in fiscal 2022 to RM62.2 million for fiscal 2023, a decrease of 16.4%. Both GlobeOSS and Unifiedcomms businesses recorded a decline in revenue against their fiscal 2022 revenues. GlobeOSS recorded revenue of RM22.2 million in fiscal 2023, a decrease of 16.5% from the RM26.6 million achieved in fiscal 2022. Unifiedcomms meanwhile had a 16.3% decline in revenue, turning in revenue of RM40.0 million in fiscal 2023 versus RM47.8 million the year before.

Lower revenue at Unifiedcomms was caused mainly by revenue from managed service contracts declining to RM36.3 million in fiscal 2023 from RM44.5 million in fiscal 2022. System sales contract revenues of this business in fiscal 2023 meanwhile were flat against fiscal 2022.

INFORMATION AND COMMUNICATIONS TECHNOLOGY DIVISION (continued)

GlobeOSS also experienced a decline in both system sale and managed service contract revenues in fiscal 2023. System sale contract revenues declined to RM13.6 million in fiscal 2023 versus the RM16.8 million achieved in fiscal 2022. Managed service contract revenues declined to RM8.7 million in fiscal 2023 versus the RM9.9 million achieved in fiscal 2022.

In line with the lower consolidated revenue of RM62.2 million for fiscal 2023, a 16.4% decrease on fiscal 2022 revenue, absolute gross profit recorded for the year was lower compared to fiscal 2022. The division's gross profit for fiscal 2023 was RM29.0 million, down by RM7.2 million or 19.9% against what was recorded in fiscal 2022. The magnitude of decline in gross profit was higher than that of revenue as a result of the less favourable sale mix recorded in fiscal 2023, attributable to lower overall gross profit margin earned on the division's revenue of 46.6% as compared to 48.6% achieved the year before.

System sale contract average gross profit margin declined to 55.2% in fiscal 2023 as compared to 61.2% achieved in fiscal 2022. This was primarily due to lower Unifiedcomms system sale contacts gross profit margin in fiscal 2023, caused by higher third-party costs. Meanwhile, gross profit margin earned on managed service contract revenues declined marginally from 44.0% achieved in 2022 to 43.3% this year. This was primarily due to higher third party costs on certain Unifiedcomms managed service contracts.

The sales mix of the division in fiscal 2023 continues to show more than fifty percent of the division's revenue being generated from managed service contracts. This year's managed service contract revenues accounted 72.3% of the division's revenue, down from 73.1% in fiscal 2022. This was primarily due to a decrease in managed service contract revenues of the division, which declined by 17.3% from RM54.4 million in 2022 to RM45.0 million in fiscal 2023.

The division's net loss for the year was RM39.9 million, 283.7% higher than the RM10.4 million net loss recorded in fiscal 2022. This increase in the division's negative bottom line caused by the higher fair value loss on venture investment portfolio and impairment loss on goodwill totalling RM37.3 million as compared to RM15.6 million recorded in fiscal 2022. These exceptional losses had no cash impact on the division's business.

The impairment loss on goodwill this year amounting to RM14.3 million represented the amount by which the carrying amount of cash-generating unit ("CGU") of Unifiedcomms had exceeded its recoverable amount. This was mainly caused by certain managed services contracts (under the CGU) that are now believed to generate lower than expected profitability and returns.

Meanwhile, the challenging market environment for technology startup valuations resulted in a significant decline in the fair value of the division's venture investment portfolio this year. This gave rise to the fair value loss of RM23.0 million in fiscal 2023 as compared to RM6.6 million in fiscal 2022.

INFORMATION AND COMMUNICATIONS TECHNOLOGY DIVISION (continued)

When the bottom-line numbers are examined more closely, to exclude exceptional losses such as the fair value loss on the Captii Ventures' portfolio investments, and the impairment loss on goodwill, the profit performance of Unifiedcomms and GlobeOSS is made more apparent. Excluding such non-cash items, Unifiedcomms and GlobeOSS recorded an 'adjusted' net loss of RM2.5 million in fiscal 2023, in contrast with the 'adjusted' net profit of RM5.2 million in fiscal 2022. The decline in the performance of the underlying business of Unifiedcomms and GlobeOSS was mainly due to declines in revenue and gross profit margin.

PROPERTY DEVELOPMENT AND INVESTMENT DIVISION

The PDI division recorded higher revenue of RM45.4 million compared to RM35.4 million in fiscal 2022. The bulk of the increase was from the hospitality business.

Property Development

Minimal revenue recorded by our property development unit represented by Advance Synergy Realty Sdn Bhd ("ASR") for fiscal 2023 (2022: NIL) as Phase 2 of the Federal Park project is still undergoing construction in fiscal 2023. The unit recorded comparable loss before tax of RM2.0 million in fiscal 2023 and 2022.

Property Investment

The property investment unit generated comparable revenue in the current year under review of RM8.0 million compared to fiscal 2022. However, higher operating costs, mainly due to staff costs, incurred in the current year compared to fiscal 2022, attributed to the higher loss before tax for the current year of RM4.5 million compared to the previous year (RM2.1 million).

Yap Ah Shak House ("YASH") in Kuala Lumpur, a detached commercial five (5)-storey building in which the Group owns a 70% interest therein, recorded slightly lower revenue of RM5.1 million in fiscal 2023 compared to RM5.7 million in the previous year. The lower revenue was mainly due to the lower revenue from the F&B business offset by the higher revenue from the serviced offices business.

YASH had completed its renovations and refurbishment works in fiscal 2021. This mixed-use investment property of the Group in the heart of Kuala Lumpur, Malaysia was fully operational in 2022. Unfortunately, the serviced office business did not take off as expected due to the lingering adverse impact of COVID-19 pandemic. It is undergoing a review and revamp and expected to be operational under the new business roadmap in the first half of fiscal 2024.

Our investment property, Synergy 9 in Temasya Glenmarie, Shah Alam, which is operated by Temasya House Sdn Bhd, and mainly used to house the corporate office of ASB and operations of several subsidiaries of ASB recorded comparable revenue but rental income derived from Synergy 9 had no significant impact to the Group revenue in fiscal 2023 and 2022 except for a small area rented to a party not within the Group. Another investment property, a factory located at Jalan Subang 7, Subang Jaya, Selangor, is rented to Aviva Master Coach Technology Sdn Bhd, a related company, and recorded higher rental income in fiscal 2023 compared to fiscal 2022 (no impact to the Group revenue).

PROPERTY DEVELOPMENT AND INVESTMENT DIVISION (continued)

Hospitality

Since the relaxation of travel restriction in the early part of fiscal 2022, the hospitality business has performed better compared to last year with higher revenue of RM37.2 million compared to last year's revenue of RM27.4 million, an increase of RM9.8 million.

The higher revenue in the two hotels, Langkawi Hotel and Holiday Villa Beach Resort & Spa Cherating, was partly offset by lower revenue from Shanghai Hotel, in fiscal 2023 compared to fiscal 2022. However the hospitality business recorded a net gain on termination of the lease for Langkawi Hotel of RM38.6 million, which was partly offset by fair value loss on aparthotel in London of RM15.7 million and impairment loss on right-of-use asset for the lease of Shanghai Hotel of RM6.0 million in the current year under review, resulting in the hospitality business recording a profit before tax of RM12.8 million in fiscal 2023 compared to loss before tax of RM6.8 million in fiscal 2022.

TRAVEL AND TOURS DIVISION

Travel and Tours division has successfully positioned itself as a corporate ticketing provider in the travel industry to cater to the needs of corporate companies in Klang Valley and Kuantan. The division is also successful with its focus on group travel business. Thus, with the re-opening and relaxation in travelling restrictions of international destinations for tourists, the performance of the division further improved in fiscal 2023 with substantially higher revenue recorded in the year of RM159.8 million compared to RM116.5 million in fiscal 2022, an increase of RM43.3 million or approximately 37.2%. The flow down effect of the increased revenue resulted in the division recording a profit before tax of RM6.5 million in fiscal 2023, an increase of RM3.4 million, more than 100% compared to profit before tax of RM3.1 million in fiscal 2022.

FINANCIAL SERVICES DIVISION

The Financial Services Division comprises Paydee Sdn Bhd ("Paydee") in card and payment services business and Qurex Sdn Bhd ("Qurex") in money services business. Paydee is an issuer and acquirer licensed by Bank Negara Malaysia ("BNM"), and a principal licensee of MasterCard Worldwide and Visa International. Qurex meanwhile provides foreign currency exchange and cross border remittance services.

The operating environment for Paydee's existing payment application services continues to be challenging in terms of technology, and competition from banks and other non-bank acquirers. Paydee has evolved its operations, technologies and application services to better address the enormous opportunity for innovation in the SME market for business-to-business ("B2B") payments through the development of the mobile digital payment and cashflow management application services (New Payment Application Services ("NPAS")).

FINANCIAL SERVICES DIVISION
(continued)

During fiscal 2023, the Financial Services division established a new operating entity, Paydee Nura Sdn Bhd (“Nura”), to pursue opportunities to aid individuals and small and medium sized enterprises (“SMEs”) in cash flow management, through Shariah-compliant financing, which will be launched in fiscal 2024. Nura is in start-up stage in fiscal 2023 with nominal operating expenses incurred during the year.

Paydee reported higher revenue of RM9.1 million in fiscal 2023, an increase of RM4.7 million or 106.8% compared to RM4.4 million in fiscal 2022. For fiscal 2023, Paydee reported a higher loss before tax of RM7.7 million, an increase of RM1.1 million or 16.7% compared to RM6.6 million in 2022. The higher loss despite higher revenue for the current year was mainly due to higher operating expenses in payroll resulting from the expansion of human resources to develop and operate the NPAS, and higher licence fees payable to MasterCard Worldwide and Visa International, coupled with a lower foreign exchange gain in fiscal 2023.

Pending the formulation of its new roadmap and business plans, during the year under review, Qurex had minimal operations in fiscal years 2023 and 2022 with only an outlet at Synergy 9, Temasya Glenmarie.

OTHERS DIVISION

The Others division comprises the bus-body fabrication and education businesses of the Group. Total revenue generated by this division was lower by RM1.6 million at RM12.5 million in fiscal 2023 compared to RM14.1 million in fiscal 2022. With the lower revenue achieved in fiscal 2023, the division recorded a higher loss before tax in fiscal 2023 compared to the loss in fiscal 2022 (2023: RM5.7 million, 2022: RM2.4 million).

Our bus-body fabrication unit recorded lower revenue of RM12.0 million in fiscal 2023 compared to RM13.9 million in fiscal 2022. In fiscal 2023, the unit completed and exported 31 buses to Australia compared to 48 units exported in fiscal 2022 mainly due to logistical issues. The flow down effect of lower revenue coupled with inventories written off of RM1.7 million and other receivable of RM0.7 million in fiscal 2023 yielded a higher loss before tax of RM4.8 million in the current year compared to loss before tax of RM1.7 million in the prior year.

The education unit, TLH, continues to face challenges in its recruitment of students as it navigates new growth opportunities. In 2023, TLH achieved gross revenue of RM0.5 million compared to a revenue of RM0.2 million in fiscal 2022. During the year, the unit incurred higher expenses on marketing and administrative areas resulting in loss before tax of RM0.8 million in fiscal 2023 compared to loss before tax of RM0.7 million in fiscal 2022.

The Year Ahead...

The positive projections from Bank Negara Malaysia, forecasting Malaysia's economy to expand between 4% and 5% in fiscal 2024, are highly encouraging for our Group's businesses.

Against the backdrop of a promising economic outlook, coupled with ongoing inflationary pressures, supply chain uncertainties and the challenges posed by post-COVID-19 pandemic recovery and global geopolitics, our Group remains steadfast. In fiscal 2024, we will build upon the strong revenue growth momentum achieved in fiscal 2023. We remain resilient and focused on successfully executing our business development plans.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

The operations of Unifiedcomms and GlobeOSS in the financial year under review had been minimally impacted by geo-political tensions and supply chain disruption. However, due to the diminished expected performance of certain managed service contracts the value of Unifiedcomms as a CGU was adversely affected. The change in user behaviour in certain Unifiedcomms applications services, followed by the intensified pricing pressure trend within the telecommunications industry had directly and indirectly impacted the expected profitability of these managed service contracts, will continue to prevail.

On the business front, both Unifiedcomms and GlobeOSS contracts in-hand continue to be progressed and management of the division is hopeful that new projects and initiatives requiring our products and services, will continue to be pursued by customers. The possibility remains however, that larger system sale contracts and certain managed service contracts that have yet to be committed in the financial year under review, may be further deferred, or even abandoned entirely if macroeconomic and industry conditions worsen or do not improve significantly enough.

At Captii Ventures, the division's venture investment business, the valuation for start-ups will continue to be affected by a weak market environment.

Against this rather negative backdrop the division remains optimistic and will continue to work closely with customers and investees, to minimise the negative impact of economic uncertainty on the division financial performance.

FINANCIAL SERVICES

The Financial Services division comprises Paydee which is engaged in card and payment services, and Qurex which is involved in money services.

Paydee will continue to focus on the evolution of its NPAS. NPAS aims to deliver innovative B2B payment application services to address several high-potential SME business segments, as well as to be the non-bank partner of choice for payment facilitators addressing the growing e-commerce and social commerce markets. In the year ahead, Nura is expected to launch its Shariah-compliant financing and SME credit products as part of the NPAS offering of the division.

Key areas to focus include investment in technology renewal and the development of new capabilities and the recruitment of additional staff to further develop, operate and manage the NPAS as well as efforts to identify and evaluate opportunities for business collaboration.

Qurex intends to synergise with Paydee for its growth plan and pending the full implementation of a new product roadmap, Qurex does not anticipate its existing businesses to grow substantially in fiscal 2024.

TRAVEL AND TOURS

Our Travel and Tours division anticipates the continuation of the post COVID-19 demand trend for both international and domestic travel witnessed in fiscal 2023 to extend into fiscal 2024. While the industry is expected to fully recover to pre-pandemic level, economic and geopolitical uncertainties may persist, posing significant challenges to industry's recovery.

We also foresee a rise in demand for a new emerging trend in experiential tourism, which emphasizes creating meaningful and unique travel experiences. This trend is being driven by travellers seeking authentic and transformative experiences, along with an increasing awareness and demand for sustainable practices.

To establish a strong market presence for both short-term and long-term growth and profitability, and to effectively respond to these evolving trends, the division will not only focus on our existing market segments but also to develop competitive products and services. This will involve closely monitoring new market trends and identifying key drivers of demand.

PROPERTY : DEVELOPMENT AND INVESTMENT

(i) Development : Launching of Phase 2, Federal Park Project

The property market in Kuching is expected to remain soft throughout fiscal 2024, grappling with persistent property overhang, escalating building material costs, interest rate hikes, labour shortages, affordability issues and tighter end financing options for buyers. These factors collectively contribute to a continued weakening of overall market sentiment.

Despite the multifaceted challenges in the market, ASR is confident to navigate through this difficult period drawing upon its extensive experience in the property sector. ASR's primary focus remains on understanding and meeting customer needs by delivering properties that offer value for money in terms of quality and service. In view of the higher demand for medium affordable housing, ASR continues to target middle-income demographic, as evidenced by its recent launch of affordable residential properties in Phase 2 of Federal Park in 2023. This development, comprising 88 units of double-storey terrace houses and 28 units of single-storey terrace houses with a gross development value of RM59.7 million, is currently under construction and is expected to contribute significantly towards the company's fiscal 2024 results.

In terms of new property launches, ASR adopts a cautious approach considering factors such as development type, project size, building materials and design. The company is also exploring cost-effective and attractive new building designs to address rising construction costs and maintain market competitiveness. This strategy has established ASR as resilient niche property developer with a consistent track record of profitability.

(ii) Investment : Hospitality & Services

Our hospitality business in Malaysia performed well in fiscal 2023, and we are optimistic about its prospects continuing into fiscal 2024.

Holiday Villa Beach Resort & Spa Cherating experienced an increase in performance following the easing of travel restriction, driven by a surge in local tourism. This positive trend is anticipated to continue barring any unexpected developments.

Our aparthotel in Earl's Court, London commenced operation in December 2023. The fiscal 2023 saw a recovery in demand across UK hotels, a trend that might face challenges in 2024 due to external economic headwinds affecting consumer confidence, rising operational costs, staffing shortages, and supply chain disruptions. Despite these potential challenges, we are cautiously optimistic that the London hospitality sector will remain resilient with quick recovering post-pandemic and attracting a significant number of international visitors.

While tourism in China is expected to return to normalcy, lingering concerns related to pandemic-induced shifts in property movement and ongoing geopolitical tensions could impede the travel industry's recovery over the next twelve months. This challenging outlook is expected to persist for Shanghai Hotel.

PROPERTY : DEVELOPMENT AND INVESTMENT (continued)

(ii) Investment : Hospitality & Services (continued)

For fiscal 2024, we maintain a cautious stance regarding the hospitality industry's recovery, as external pressures may continue to weigh down the sector.

Yap Ah Shak House in Kuala Lumpur after undergoing a review and revamp in its operations is targeted to be operational under the new business roadmap in first half of fiscal 2024. It will feature F&B venues and an event hall as a destination for music, arts and culinary experiences, complementing its existing serviced office business. With this new business roadmap, the division anticipates significant income potential from the Yap Ah Shak House.

BUS-BODY FABRICATION

Our bus-body fabrication unit, Aviva Master Coach Technology Sdn Bhd ("Aviva"), anticipates a strong demand for the sale of buses in the coming year following the delivery of 31 buses to Australia in fiscal 2023. For fiscal 2024, the unit will continue to focus on the Australia market and its orders in hand. Despite market challenges including rising costs and ongoing supply chain disruptions, the unit remains cautiously optimistic in its sales. Aviva is committed to managing the risks and ensuring that its production is cost-and-delivery-efficient. The unit has managed to address some of the supply chain issues and aims to increase production to 20 buses per month over the next two years in line with the expected increase in orders from the Australian market.

Given the escalating climate concerns and environmental regulations, Aviva anticipates rapid growth in the global electric bus market, particularly in the Asia Pacific region, to address the greenhouse gas emissions from the transportation sector. Against this backdrop, Aviva plans to engage with relevant stakeholders to enter this market at the opportune time.

EDUCATION

Regrettably, TLH, our education's unit, efforts to expand its business in fiscal 2023 faces challenges and requiring time to build the student base. Looking ahead to fiscal 2024 and 2025, TLH remains committed to expanding its presence in the language education sector. This unit has identified several measures for development in fiscal 2024, including:

’ *Expanding into New Markets*
’ *Global Partnerships and Accreditation*
’ *Language Proficiency Certification*
’ *Student Recruitment Initiatives*
’ *Customised Programs for Professionals*

Statement on Sustainability

The Group's Board together with Management take responsibility for the effective governance and management of sustainability initiatives and practices of the Group which may include setting the Group's sustainability strategies, priorities and targets. In connection therewith, they are committed to establish and maintain an effective Sustainability Management System which is supported by underlying internal controls, risk management practices, clear accountability and reporting process.

The Board takes into account sustainability considerations, the economic, environmental and social ("EES") risks as well as opportunities and threats to the sustainability of the Group's activities, structure and operations arising from such EES risks when exercising its duties including among others, the development and implementation of the Group's strategies, business plans, performance measurements, major plans of action, risk management and decision making process. The Board would also strive to ensure that the Group's sustainability strategies, priorities and targets as well as performance against such targets are communicated to its internal and external stakeholders and annual review of the performance of the Board and/or senior management may include aspects relating to their performance in addressing the Group's material sustainability risks and opportunities moving forward.

STATEMENT OF ASSURANCE

In our commitment to sustainability and in compliance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), Horizon Corporate Services Sdn Bhd has been engaged by the Group to perform an independent limited assurance on selected performance indicators and statements within the Statement on Sustainability ("Statement"). For more information, please refer to the Independent Limited Assurance Statement on pages 51 and 52.

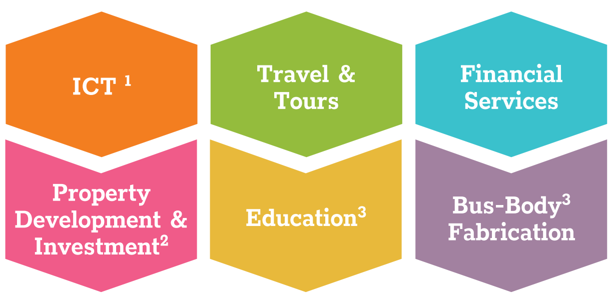
REPORTING PRACTICE AND BOUNDARY

The Board is pleased to present this Statement for the financial year ended 31 December 2023 ("FYE2023") that has been prepared in compliance with the Listing Requirements of Bursa Securities and with reference to the Sustainability Reporting Guide (3rd Edition) under Bursa Securities. This Statement outlines the Group's Sustainability Performance Management Framework to enhance the monitoring and reporting of our sustainability performance within the context of EES and also provides detailed disclosure of the management of our key sustainability matters for the FYE2023. This Statement is to be read alongside the other sections of this Annual Report, which highlights the Group's corporate governance, risk management and internal controls, as well as other financial and non-financial details of our operations.

REPORTING PRACTICE AND BOUNDARY (continued)

The Advance Synergy Berhad ("ASB") Group comprises operating subsidiaries that service business and consumer markets in a variety of industries. These operating companies are grouped under the several Key Business Divisions of the ASB Group (See Exhibit 1), which include:

Exhibit 1 — Our Key Business Divisions/Units



1. As Captii Limited ("Captii") under ICT division is a subsidiary listed on the Singapore Exchange Securities Trading Limited, it has produced a detailed 2023 sustainability report that provides information on their sustainability performance. Please refer to Captii's sustainability report in their 2023 annual report for further information.
2. Property Development and Investment division consisted Property Development unit and Property Investment unit (includes hospitality and investment property, Yap Ah Shak House, which currently houses the food and beverage ("F&B") and serviced office businesses).
3. Education and bus-body fabrication units are grouped under the Others division.

SUSTAINABILITY GOVERNANCE AND STRUCTURE

The Board and Management shall continue to dedicate leadership and maintain a high standard of sustainability governance to drive continuous and long term growth for all of its stakeholders. As part of our commitment towards sustainability, we have established a clear governance structure to ensure compliance and performance of the Group's sustainability.

The Group's sustainability governance structure is as follows (see Exhibit 2):

Exhibit 2 — Group's Sustainability Governance Structure

The Board is holding ultimate responsibility for the sustainability management of ASB Group. The sustainability matters of ASB Group had been placed under the purview of the Risk Management and Sustainability Committee ("RMSC"). The RMSC's duties and responsibilities are as follows:

- recommend to the Board sustainability-related policies and/or framework for adoption;
- oversee the implementation of the Group's sustainability policies and/or framework and processes including the identification, analysis, evaluation, management and reporting of the material sustainability matters related to the EES aspects of the Group and recommend to the Board for approval;

SUSTAINABILITY GOVERNANCE AND STRUCTURE (continued)

- oversee the management and performance of the Group's sustainability strategies, priorities, and targets including reviewing steps to monitor, mitigate and/or prevent the EES risks, the performance against the target set on identified measurement indicators for each of the material/key sustainability matters and making the necessary recommendation of changes to the Board for approval;

- review the effectiveness of the sustainability framework and ongoing EES risks as well as the opportunities and threats to the sustainability of the Group's activities, structure and operations arising from such EES risk, and any other related matters, and provide timely input to the Board as business condition changes, e.g. when new risks and opportunities arise;

- communicate the Group's sustainability strategies, priorities and targets as well as performance against these targets to its internal and external stakeholders; and

- review and oversee the preparation of the statement on sustainability in accordance with the Listing Requirements of Bursa Securities, Malaysian Code on Corporate Governance 2021 and any other applicable laws and regulations from time to time where appropriate.

Group Risk Management and Sustainability Unit ("GRMSU") assists the RMSC to oversee the Enterprise Risk Management and Sustainability process and to maintain sound Enterprise Risk Management and Sustainability policies for the Group. GRMSU supports and provides necessary input while continuously evaluating and enhancing the effectiveness of the Group's risk management and sustainability efforts to align with the overall goals/objectives of the Group. GRMSU is supported by 6 members, consisting of a Group Chief Risk Officer and 5 Group Risk Officers who oversee the process and procedures in integrating and aligning the responsibilities of enterprise risk management with sustainability efforts in enhancing effectiveness of the Enterprise Risk and Sustainability Management System. The Risk Management and Sustainability Unit is established at the business unit level to ensure that their day-to-day business activities are carried out within the established risk policies, procedures and limits as well as the established sustainability policies and/or framework, priorities and targets.

STAKEHOLDERS ENGAGEMENT

Stakeholders play an important role in our Group. We recognise that transparency fosters accountability and ensures that stakeholder issues are addressed in a timely manner. Stakeholders' perspectives are important to us and regular engagement helps us build trust and gain insights into emerging issues that are critical to both stakeholders and the business. Stakeholder communication methods are regularly assessed through information requests to ensure its transparency and effectiveness. Management has assessed and identified the following as key stakeholders for the Group:

STAKEHOLDERS ENGAGEMENT (continued)

Stakeholder	Methods of Engagement
Shareholders/Investors/Analysts	• Annual general meetings • Quarterly announcement of financial results • Company's website • E-mails/letters/meetings
Customers	• Customers' satisfaction survey • Company's website • Social media • 24 hours accessible Customer Services • Face-to-face interactions
Suppliers/Contractors	• Negotiations with suppliers • Face-to-face interactions
Channel/Distribution Partners	• Negotiations with partners • Face-to-face interactions
Employees	• Annual performance appraisal • Training and Development • Face-to-face interactions • Internal memorandum, letters and emails
Government & Regulators	• E-mails/letters/meetings • Workshops and trainings organised by the relevant regulatory authorities
Bankers/Lenders	• E-mails/letters • Face-to-face interactions
Media	• Social media • Advertisements • Company's website
Communities/Non-Governmental Organisations/Industry Group	• Corporate Social Responsibility activities • Donations and philanthropic activities • Community investment • Face-to-face interactions • E-mails/letters • Company's website

STAKEHOLDERS ENGAGEMENT (continued)

The following are the priority of stakeholders by business divisions/units for FYE2023:

ICT	1. Employees	2. Customers	3. Suppliers/ Contractors
	4. Channel/Distribution Partners	5. Government & Regulators	
Travel & Tours	1. Employees	2. Customers	3. Government & Regulators
	4. Shareholders/ Investors/Analysts	5. Media	
Financial Services	1. Government & Regulators	2. Shareholders/ Investors/ Analysts	3. Employees
	4. Channel/Distribution Partners	5. Customers	
Property Development & Investment — Property Development	1. Customers	2. Suppliers/ Contractors	3. Government & Regulators
	4. Bankers/Lenders	5. Employees	
Property Development & Investment — Hospitality	1. Customers	2. Shareholders/ Investors/ Analysts	3. Channel/ Distribution Partners
	4. Government & Regulators	5. Employees	
Property Development & Investment — F&B	1. Government & Regulators	2. Customers	3. Employees
	4. Suppliers/ Contractors	5. Shareholders/Investors/ Analysts	
Others — Education	1. Government & Regulators	2. Customers	3. Channel/ Distribution Partners
	4. Employees	5. Shareholders/ Investors/Analysts	
Others — Bus-Body Fabrication	1. Government & Regulators	2. Customers	3. Employees
	4. Suppliers/Contractors	5. Shareholders/Investors/Analysts	

STRATEGIC APPROACH FOR SUSTAINABILITY

Materiality Assessment

At ASB Group, we continue to refine our management approach to adapt to the changing business and sustainability landscape. The Management identifies the type of relevant EES issues caused by its day-to-day operations. Management then determines the materiality of the EES issues based on the level of significance of impact and influence on stakeholder values, and the achievement of the Group's strategic objectives. The Board supports and approves the identification and assessment parameters of material EES issues.

The key material EES issues for ASB Group have been identified and reviewed by ASB's Board and Management and are deemed to remain relevant. These issues will be reviewed annually against the changing business environment, stakeholder opinions, and emerging global and local trends to keep abreast of critical issues. The Group will work towards ensuring comprehensive disclosures on the management and monitoring of our sustainability initiatives for continual improvement.

During the financial year ended 2022 ("FYE2022"), ASB Group carried out comprehensive materiality assessment process (See Exhibit 3) to identify, categorise and prioritise the Group's materiality of EES issues based on the business strategy outlined in our plan. Our materiality assessment process was established based on the Bursa Securities' Sustainability Reporting Guide (3rd Edition) and Bursa Securities' Toolkit, including the Toolkit on Stakeholder Engagement and the Toolkit in Materiality Assessment, together with Global Reporting Initiative ("GRI") Principles for Defining Report Content — stakeholder inclusiveness, sustainability context, materiality and completeness. Materiality with respect to sustainability reporting, as defined by GRI Standards, includes topics and indicators that reflect the organisation's significant EES impacts, and would substantively influence the assessments and decisions of stakeholders.

Exhibit 3 — ASB Materiality Assessment Process

Our Materiality Assessment Process

IDENTIFY	CATEGORISE	PRIORITISE
Define a list of potential material EES Issues	Refine the list of topics by clustering them into categories	Engage stakeholders for feedback and validation of each topic based on importance to internal and external stakeholders

STRATEGIC APPROACH FOR SUSTAINABILITY (continued)

Materiality Assessment (continued)

The aforesaid assessment process involved stakeholder consultations, workshops for senior management, an assessment of long-term global trends and an internal review of our businesses. In 2022, the Group supported by an independent consultant shortlisted thirteen (13) material sustainability matters and categorised them into the three (3) pillars of our sustainability performance management framework (See Exhibit 4).

Exhibit 4 — ASB Group's Sustainability Performance Management Framework

Sustaining Growth	Empowering Lives	Nurturing Communities
Objective: To ensure that the business is **growing** and accumulating wealth but in a way that **does not permanently damage the environment and communities.**	**Objective:** To ensure **fair and sustainable practices**, allowing **employees to thrive** and **be fulfilled.**	**Objective:** To **protect** and **support** the needs of local communities and wider society such that the business and communities may **flourish** together.

Sustainability Matters:

Sustaining Growth	Empowering Lives	Nurturing Communities
Product Excellence	Labour Practices & Standards	Community/Society
Supply Chain Management	Diversity	
Corporate Governance & Risk Management	Health & Safety Management	
Anti-Corruption		
Data Privacy & Security		
Emissions Management		
Waste Management		
Water		
Energy Management		

STRATEGIC APPROACH FOR SUSTAINABILITY (continued)

Materiality Assessment (continued)

The sustainability matters identified are further described below:

Category	Sustainbility Matters	Description
Economic	1. Product Excellence	Continual effort to improve product excellence through innovation and technology.
	2. Supply Chain Management	Resilience and significant economic and social impacts observed or assessed in our supply chain.
Environment	3. Emissions Management	Reduce the carbon footprint of our operations.
	4. Energy Management	Efficiency of energy usage (i.e. electricity consumption).
	5. Water	Water consumption and discharge.
	6. Waste Management	Hazardous and non-hazardous waste disposal treatment.
Social	7. Labour Practices & Standards	Commitment to fair employment practices, upholding of human rights principles and upskill its human capital resources.
	8. Diversity	Equal opportunity employment across demographic of our community.
	9. Health & Safety Management	Maintain an injury-free working environment for all employees by following systematic approaches that prevent injuries and eliminate workplace health and safety risks.
	10. Community/Society	Responsibility to communities/societies where we operate in.
Corporate Governance	11. Corporate Governance & Risk Management	Delivering good and transparent corporate governance systems such as a balanced board composition, sound internal controls and a structured organisational framework. Managing business, product, supplier, stakeholder and brand risks across the value chain.
	12. Anti-Corruption	How we guard against corruption, bribery and fraud.
	13. Data Privacy & Security	Protect the Company's information including confidential business data, employee information and customers' data.

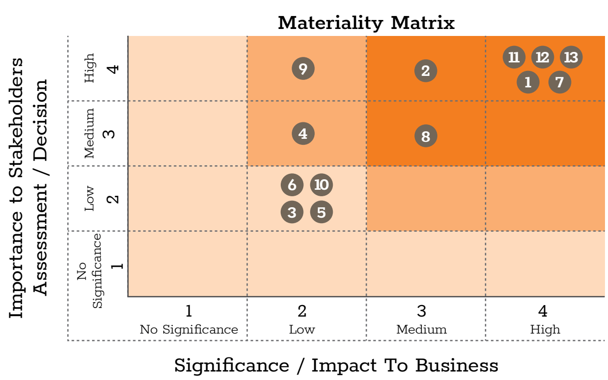
STRATEGIC APPROACH FOR SUSTAINABILITY (continued)

Materiality Assessment (continued)

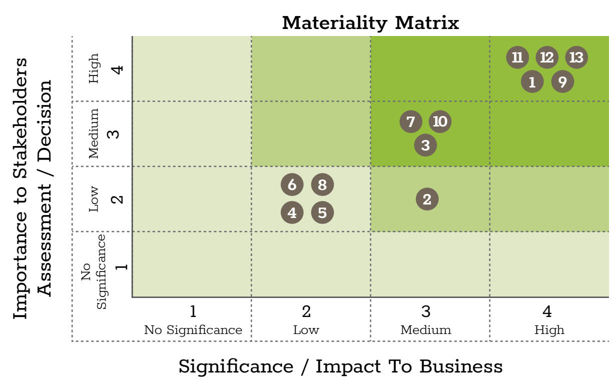
The sustainability matters identifed are ranked as high, medium, low or no signifcance on the materiality matrix (See Exhibit 5). Our sustainability efforts and reporting are focused on issues that are of the most concern to our business and stakeholders based on the materiality matrix.

Exhibit 5 — ASB's Materiality Matrix

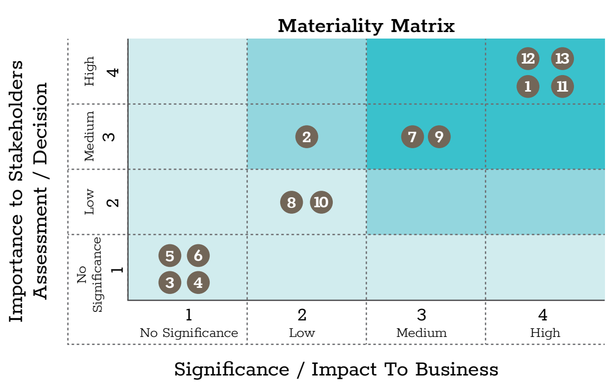
ICT



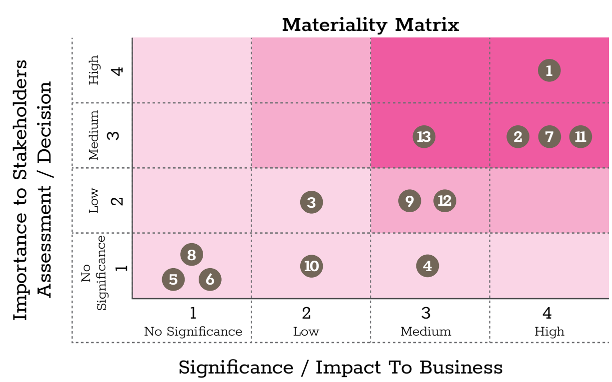
Travel & Tours



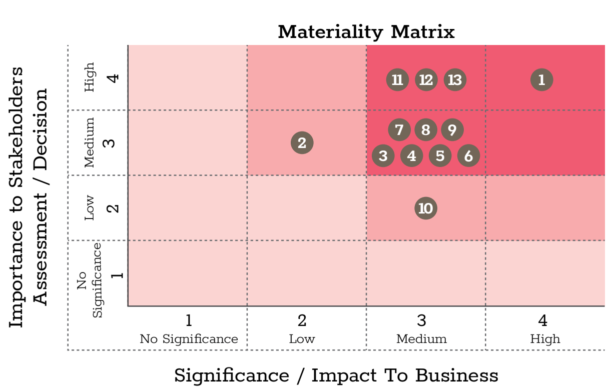
Financial Services



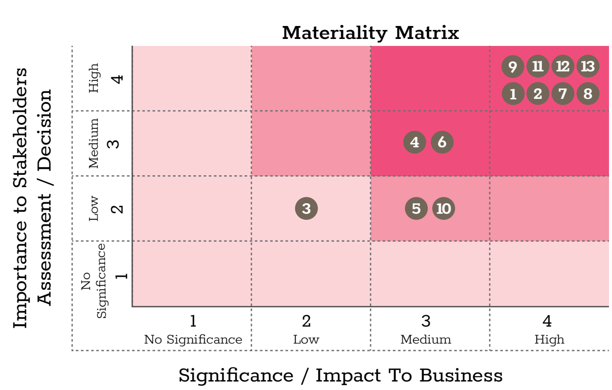
Property Development & Investment — Property Development



Property Development & Investment — Hospitality



Property Development & Investment — F&B

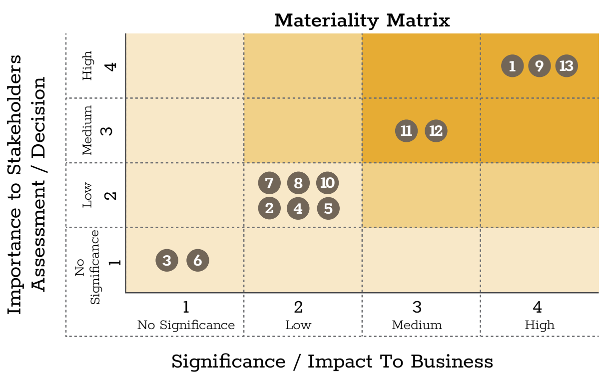


STRATEGIC APPROACH FOR SUSTAINABILITY (continued)

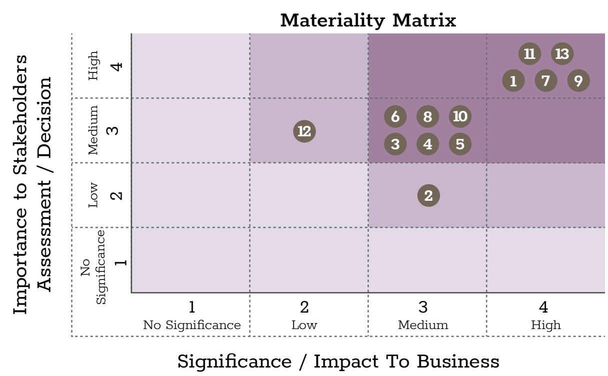
Materiality Assessment (continued)

Exhibit 5 — ASB's Materiality Matrix (continued)

Others — Education



Others — Bus-Body Fabrication



SUSTAINING GROWTH

To ensure that the business is growing and accumulating wealth but in a way that does not permanently damage the environment and communities.

PRODUCT EXCELLENCE

We believe that our financial viability hinges on customer satisfaction and our ability to meet customer demand for our products and services. Our business divisions remain committed to execution excellence and building enduring relationships with not only our customers but key stakeholders in our value chain.

Group Commitments & Targets

- Continue to improve product excellence through innovation and technology.
- Continue to maintain a high level of customer satisfaction across our businesses.

Customers of our financial services division may lodge a complaint through the telephone call, email and company's website and the division will act on such complaint within 3 working days. Merchants or customers will be notified immediately upon any transaction failures. Regular customer satisfaction survey will be conducted on selected merchants as part of its key initiatives undertaken to maintain/improve customer service/customer relationship.

PRODUCT EXCELLENCE (continued)

Our ICT division has a 24-hour customer careline for customers to lodge feedbacks on service issue. Feedbacks from customers including complaints are documented for future improvement and development of products and services.

Our hospitality unit strives to be known for its good value hospitality and is committed to superior customer services and well-being of their guests.

The following are some of its existing commitments made:

In their quest to deliver superior quality products and services to their customers and comply with applicable legal requirements, the hospitality unit has in place its very own MANJA Programme, a quality management system focusing on the service standards, work processes, job instructions and the standard operating procedure ("SOP") for all aspects of the hotel operations. Besides, the unit also obtained accreditations such as "Clean & Safe Malaysian Hygiene and Safety Label" from Bureau Veritas and "COVID-19 SOP and Travel Quality Best Practices" from Tourism Malaysia, amongst others.

The hospitality, education and financial services businesses are also building their technology capabilities to provide customised, improved and value-added products and services to be more competitive in the digital era. Meanwhile, our F&B unit performs regular research and development ("R&D"), foods testing, review of supply chain in order to maintain commitment to quality.

Our bus-body fabrication unit is International Organization for Standardization ("ISO") 9001:2015 certified. Our bus-body fabrication unit will continue to provide products and services that consistently meet customers' needs, enhance customer satisfaction through a process of continual improvement and ensure compliance with all applicable statutory and regulatory requirements.

We believe the Group's long-term business is built mainly on the trust and confidence of customers. Therefore, feedbacks from customers such as customer satisfaction ratings and customer complaints are documented for future improvement on the development of products and services.

The following table summarises our performance indicators on product excellence:

Indicator	**Unit**	**2021**	**2022**	**2023**
Average Customer/Client Satisfaction score				
- ICT	%	N/A	94%	100%
- Travel & Tours	%	N/A	85%	85%
- Property Development	%	N/A	100%	100%
- Hospitality	%	N/A	85%	86%
- F&B	%	N/A	90%	86%
- Bus-Body Fabrication	%	N/A	88%	83%
Total no. of incidents regarding products and services	Number	0	0	0

SUPPLY CHAIN MANAGEMENT

Group Commitments & Targets

- Continue to assess/review suppliers annually.
- Continue to support local businesses.

The Group continues to support local businesses by procuring from suppliers and contracting services locally. We believe that a strong local supply chain through a productive partnership is vital to the growth of our business.

By such support, we believe that we can positively contribute to the local economy. We select partners who share our work ethics and values and who are willing to provide quality products and services in a responsible manner.

In cases where local suppliers are not suitable, we will source internationally. Where outsourcing is practised, we will ensure that the products conform to our sustainable policies and are labelled with “good manufacturing practices”. To mitigate supply chain disruption, our business divisions will have periodic review meetings with active suppliers/vendors besides having alternative and/or multiple suppliers/vendors.

For FYE2023, the financial services division has performed spot checks on all of their suppliers. Meanwhile, the travel and tours division and the hospitality unit continue to perform spot checks on their key suppliers at least once in a year.

An annual assessment/review of their suppliers in FYE2023 has been initiated by the financial services division and the hospitality unit whilst continued efforts were made by our travel & tours division and F&B unit to assess/review their suppliers for 2023. During the reporting period, there was no new supplier engaged by our ICT division. Our ICT division will ensure that all new suppliers are screened and evaluated in 2024.

ICT division focuses on supplier background and technical ability to provide the relevant service as the criteria/parameters used to assess and appoint suppliers. Meanwhile, for our F&B unit, the price and quality are their main criteria in assessing their suppliers.

Since 2022, our F&B unit has shown a record of 100% procurement from local suppliers. Meanwhile, the other divisions/units recorded above 90% procurement spending on local suppliers depending on their nature of business.

SUPPLY CHAIN MANAGEMENT (continued)

Our indicators for supply chain management are summarised in the table below:

Indicator	Unit	2021	2022	2023
Audits (spot checks) made to key suppliers' offices/sites				
- Travel & Tours	Number	N/A	1	1
- Hospitality	Number	N/A	1	1
- Financial Services	%	N/A	N/A	100%
Percentage of suppliers assessed/reviewed annually				
- Travel & Tours	%	N/A	10%	10%
- Financial Services	%	N/A	N/A	100%
- Hospitality	%	N/A	N/A	9.5%
- F&B	%	N/A	40%	70%
Percentage of spending on local suppliers (within Malaysia)				
- Group average	%	N/A	97.5%	97%
- Financial Services	%	N/A	N/A	95%
- Hospitality	%	N/A	95%	95%
- F&B	%	N/A	100%	100%

CORPORATE GOVERNANCE & RISK MANAGEMENT

Given the geographical diversity of our businesses, we closely monitor developments in the laws and regulations of countries where the Group operates to ensure that our businesses and operations comply with all relevant laws and regulations.

Group Commitments & Targets

› We are fully committed to strengthening our regulatory compliance framework. Our emphasis is clear and consistently reiterated.
› The Group continues to work towards a full compliant culture.

All our key employees affirm their understanding of the code of business conduct. We regularly engage with local government authorities and agencies to keep abreast of changes to laws and regulations.

We recognise that non-compliance with laws and regulations not only has a significant financial impact but potentially detrimental reputational impact on the Group. To manage and track compliance issues, the Group appoints key personnel at Group level and at subsidiary companies for compliance roles and conducts internal audits. The responsibilities of each of our appointed risk officers also embodied compliance with rules and regulations specific to their roles and functions in the business operations.

CORPORATE GOVERNANCE & RISK MANAGEMENT (continued)

The Audit Committee, assisted by Internal Auditors, supports the Board in its oversight of regulatory compliance and is responsible for driving the Group's focus on implementing effective compliance and governance systems. At the operational level, the respective business divisions and departments are responsible to identify, self-assess the adequacy and effectiveness of mitigating measures, and manage their financial, operational, compliance and reputational related risks.

See Governance on pages 87 to 94 of the Annual Report.

See Risk Management and Sustainability on pages 53 to 64 of the Annual Report.

The following table shows the training received by our employees on corporate governance and risk management together with the summary of no incidences of or fines paid for environmental non-compliance:

Indicator	Unit	2021	2022	2023
Total Employees receiving Corporate Governance and Risk Management Training	Number/%	N/A	N/A	59/9%
Total number of incidences of environmental non-compliance	Number	N/A	0	0
Total amount of fines paid for the environmental non-compliance	RM	N/A	0	0

ANTI-CORRUPTION

Group Commitments & Targets

- We have zero-tolerance for fraud, bribery, corruption and violation of laws and regulations.
- The Group has a set of policies and guidelines that spells out the responsibilities of employees in observing and upholding the company's 'zero tolerance' position against any form of corruption, bribery and exhortation. Periodic training/refresher sessions on anti-corruption, bribery, extortion, and money laundering shall be conducted for the Group staff.

To ensure that our internal practices and processes are in adherence and alignment with these latest developments, we took active steps to strengthen our internal processes and practices and adopt a 'zero-tolerance approach' towards any form of corruption including stepping up awareness, education and training programmes on anti-corruption, i.e. bribery, fraud, embezzlement and so forth. During the year, the Group continues in implementing the Group Anti-Bribery and Anti-Corruption Framework and Policy ("ABAC Policy") and aligned with the Section 17A of the Malaysian Anti-Corruption Commission Act 2009 as well as the Group Directors Conflict of Interest Policy & Procedures and Group Governance Framework pursuant to the guidelines issued by the Securities Commission Malaysia.

ANTI-CORRUPTION (continued)

The ABAC Policy has been designed to safeguard the Company, Board of Directors, Management and employees and to align with the requirements set out in the Group's direction of high integrity principles. It helps the Group staff to recognise and deal with corrupt gratification, as well as understand their responsibilities. In tandem, the Group has implemented a Group Whistleblowing Policy and Procedures ("Whistleblowing P&P") to provide an avenue and platform for all personnel, employees, agents and/or third parties to disclose any acts of bribery and/or corruption in a confidential manner that protects the whistleblower from any risk of reprisal. The said ABAC Policy and Whistleblowing P&P are publicly available on the Group's website at *www.asb.com.my*.

We are pleased to report that none of our Board of Directors, Management or employees is involved in any suspected bribery and corruption practices or unethical behaviors in 2023.

Our key performance indicators on anti-corruption are as follows:

Indicator	Unit	2021	2022	2023
Total Employees receiving Anti-Money Laundering and Anti-Corruption Training				
- Executive	Number/%	N/A	N/A	60/15%
- Non-Executive	Number/%	N/A	N/A	30/11%
Percentage of operations assessed for money laundering or corruption related risks				
- Group average	%	N/A	N/A	46.75%
- Financial Services	%	N/A	N/A	73.50%
- F&B	%	N/A	N/A	20%
Total no. of incidents involving money laundering, corruption and bribery	Number	0	0	0

DATA PRIVACY & SECURITY

With increasing use of technology, the Group may be exposed to increased cyber risk such as risk relating to data breaches, and sabotage on information processing and information technology system. Such cyber risks can lead to the commercial losses and negative effect on the Group's businesses. Therefore, the Group strategises to be resilient against cyber risk by educating its staff on cyber risk and the importance of data privacy and security by creating a cyber security culture. Processes and systems are in place to identify, mitigate and report risks and we communicate best practices to the Group staff. Assessment of the cyber risk/ threat landscape is followed by risk mitigation planning based on the Group's risk appetite and implementation of a proactive approach to manage any cyber breach before, during and after it occurs. This is to ensure that critical infrastructure is protected to a level that commensurate with the risks. The Group has a policy that requires new members to be briefed on the Personal Data Protection Act and General Data Protection Regulation during their induction day.

DATA PRIVACY & SECURITY (continued)

The following are our key performance indicators on data privacy & security:

Indicator	Unit	2021	2022	2023
Total Employees trained/briefed on Personal Data Protection Act and/or General Data Protection Regulation	Number	N/A	N/A	55
Total data protection and data security trainings conducted	Number	N/A	3	0
Total incidents involving data privacy & data security breaches	Number	N/A	0	0

ENVIRONMENTAL MANAGEMENT

Environmental sustainability forms an integral part of the Group's sustainability philosophy. We endeavour to integrate the best sustainability practices and compliance across business operations to reduce adverse environmental impact on the ecosystem. In our daily operations, the Group continues to be committed on recycling, energy-saving practices and undertaking measures to reduce wastages, pollution and harmful emissions.

ASB is committed and strive to improve resource efficiency and reduce our environmental impact. We continue to factor in environmental considerations in our businesses.

Group Commitments & Targets

› Continue to improve the environmental management systems of key business units to meet the requirements of the ISO 14001 standard.
› Continue to explore solutions that minimise environmental impact.
› Install or maintain energy efficient equipment and devices at our facilities whenever possible, including LED lights and more energy-efficient cooling solutions.

The Going Green campaign at our hotels aims to contribute to the preservation of natural resources and environment by focusing on energy conservation, waste management, responsible purchases and landscaping.

Our hospitality unit works with all stakeholders to promote and implement responsible environmental practices. Both Holiday Villa Beach Resort & Spa Cherating and Holiday Villa Beach Resort & Spa Langkawi performed environmental impact assessments before the hotels embarked on any development or improvement. To reduce environment impact, including climate change, we use renewable energy and garbage enzymes made out of fruit peels and vegetables as cleaning agent, minimise the usage of plastic straws, cups, boxes, cutlery and other F&B materials by gradual introduction of paper or biodegradable options, unfinished toiletries are not replaced with the new ones in existing guest rooms, other bathroom amenities are provided only upon request by hotel guests. In addition, all guest rooms are provided with bottled reverse osmosis waters instead of individual plastic bottled waters.

ENVIRONMENTAL MANAGEMENT (continued)

The hospitality unit also has its own environmental policy in place towards the improvement targets to monitor energy consumption, water consumption and waste production. Our hospitality unit recognises that resource conservation, biodiversity and pollution prevention are key to a sustainable environment, and will continue to effectively integrate these concepts into our business decision-making. This unit subscribes to products that are labelled as complying with "good manufacturing practices" and participated in Fortnightly Trash Hero Programme.

Our bus-body fabrication unit has a designated area for waste deposit and disposal. In January 2024, our bus-body fabrication unit registered with the Department of Environment (DOE) and keeps track of waste management via DOE's Electronic Scheduled Waste Management Information System (eSWIS). The Group ensures that waste materials are deposited at designated environmentally safe areas and disposed off periodically by licensed waste disposal contractors.

As for our F&B unit, we ensure used cooking oils are stored in non-flammable containers before disposing them to the recognised oil waste disposal vendor regularly.

For businesses with operations that are concentrated in offices such as our ICT and travel and tours divisions, the impact on the environment is relatively limited and confined largely to resource and energy efficiency such as encouraging staff to be environmentally-conscious by promoting paperless administration and operational practices to reduce paper usage.

Emission Management

Since 2022, the Group started to monitor carbon emissions from our business activities. We report our greenhouse gas ("GHG") emissions according to the GHG Protocol Corporate Standard. The intensity of operational GHG emissions is measured and disclosed as follows:

Scope	Emission Type	Definition	Description
Scope 1	Direct emissions	GHG emissions in activities from the Group's fuel combustion in vehicles and machineries.	Measured and disclosed
Scope 2	Indirect emissions	GHG emissions generated from the consumption of purchased electricity.	Measured and disclosed
Scope 3	Indirect emissions	GHG emissions that are a consequence of the activities of the company but occur from sources not owned or controlled by the company, i.e. employee commuting.	Measured and disclosed

ENVIRONMENTAL MANAGEMENT (continued)

Emission Management (continued)

Presently, the data on GHG emissions under Scope 1 is measured by our bus-body fabrication unit by measuring consumption of diesel in their operation. The unit managed to maintain 400 litres consumption of diesel per annum since 2022. Continuous efforts are in place to reduce the GHG emissions. Scope 3 is measured based on estimation of distance travelled by employees from their home to workplace and for 2023, we have measured indirect emissions from Group employees (excluding employees from the ICT division) commuting for Scope 3 emission.

The following table represents the Group's performance on GHG emissions:

Indicator	Unit	2021	2022	2023
Scope 1 - CO_2e produced by company vehicles & machinery owned by the company *(2022: 1.072 tonnes is restated figure due to change of emission factor from 2.66 kg to 2.68 kg per litre of diesel)*	Tonnes	N/A	1.072	1.072
Scope 2 - CO_2e produced by electricity consumption *(2021 and 2022: restated figures due to change on total electricity consumption)*	Tonnes	2,090	3,246	3,476
Scope 3 - CO_2e produced by employees' commute *(2023: estimation based on 423 employees)*	Tonnes	N/A	386	313

Waste Management

Apart from carbon emission control, the Group also takes stringent measures in waste management. All the wastes generated were carefully handled. There was no hazardous waste spillage incident recorded during the year. We will also continue to maintain our stringent control and commitments to protect the environment moving forward. The following table summarises the type of waste generated by our ICT division as well as F&B and bus-body fabrication units:

Indicator	Unit	2021	2022	2023
Total Recycled Waste	Tonnes	N/A	4.30	7
Total Non-Recycled Waste	Tonnes	N/A	141.20	196.40
Total Hazardous Waste	Tonnes	N/A	0.07	1.70

ENVIRONMENTAL MANAGEMENT (continued)

Water

Water is a precious resource. The Group continues to strengthen its water conservation efforts through initiatives like promoting water-saving practices, adopting water-efficient technologies and equipment as well as implementing process improvements.

Given that the business operations of most of our divisions/units are concentrated in normal office spaces, the level of water consumption is relatively limited, except for hospitality unit. Our hospitality unit undertakes a water harvesting project in which wastewater is stored in a lagoon and the treated water is used for gardening, watering plants, and flushing toilet systems. In 2023, it was estimated that 2000 m3 water was harvested in a month and the estimated savings is about RM 4,320 per month. The following are some other initiatives to save water implemented by our hospitality unit:

1. Going Green @ Skip the Housekeeping Program where hotel guests are encouraged to participate in our no-change of in-room bed linens or towels whilst during their stay in exchange for a hi-tea set consumable at F & B outlets of our hotels;

2. Regular inspection of piping systems and fittings to ensure that functionality and efficiency is maintained;

3. Repair & replace of old pipes, fittings and other equipment where necessary; and

4. Installation or replacement of conventional water fittings with water efficient fittings.

In 2023, the total consumption by our Group was approximately 116.72 Megalitres (ML) of water as compared to approximately 117.51 ML in 2022.

The Group's total water consumption from 2021 to 2023 are as follows:

Indicator	Unit	2021	2022	2023
Total Water Consumption	Megalitres	117.89	117.51	116.72

Energy Management

The Group's energy demand comprises a mix of direct and indirect sources of energy. In 2023, the Group consumed about 5,588 megawatt hour (MWh) of energy.

Overall electricity consumption has seen a significant increase in 2023 compared to the previous two years as a result of increased operations in our business divisions/units.

ENVIRONMENTAL MANAGEMENT (continued)

Energy Management (continued)

The following table represents our energy consumption within the Group for past three financial years:

Business Division/Unit	2021	2022	2023
	kilowatt hour (kWh)		
ICT *(2021: restated figure due to change in calculation approach)*	800,000	834,283	841,371
Travel & Tours	22,429	40,482	43,806
Financial Services	66,959	77,496	70,770
Property Development & Investment			
- Property Development	41,001	46,852	42,110
- Hospitality	2,072,042	3,515,836	3,894,985
- F&B	103,088	289,831	266,975
Education	32,863	40,000	43,907
Bus-Body Fabrication	189,242	323,726	329,780
Investment Holding	33,073	50,460	54,729
Total energy consumption (kWh)	3,360,697	5,218,966	5,588,433
Total energy consumption (MWh)	3,361	5,219	5,588

Hospitality unit reported the highest increase in the electricity consumption with higher average occupancy rate reported in FYE2023 compared to FYE2022. The unit conducts inspection of the air-conditioning system to ensure that it is operating at optimum level. This initiative is part of the hospitality unit's effort to achieve optimal electricity consumption.

Meanwhile, financial services, property development and F&B divisions/units reported reduction in the electricity consumption during FYE2023 compared to FYE2022.

Our other business divisions/units showed increase in electricity consumption in 2023 compared to 2022 as they geared up operations during the year. Our goal is to meet the electricity consumption targets set by the respective business units by closely monitoring electricity usage.

Environmental Compliance

ASB Group remains committed to comply with all applicable legal requirements enforced by local governing authorities and relevant enforcers which may include among others, the requirements as set out in Table 1. The Group's operations continue to conform to local environmental laws and regulations. All employees of the Group and that of contractors and consultants are encouraged to be proactive and forthcoming in managing and reporting environmental related issues and complaints.

ENVIRONMENTAL MANAGEMENT (continued)

Environmental Compliance (continued)

Table 1 — Environmental Compliance Requirements in Malaysia

Compliance
Environmental Quality Act 1974 (and its Amendments)
Environmental Quality (Scheduled Wastes) Regulations 2005
Environmental Quality (Sewage) Regulations 2009
Environmental Quality (Clean Air) Regulations 2014
Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015
Guidelines from Natural Resources and Environment Board (Sarawak)
Land Conservation Act 1960

During the reporting period, there was no incident of non-compliance and penalties pertaining to environmental-related issues. To maintain the highest standard of environmental compliance and to prevent future occurrence of incidents, Management will continue to review and improve the current environmental management system and practices and ensure that all our activities and operations comply with existing regulatory requirements.

EMPOWERING LIVES

To ensure fair and sustainable practices, allowing employees to thrive and be fulfilled.

LABOUR PRACTICES AND STANDARDS

Our employees are one of our most valuable assets. We are committed to fair employment practices, uphold human rights principles and invest in developing and training our people. At the Group, we strive to foster an inclusive and performance-driven work environment to attract, retain and develop our talents. We are an equal opportunity employer and have instituted a fair system to ensure equal opportunities and non-preferential treatment for all employees. There is no preference or prejudice towards religion, age, ethnicity, race, physical disability or gender. Employees are required to observe and adhere to all relevant Group policies and practices. As at 31 December 2023, the Group has a total number of 667 employees.

Group Commitments & Targets

- Continue to promote diversity and equal opportunity in the workplace.
- Further develop our workforce through tech-enabled and self-paced training programmes.

We continue to engage our workforce and implement initiatives to achieve our long-term goal of improving collaboration and workplace innovation. Employee engagement initiatives are organised throughout the year to forge stronger bonds among employees and enhance communication between management and staff.

LABOUR PRACTICES AND STANDARDS (continued)

Learning & Development

In a rapidly evolving industry, continuous learning is essential to ensure our Group implements the latest practices and technologies and to address key gaps in employees' behaviour, technical and functional skills/knowledge. To encourage and support our employees to develop their fullest potential and have a fulfilling career, the Group places priority on learning and development programmes. Our learning and development roadmap also accounts for future skills required to improve the efficiency of the business. We customise and design training and development activities based on employees' training needs and work requirements.

During the financial year ended 31 December 2023, the Group spent close to RM 306,831 on training. Total amount invested in employee learning and development from 2021 to 2023 is set out on page 44 of this Annual Report.

Increase in amount spent on the training in 2023 indicates our Group's commitment to ensure that our employees are receiving proper training and equipped with the most up-to-date knowledge.

In 2023, our hospitality unit provided various types of training in relation to hospitality to enhance the skills and knowledge of our hotel employees.

The Board takes appropriate action such as attending training to ensure they stay abreast with and understand the sustainability issues relevant to the Group and its business which may include topics relating to climate-related risks and opportunities. During 2023, training attended by the directors, senior management and/or employees of the Group include among others the following:

- Anti-Money Laundering and Combating the Financing of Terrorism & Targeted Financial Sanctions modules/assessment and Other Related Regulatory Requirements Budget 2024
- Climate Change & Carbon Footprint — Getting the Right Financial Risk & Reporting Perspectives
- Computation of Percentage Ratios
- Conflict of Interest
- Corporate Profit Growth Bootcamp
- Effective Communication Towards Efficient Problem Solving and Decision Making
- E-Invoicing: The Digital Way Forward
- Emergency Response Plan and Emergency Response Team
- Exploring Various RPT Exemptions
- Government Grants and Financial Assistance for Malaysian Companies and Its Application Procedures
- MAICSA Regulatory Insights: Compliance & Challenges
- Malaysian Financial Reporting Standards
- Managing for Performance
- Mandatory Accreditation Program (MAP) Part I and II
- Masterclass & Training Cocktails

LABOUR PRACTICES AND STANDARDS (continued)

Learning & Development (continued)

- New Transfer Pricing Rules for 2023
- National Human Capital Conference and Exhibition 2023
- Occupational First Aid Skills and Cardiopulmonary Resuscitation Course, Awareness, and Safety & Health Coordinator (OSH-C)
- Personal Data Protection, Cyber-Security, Integrity (Code of Ethics) and Anti-Corruption & Bribery
- Positive Work Attitudes and Behaviours
- Sexual Harassment
- Seminar 2023 Towards Sustainable Recovery
- The Importance of Sanctions Screening

The following summarises the type of training attended by employees for FYE2023:

Type of Training	No. of Training Conducted
Sustainability	2
Health & Safety	12
Mental Health & Wellness	1
Discrimination & Harassment	2
Anti Money Laundering & Anti-Corruption	6
Code of Conduct/Ethics	2
Corporate Governance & Risk Management	21
Others	28
Total	74

The following table indicates our performance on labour practices and standards:

Indicator	Unit	2021	2022	2023
Total amount spent on training	RM	175,739	71,357	306,831
Percentage of employees receiving training and development by types of training				
- Corporate Governance & Risk Management	%	N/A	N/A	9%
- Anti Money Laundering & Anti-Corruption	%	N/A	N/A	13%
- Code of Conduct	%	N/A	N/A	4%
- Discrimination & Harassment	%	N/A	N/A	30%
- Safety & Health	%	N/A	N/A	22%
- Mental Health & Wellness	%	N/A	N/A	25%
- Sustainability	%	N/A	N/A	1%
- Others	%	N/A	N/A	37%
Percentage of staff turnover				
- Executive	Number/%	N/A	N/A	57/8%
- Non-Executive	Number/%	N/A	N/A	73/11%
Substantiated complaints concerning human rights violations	Number	0	0	0

LABOUR PRACTICES AND STANDARDS (continued)

DIVERSITY

We believe that people should have access to the same opportunities regardless of their ethnicity, religion, gender, marital status or age. We value diversity and inclusion and are committed to the principle of equal employment opportunity. Our hiring policies ensure equal employment opportunities for all. New hires are considered based on individual competencies as well as organisational requirements and job fit. The following employment statistics illustrate the diversity of our workforce:

Indicator	Unit	2021	2022	2023
Employee Diversity				
Total Employees	Number	541	607	667
EMPLOYEES BY CONTRACT				
Full time employees	Number/%	535/99%	597/98%	660/99%
Contract Workers	Number/%	6/1%	10/2%	7/1%
EMPLOYEES BY NATIONALITY AND ETHNICITY				
Malaysian	Number/%	517/96%	575/95%	603/90%
Foreigner	Number/%	24/4%	32/5%	64/10%
EMPLOYEES BY GENDER				
Male	Number/%	309/57%	380/63%	410/61%
Female	Number/%	232/43%	227/37%	257/39%
EMPLOYEES BY AGE				
Below 40	Number/%	275/51%	319/53%	364/55%
40-59	Number/%	236/44%	262/43%	275/41%
60 and above	Number/%	30/5%	26/4%	28/4%
EMPLOYEES BY CATEGORY				
Executive: Male	Number/%	192/36%	225/37%	236/35%
Executive: Female	Number/%	127/23%	140/23%	151/23%
Non-Executive: Male	Number/%	117/22%	155/26%	174/26%
Non-Executive: Female	Number/%	105/19%	87/14%	106/16%
Executive: under 40 years	Number/%	149/28%	183/30%	206/31%
Executive: 40-59 years	Number/%	150/28%	158/26%	161/24%
Executive: 60 years and above	Number/%	23/4%	22/4%	21/3%
Non-Executive: under 40 years	Number/%	126/23%	136/22%	158/24%
Non-Executive: 40-59 years	Number/%	86/16%	104/17%	114/17%
Non-Executive: 60 years and above	Number/%	7/1%	4/1%	7/1%

LABOUR PRACTICES AND STANDARDS (continued)

DIVERSITY (continued)

The Directors diversity by gender and age are as follows:

Indicator	Unit	2021	2022	2023
Director Diversity				
Total Directors	Number	8	8	8
DIRECTORS BY GENDER				
Male	Number/%	4/50%	4/50%	4/50%
Female	Number/%	4/50%	4/50%	4/50%
DIRECTORS BY AGE				
Below 40	Number/%	NIL	NIL	NIL
40-59	Number/%	3/37%	3/37%	2/25%
60 and above	Number/%	5/63%	5/63%	6/75%

As of 31 December 2023, the total number of Group employees increased to 667 from the previous year of 607 and number of female employees also increased with a 39% female employment rate. The bulk of our workforce, executives and non-executives, are from under age 40 years. Since the bulk of our operations are in Malaysia, 90% of our employees are Malaysian.

The Group believes that hiring from local communities enhances our ability to understand local needs and strengthen our capabilities on the ground.

Code of Business Conduct and Ethics

We maintain a zero-tolerance for unethical labour practices such as child labour, forced labour, slavery and human trafficking in all our operations. All employees are required to conduct business dealings in line with our Code of Business Conduct and Ethics Policy. We encourage declaration of conflict of interest on an annual basis as a preventive safeguard for fair dealings and transparent business relationships.

Compliance with Applicable Employment Laws & Regulations

During the year under review, the applicable employment laws and legislations include among others the requirements as set out in Table 2.

LABOUR PRACTICES AND STANDARDS (continued)

DIVERSITY (continued)

Compliance with Applicable Employment Laws & Regulations (continued)

Table 2 — Employment Compliance Requirements in Malaysia

Compliance
Employment Act (Amendment) 2022
Industrial Relations Act 1967
Trade Union Ordinance 1959
Code of Industrial Harmony, Malaysia 1975
Minimum Wages Order 2022
Personal Data Protection Act 2010
Pembangunan Sumber Manusia Berhad Act 2001

The Group strives to continuously cultivate a transparent and inclusive environment for all employees, as well as to ensure a top-down approach to promote fair and ethical business dealings. We also have an open-door policy whereby employees are encouraged to speak up or report grievances directly to their superior, head of department, human resource department, their business unit chief executive officer, and group executive director and/or independent directors of the Company. This is to reinforce our commitment to our employees to provide them with a workplace that is healthy, safe and secure.

HEALTH & SAFETY MANAGEMENT

The Group remains committed to maintaining a safe and productive environment, free from harassment in which all individuals are treated with respect and dignity and we expect all our employees and individuals who work at our sites/businesses to follow our health and safety policies and procedures and be free from substance abuse at all times.

Group Commitments & Targets

- Strive to raise awareness, maintain vigilance and foster a strong health and safety environment centric culture across the Group and particularly at the ground level.
- Maintain a zero-tolerance to unhealthy and unsafe practices.
- Leverage technology to drive improvements in safety performance.

Our employees and partners are assured of a safe working environment through our Health & Safety and Environment Management system ("HSEMS"). While the HSEMS serves as a point of reference, additional measures have been taken to cultivate a safety-first culture through various initiatives at our corporate office.

HEALTH & SAFETY MANAGEMENT (continued)

Processes and systems are in place to identify, mitigate and report risks and communicate best practices across the Group, and we work with our contractors and subcontractors to ensure that they understand our requirements and expectations.

In order to ensure our employees are practising safe workplace practices and taking the necessary safety precautions, we provide relevant training programmes conducted internally and through external parties. In the year 2023, besides the education unit and travel & tours division, all other divisions and units managed to conduct at least one safety training program.

To safeguard the health and safety of our employees, the Group regularly conducts fogging and housekeeping activities and fire drills at its premises and continues practising the SOP provided by Ministry of Health for prevention of COVID-19. In 2023, both the Lost Time Injury and Lost Time Accident incidents at Group level were zero.

The following table summarises indicators measured to assess our commitments/performance towards health and safety:

Indicator	Unit	2021	2022	2023
Total fines/penalties relating to workplace health and safety	Number	0	0	0
Total reportable Health and Safety incidents	Number	0	0	0
Average sick days per employee	Number	N/A	4	3
Total Health & Safety trainings	Number	N/A	6	12
Employees being trained on Health & Safety	Number/%	N/A	N/A	150/22%

NURTURING COMMUNITIES

To protect and support the needs of local communities and wider society such that the business and communities may flourish together.

COMMUNITY/SOCIETY

Support initiatives to promote the social development of local communities where we operate through the corporate social responsibility.

ASB is committed to uphold and to honour our social obligations by contributing to the economic and social wellbeing of every community in which we operate. We also believe in the importance of providing opportunities especially to the younger generation, for the betterment of our society.

COMMUNITY/SOCIETY (continued)

The Group participates in the ACHIEVE Corporate Social Responsibility ("CSR") Programme ("ACHIEVE") which aims to pool and focus the efforts and resources of the Group with likeminded corporations that share the common desire to support and implement meaningful CSR activities. The ACHIEVE Committee was formed with representatives from various divisions of our Group participating as committee members, to spearhead CSR activities via synergy collaboration with identified organisations.

Remaining eco-friendly in our daily operations

We recognise the importance of good environmental management or preservation practices to minimise disruption to the environment in the communities we operate in to sustain growth. In our daily operations, the Group continues to be committed on recycling, energy-saving practices and undertaking measures to reduce wastages, pollution and harmful emissions. We shall continue to expand and adopt our sustainable environment management practices and efforts in our business operations and strive to influence that of stakeholders in our value chain.

Internship

The Group offers an internship program to build a future generation of leaders and fight youth unemployment. Such programme also provides the Group with the opportunity to train young talent. Our commitment towards the internship programme is illustrated in the table below:

Indicator	Unit	2021	2022	2023
Total interns accepted in the internship programme				
- ICT	Number	N/A	39	37
- Financial Services	Number	N/A	11	8
- Hospitality	Number	N/A	18	19
Total interns turned permanent employee from the internship programme				
- ICT	Number	N/A	3	4
- Financial Services	Number	N/A	6	2
- Hospitality	Number	N/A	0	1

PERFORMANCE DATA TABLE FROM BURSA SECURITIES' ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING PLATFORM

Indicator	Measurement Unit	2023
Bursa (Supply chain management)		
Bursa C7(a) Proportion of spending on local suppliers	Percentage	97.00
Bursa (Anti-corruption)		
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category		
Executive	Percentage	15.00
Non-executive/Technical Staff	Percentage	11.00
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	46.75
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0
Bursa (Data privacy and security)		
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0
Bursa (Water)		
Bursa C9(a) Total volume of water used	Megalitres	116.720000
Bursa (Energy management)		
Bursa C4(a) Total energy consumption	Megawatt	5,588.00
Bursa (Labour practices and standards)		
Bursa C6(a) Total hours of training by employee category		
Executive	Hours	No Data Provided
Non-executive/Technical Staff	Hours	No Data Provided
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	1.00
Bursa C6(c) Total number of employee turnover by employee category		
Executive	Number	57
Non-executive/Technical Staff	Number	73
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0
Bursa (Diversity)		
Bursa C3(a) Percentage of employees by gender and age group, for each employee category		
Age Group by Employee Category		
Executive Under 40	Percentage	31.00
Executive Between 40-59	Percentage	24.00
Executive Above 60	Percentage	3.00
Non-executive/Technical Staff Under 40	Percentage	24.00
Non-executive/Technical Staff Between 40-59	Percentage	17.00
Non-executive/Technical Staff Above 60	Percentage	1.00
Gender Group by Employee Category		
Executive Male	Percentage	35.00
Executive Female	Percentage	23.00
Non-executive/Technical Staff Male	Percentage	26.00
Non-executive/Technical Staff Female	Percentage	16.00
Bursa C3(b) Percentage of directors by gender and age group		
Male	Percentage	50.00
Female	Percentage	50.00
Under 40	Percentage	0.00
Between 40-59	Percentage	25.00
Above 60	Percentage	75.00
Bursa (Health and safety)		
Bursa C5(a) Number of work-related fatalities	Number	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0.00
Bursa C5(c) Number of employees trained on health and safety standards	Number	150
Bursa (Community/Society)		
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	0.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	0

Internal assurance | External assurance | No assurance | (*)Restated

INDEPENDENT LIMITED ASSURANCE STATEMENT

HORIZON CORPORATE SERVICES SDN BHD

INDEPENDENT LIMITED ASSURANCE STATEMENT IN ADVANCE SYNERGY BERHAD'S SUSTAINABILITY STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Introduction

Horizon Corporate Services Sdn Bhd ["Horizon"] has been engaged by Advance Synergy Berhad ["ASB" or "the Group"] to perform an independent limited assurance on selected performance indicators and statements within ASB's Sustainability Statement for Financial Year 2023 ["Sustainability Statement 2023"].

This Independent Limited Assurance Statement applies to the related information included within the scope of work described below for the period from 1 January 2023 to 31 December 2023. The overall objective of this process is to provide assurance to stakeholders of ASB over the accuracy and reliability of the selected performance indicators and statements presented in the Sustainability Statement 2023.

Statement of Independence

Horizon is independent of ASB and has no financial interest in the operation of ASB other than appointed as outsourced internal auditor of ASB and the assessment and assurance of ASB's Sustainability Statement 2023.

Restriction on Distribution and Use of Our Report

This Independent Limited Assurance Statement has been prepared for ASB solely for the purposes of assuring its selected performance indicators and statements presented in the Sustainability Statement 2023, more particularly in the Scope of Work below. It was not prepared for any other purpose. Horizon will not, in providing this independent limited assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or towards any person by whom the independent limited assurance opinion may be read.

We consent to the inclusion of this independent limited assurance statement in ASB's Sustainability Statement for the year ended 31 December 2023, to be disclosed in the 2023 Annual Report of ASB and uploaded in the website of ASB.

Scope of Work

The scope of engagement agreed upon with ASB includes review the accuracy and reliability of the selected performance indicators and statements presented in the Sustainability Statement 2023 to be included in ASB's Annual Report for the financial year ended 31 December 2023 covering:

1) Emission Management:
   - Scope 1 – Tonnes of CO_2e produced by company vehicles & machinery owned by the company: 1.072.
   - Scope 2 – Tonnes of CO_2e produced by electricity consumption: 3,476.
   - Scope 3 – Tonnes of CO_2e produced by employees' commute (estimation based on 423 employees): 313.

2) Water: Total water consumption - 116.72 Megalitres.

3) Energy Management: Total energy consumption - 5,588 MWh (5,588,433 kWh).

   - ICT : 841,371 kWh.
   - Travel and Tours : 43,806 kWh.
   - Financial Services : 70,770 kWh.
   - Property Development : 42,110 kWh.
   - Hospitality : 3,894,985 kWh.
   - Food and Beverage : 266,975 kWh.
   - Education : 43,907 kWh.
   - Bus-Body Fabrication : 329,780 kWh.
   - Investment holding : 54,729 kWh.

INDEPENDENT LIMITED ASSURANCE STATEMENT (continued)

Scope of Work (cont'd)

4) Learning and Development: Total amount spent on training - RM306,831.

5) Diversity:
   - Employees by Nationality and Ethnicity (number / %):
     - Malaysian : 603 / 90% and Foreigner : 64 / 10%.
   - Employees by Gender (number / %):
     - Male : 410 / 61% and Female : 257 / 39%.
   - Employees by Age (number / %).
     - Below 40 : 364 / 55%.
     - 40 – 59 : 275 / 41%.
     - 60 and above : 28 / 4%.
   - Directors by Gender (number / %):
     - Male : 4 / 50% and Female : 4 / 50%.
   - Directors by Age (number / %):
     - 40 – 59 : 2 / 25% and 60 and above: 6 / 75%.

6) Health and Safety Management: Lost Time Injury and Lost Time Accident incidents - 0.

7) Community / Society:
   - Number of interns accepted in the internship programme:
     - ICT : 37.
     - Financial Services : 8.
     - Hospitality : 19.
   - Number of interns turned permanent employee from the internship programme:
     - ICT : 4.
     - Financial Services 2.
     - Hospitality : 1.

Methodology

Our work was designed to gather evidence on which our conclusion is based. We undertook the following activities:

- Interviewed key personnel responsible for collating information to clarify the selected performance indicators;
- Reviewed internal and external documentation where applicable and necessary; and
- Reviewed and verified the accuracy of data provided by ASB that are presented in the Sustainability Statement 2023.

Opinion Statement

On the basis of our methodology and the activities described above for the agreed scope of work, nothing has come to our attention to indicate that the reviewed Sustainability Statement 2023 is inaccurate and the information included therein is not fairly stated. We conclude that the selected performance indicators and statements are fairly presented in the Sustainability Statement 2023.

Responsibility and Limitations

It is the responsibility of the ASB's senior management and Board of Directors to ensure that the information being presented in the Sustainability Statement 2023 is accurate. The assurance is limited by information presented by ASB. Our responsibility is to provide an independent limited assurance opinion statement to the stakeholders of ASB based on the scope and methodology described.

This independent assurance opinion statement is prepared on the basis of review by Horizon of information provided by ASB. The review does not extend beyond such information and is solely based on it. In performing such review, Horizon has assumed that all such information is complete and accurate.

For and on behalf of
Horizon Corporate Sdn Bhd

Lau Sin Yee
Director
Date: 15 April 2024.

Risk Management and Sustainability

The Board is **responsible for establishing a formal structure** for the Group's Risk Management and Sustainability Committee ("RMSC") in ensuring that there is a sound system, policy and/or framework in place for risk management and internal control, and effective governance and management of sustainability initiatives and practices of the Group.

Under RMSC, there is a clear structure for the oversight of sustainability initiatives and adoption of indicators with specific measurements identified in tandem with the materiality matrix of the key sustainability matters so that our resources and efforts may be prioritised accordingly towards achieving our sustainability goals. The Group's sustainability framework, strategies, material sustainability matters, measures/indicators and targets, risks and opportunities are set out in the Sustainability Statement on pages 22 to 52 of this Annual Report.

For the purpose of this Statement, the Group means the Company and its subsidiaries, excluding its joint ventures and associate companies. This Statement does not cover the joint ventures and associate companies as the Company does not have full control over the operations, management and internal control system of these companies. However, we may have board representation on the boards of these companies.

IDENTIFYING AND MANAGING RISK

The management of risk is embedded in our culture and it is the responsibility of each employee to ensure that this culture is built into our working practices. Specifically, day-to-day management of risk is delegated by the Board to senior executives across each subsidiary, through appropriate committees, systems and controls. However, the Board provides direction by determining and setting the risk appetite.

Whilst encouraging an entrepreneurial and commercial culture that is focused on generating value for our clients, the Board actively seeks to ensure all relevant risk exposures are managed and mitigated.

We are subjected to the same general risks as many other businesses; for example, changes in general economic conditions, currency exchange and interest rate fluctuations, changes in taxation legislation, cybersecurity breaches, cost fluctuations of raw materials, impact of competition, political instability, pandemic and natural disasters.

The Board receives input from other key committees along with the framework employed by the Group to effectively manage risks.

OUR RISK STRATEGY

The Board is responsible for establishing a formal structure for the Group's RMSC in ensuring that there is a sound system, policy and/or framework in place for risk management and internal control, and effective governance and management of sustainability initiatives and practices of the Group.

This risk management framework includes risk assessment, response, communication and governance as key components to provide a comprehensive and proactive approach in managing risks. The Board is also responsible for ensuring that appropriate and proportionate resources are allocated to risk management activities.

OUR RISK MANAGEMENT FRAMEWORK

Under the RMSC, we have a structured risk management framework throughout the Group which is guided by the ISO 31000 — Risk Management Principles and Guidelines and set in place to identify the optimum operating condition to achieve the Group's strategic objective as well as to provide reasonable assurance that internal controls are adequate and effective in mitigating risks arising from business operations. This framework includes a standard set of risk categories, generic risk descriptions and scoring methodology, together with a process to analyse and manage risk. All our subsidiaries use this framework to identify and document their specific risks.

The risk management framework covers 6 broad processes as illustrated in Diagram 1 with corporate risk reporting tool, oversight and accountability and compliance assurance. Among others, the risk management process includes risk assessment that aids in appropriately identifying and analysing the risk at hand for better understanding. By this, an applicable response can be devised in order to mitigate the consequence and for continuous monitoring of the identified risk.

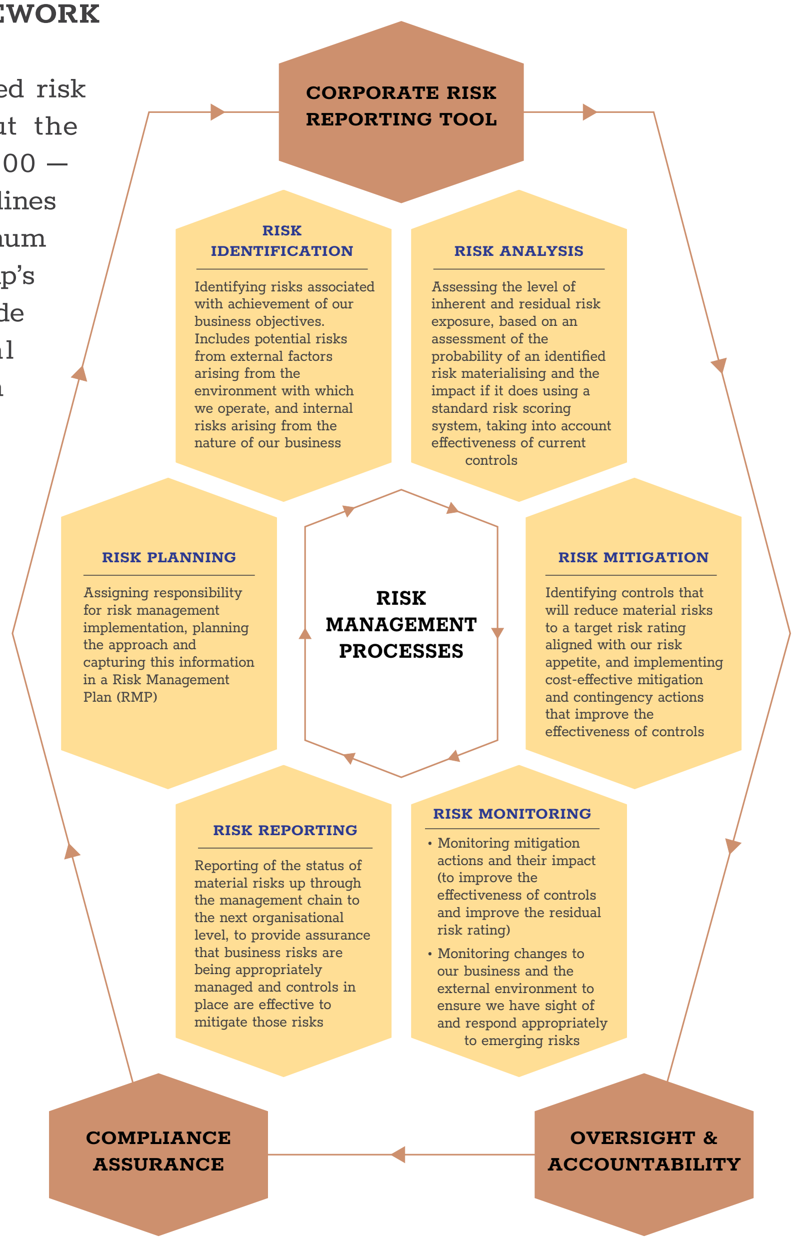


Diagram 1: Risk Management Process

OUR RISK MANAGEMENT FRAMEWORK (continued)

By having a well-defined process according to the framework, we are able to communicate more effectively across the Group so that the management will have a clearer picture in order to have a structured plan and sound governance as key components for providing a comprehensive and proactive approach in managing risks. At the Group level, this process becomes a complete reporting tool which provides an oversight of all related matters with a clear accountability structure that finally becomes a basis of transparency and ultimately providing assurance for best practices of risk management.

We rank risks in a risk register by combining their economic, operational or environmental impact and the likelihood that they may occur. We do this both before and after we identify the controls in place as part of a continuous monitoring process to mitigate each risk. Those risks that pose the greatest threat to our business and score the highest are identified as key risks. All our people are responsible for managing risk. By using a common framework, we are able to view risk from both a top-down and bottom-up perspective and so ensure it is considered and managed at every level of our business.

Guided by this framework, the management of subsidiary companies will include related arising matters in their respective industry during regular risk management meetings and integrate points of concern in order to be vigilant in sustaining business and taking proactive measures in managing their business risk.

On quarterly basis, the Group Risk Management Unit would meet each subsidiary management for a risk review meeting to discuss and review previously identified risks and verify whether any possible crystalisation of risk arising from day-to-day operational activities are addressed accordingly. This exercise which is done on a periodic basis, are a valuable exchange on ideas both ways; understanding the requirements from subsidiary management and at the same time communicating the direction of the Group with regard to risk management.

SUSTAINABILITY INITIATIVES AND ECONOMIC, ENVIRONMENTAL AND SOCIAL (“EES”)

With a revitalised market outlook after the global pandemic, the Group shall continue to refine its approach to adapt to changing business and sustainability landscape and aim to position ourselves ahead by embracing and addressing our social responsibility and aligning our directions with a value ecosystem which will benefit not just the Group alone, but also all across its sphere of influence such as its human capital, the local community and stakeholders alike.

We will continue to use a comprehensive materiality assessment to identify priority areas and set forth initiatives to advance our development in the EES areas to drive our efforts ahead in a more integrated and holistic manner where EES/Sustainability risks and considerations are integrated to the Group’s risk registers and overall risk management framework.

Moving forward, our collection of risk registers at subsidiary level which are related to EES focus areas will be highlighted and realigned to integrate with the Group’s materiality assessment process, and will be further refined towards the objective of the Group’s sustainability goals.

SUSTAINABILITY INITIATIVES AND ECONOMIC, ENVIRONMENTAL AND SOCIAL ("EES") (continued)

With that in place, we aim to achieve a comprehensive and practical approach to managing risk at the operational level equipped with specific mitigation controls and at the same time aims to achieve strategic goals set out at the Group level for sustainability.

OUR KEY RISKS

Risks affect every area of our business. Their nature and potential impact changes constantly but through our regular reviews, we identify risks that could impact our strategy and allow us to setup controls to mitigate their effects.

We categorise our risks into the following areas:

- **Strategic** risks that could prevent us from achieving our strategic objectives.
- **Operational** risks which, if not successfully managed, would threaten our viability. These relate to our ability to operate a sustainable and safe business.
- **Financial** risks relating to the funding and fiscal security of the Group.
- **Compliance** risks which could affect our compliance with regulations and law and/or our licences to operate the business.
- **EES/Sustainability** risks which are described as an uncertain economic, environmental or social event or condition that, if it occurs, can cause significant negative impact on the Group. Successfully managing this area could see the Group being able to explore opportunities that may be available in changing economic, environmental or social factors to remain sustainable in our operations.

We have listed below the key risks that may affect our business, although there are other risks that may occur and impact the Group's performance.

Strategic risks	Strategy for risk management
Conditions in the global economy, economic fluctuations, volatility and cyclicality of market and outbreak of diseases or pandemic may adversely affect the results of the Group.	The Group maintains a balanced portfolio of products serving a wide range of end markets around the globe. Segment performance at the business unit level is closely monitored and corrective actions are taken as necessary. For external factor risks which are beyond the control of management, the focus will be on identification, close monitoring and action plans to mitigate the impact. With continuous and steadfast risk management practices, we are confident in gearing our Group towards more sustainable solutions and growth.

OUR KEY RISKS (continued)

Strategic risks (continued)	**Strategy for risk management** (continued)
The markets in which the Group operates are highly competitive and the Group may lose market share to other competitors.	The Group continues to invest in existing and new products through research and development ("R&D"). The Group continues to invest in new facilities to allow the Group to maintain its key market positions. The Group strengthens its regional position and growth through alliances and collaborations. The Group operates by the International Organisation for Standardisation ("ISO"), the ISO 9001:2015 Quality Management Systems and the Third Edition of Australian Design Rules ("ADRs") conforming to the Australian Road Vehicle Standards Act 2018 (RVSA), for our bus-body fabrication unit, to ensure products meet customers' agreed standards. The Group maintains a strong and good working relationship with our suppliers and customers to ensure support and regular customer feedback to enhance our products and services.
The Group's strategic plan involves significant change management including cost-effective reforms, joint ventures and tie up with foreign parties to enhance market positions and provide new technologies.	Strategic projects are managed in a structured framework which includes formal identification of risks. The Group has extensive experience in change management and making use of external specialist advice as required.
The ability of the Group to compete is highly dependent on its ability to develop technological innovations, introduce new products and protect its intellectual property, trade secrets and know-how.	The Group continues to invest in existing and new technologies through R&D.
The ongoing success of the Group is dependent on attracting and retaining high quality senior management and staff who can effectively manage the Group's operations.	The Group offers competitive compensation packages with annual bonus and long-term incentive arrangements for key employees including granting of shares as a long-term incentive plan to reward eligible employees and to align their interest with the corporate goals and objectives of the Group. Appropriate notice periods and non-compete clauses are used to mitigate short-term risk for key positions.
The Group could suffer losses of intellectual property and other assets through theft or fraud which could be significant.	The Group maintains controls both to detect and prevent theft and fraud as appropriate to the nature of the risk.

OUR KEY RISKS (continued)

Operational risks	Strategy for risk management
Occupational safety and health risk is the failure in ensuring the safety, health and welfare of people at work as well as protecting other people from the safety and health hazards arising from business activities.	The Group has in place Occupational Safety and Health Act (“OSHA”) standards applicable to the bus-body fabrication and hospitality units as our uncompromising pledge towards excellence and industry recognition. The Group has in place a Group-wide operational assessment on the safety and health at the workplace. This plays a crucial role in ensuring a safe working environment to protect the employees. Practices such as work from home, shift rotations, alternate leaves, and other measures recommended by relevant authorities will be considered to mitigate the risk of the spread of viruses/diseases and reduce hazards at the workplace.
The failure of the Group to procure key raw materials may lead to production interruptions and volatility in the prices of such raw materials including energy prices may adversely affect the profitability of the Group and its working capital position.	Sourcing strategies are in place Group-wide to access multiple sources for key raw materials and the Group works closely with key suppliers to ensure availability. The Group looks to identify alternative raw materials where possible. The Group actively manages margins and may recover input cost increases from customers. The Group implements measures for proactive cost management, streamlining of production process and high impact cost, and efficiency awareness for all its employees.
The failure or loss of a key production asset, manpower, process, information or communication system, whether temporarily or permanently could occur, directly or otherwise, through natural disasters, epidemic, industrial action, sabotage or the like, and would have an adverse impact on operations.	Crisis management procedures are in place for all subsidiaries. These are reviewed and updated regularly. The Group invests in its infrastructure to ensure appropriate levels of resilience in the event of temporary failures in information technology (“IT”) systems. Backups and disaster recovery plans are in place for critical systems and processes.
With increasing use of technology, the Group may be exposed to increased cyber risk such as risk relating to data breaches, and sabotage on information processing and IT system. Such cyber risks can lead to the commercial losses and negative effect on the Group’s businesses.	The Group strategises to be resilient against cyber risk by educating its staff on cyber risk and creating a cyber security culture. Assessment of the cyber risk/threat landscape is followed by risk mitigation planning based on the Group’s risk appetite and implementation of a proactive approach to manage any cyber breach before, during and after it occurs. This is to ensure that critical infrastructure is protected to a level that commensurate with the risks.

OUR KEY RISKS (continued)

Compliance risks	Strategy for risk management
The Group may be liable for damages based on product liability claims brought against its customers in end-use markets.	Technically qualified personnel and control systems are in place to ensure products meet certification standards.
Compliance with extensive environmental, health and safety laws and regulations could require material expenditure, changes in the operations of the Group or site remediation.	Detailed safety, health and environmental processes are documented in operating guidance which is updated and communicated to staff on a regular basis. Our safety, health, and environmental risks are reviewed and considered in our risk management meetings by our respective Risk Management Unit.
The Group could suffer substantial penalties, damage to reputation and other sanctions for any failure to control anticompetitive behaviour, such as bribery and corruption, or ineffective compliance with local and national legislation.	All employees affirm their understanding of the code of business conduct covering corrupt and anticompetitive business practices. The Group has in place the Group Anti-Bribery and Anti-Corruption Framework and Policy. Malpractice reporting is similarly covered in the Group Whistleblowing Policy and Procedures on protecting our reputation. Training is provided regularly. Our Group constantly monitors new laws and regulations and assesses the impact on our Group businesses. To manage and track compliance issues, the Group appoints key personnel at Group level and at subsidiary companies for compliance roles and conducts internal audits. The responsibilities of each of our appointed risk officers also embodied compliance with rules and regulations specific to their roles and functions in the business operations.

Financial risks	Strategy for risk management
A proportion of the Group's turnover and assets are in currencies other than Ringgit Malaysia and fluctuations in currency exchange rates may significantly impact the results of the Group and may significantly affect the comparability of financial results between financial periods.	There is a natural hedging process at operating subsidiaries as they source their resources locally in countries where they operate.
The Group's balance sheet and cash flow, and also credit market conditions and credit ratings, may restrict the ability of the Group to obtain credit facilities or to refinance its existing debt facilities in the longer term. In addition, interest rate fluctuations and increases in bank lending margins may increase the Group's costs of borrowing.	The Group closely monitors its operating cash flow and capital expenditure on a monthly basis and regularly reviews covenant compliance. The Group has a policy on leverage limits and has adequate headroom on a twelve-month forecast basis. Interest rate risk is managed through the use of interest rate hedging by a combination of loans with fixed and variable interest rates and the tenure of the loans.

OUR KEY RISKS (continued)

EES/Sustainability risks	Strategy for risk management
EES/sustainability risks could have a material impact to the Group's operations and investments and/or result in loss in opportunities.	The Group has established sustainability performance framework and identified three (3) key pillars to enhance the monitoring and reporting of our sustainability performance: Sustaining Growth, Empowering Lives and Nurturing Communities. By these main pillars, we are able to further identify specific important areas of interest to be emphasised for its importance towards achieving the Group's sustainable goals. They are among others, Product Excellence, Supply Chain Management, Environment Management, Regulatory Compliance, Corporate Governance and Risk Management, Labour Practices and Standards, Diversity, Health and Safety Management and Community/Society.

Below are some key areas which are being monitored continuously by the Group in 2023:

1. **Product Excellence**

   The Group has continued to ensure our product offerings are well accepted and fit well with the demands and needs of our target market and consumers. All our business units operate in their respective specialty, are most proficient in their offerings and are well recognised and have an excellent track record of delivering our solutions and products to our client base.

2. **Corporate Governance and Anti-Corruption**

   We are committed to achieving the highest standards of business integrity, ethics and professionalism across all of the Group's activities. All our business units affirm their practices and business dealings are in accordance with the Anti-Bribery and Anti-Corruption framework and the Group's Whistleblowing Policy and Procedure is in place and we work together to ensure no unwanted incidents are to happen.

3. **Sustainable Practices**

   We believe good deed starts from home, thus we are working towards ensuring all our practices have sustainability at their core and the principles are absorbed in our practices and decision-making. We prioritise the well-being of our business to sustain its future, and to do our best to ensure our minimal impact to the nature and environment we operate in. During the year, we established our baseline of quantifiable carbon footprint down to employee work-commute distance, electricity and water usage, waste management and any related measures we can take at our business unit level in contributing towards a greener practice. An example of that is our Hospitality division's ability to incorporate sustainable practices in their operations such as steps to reduce detergent consumption, and undertake rain-water harvesting, natural lighting and air cooling.

OUR KEY RISKS (continued)

4. **Community and Society Contribution**

   We are a strong proponent of a strong bond between our business and the community that supports us. We believe no business can succeed on its own and will have to play a role in bringing economic value to the community and have an inherent responsibility to preserve the well-being of the community it operates. Our various business units offer internship programmes to higher learning institutions and identify talent to be absorbed as permanent staff. We are aware of the need to do more and will continuously identify any possible community development projects that can be performed.

5. **Epidemic Outbreak**

   The Group monitored the health and safety risks by keeping the outbreak risk in sight across the board. We continued to prepare staff with knowledge and increasing awareness on prevention, health and safety measures. Our travel and tours division continued to actively assist clients in their travel plan changes and updating and monitoring travel restrictions, warnings and alerts from other countries and the World Health Organisation.

6. **Business Strategy Gap**

   Monitoring our business strategy remained the key focus of the Group. During the year, the Group reviewed the management and deployment of capital and resources to ensure efficiency, existing and/or new products and services to ensure that the Group is able to meet future demands, and internal controls to navigate future shocks. Maintaining close relationship with all our business partners remains prominent in this turbulent and uncertain economy.

7. **Supply Chain Management, Increased Costs and Inefficiencies**

   During the year, increasing costs, uncertainties in supply chain, manpower shortages and the lingering COVID-19 pandemic effects continued to weigh heavily on the Group's operations. Thus, the on-going process of the Group regularly reviewing its operations to address any inefficiency that may exist in pockets of the operations and to redeploy resources, re-engineer business processes and/or reorganise the workforce remained. With operations spanning multiple countries, the Group continues to monitor and manage our assets and liabilities denominated in foreign currencies to mitigate the risk of losses arising from foreign exchange fluctuations.

8. **Revenue Gap**

   The Group is continuously looking into reshaping the businesses and possibilities to further capitalise by enhancing existing products and/or deploying new products to stay relevant. The Group also continued to review factors which may affect the risk of revenue gap such as competition, economic slowdown and dependence on a few key customers and ensured that the controls put in place within the Group are effective. The assessment included whether to terminate the risk through cessation of business or discontinuation of nonperforming product lines or market segments.

OUR KEY RISKS (continued)

9. Non-Compliance

Non-compliance is another key risk area reviewed as the Group operates in many countries and in regulated industries. During the year, the Group ensured compliance with all related regulations governing its various businesses in their respective industries.

10. Human Capital Gap

Reviewing the risk of capacity and competency gaps to meet the Group's human capital requirements is an ongoing focus of the Group to minimise disruption in the operations and to ensure that the Group gets the best person for the job.

OTHER FOCUS OF THE GROUP DURING THE YEAR

During the year, we have persistently tracked each business units' key EES measurements for each quarter reporting. With this, we will be able to strengthen our Sustainability Performance Management Framework by guiding the Group towards a well-defined target and with clear and concise direction from the RMSC.

The Group continues to recognise the importance of compliance with laws, rules, regulations and guidelines particularly in corporate governance and corporate liability, set a high expectation on its personnel to conduct themselves with high standard of honesty, integrity and accountability at all times in the performance of their duties and ensure that all activities or services are conducted in compliance with the applicable laws, rules, regulations and guidelines. These policies and procedures provide a bird's-eye view of the Group corporate governance in place, thereby providing additional assurance to our shareholders and stakeholders knowing that the Group has sound governance and operating with integrity and transparency.

The Group also continued to monitor closely its whistleblowing practices with emphasis in observing the policy and procedures that are in place to provide the necessary avenue and reporting channel for internal staff and external parties — summary of incident report was tabled at every quarterly review meeting of the RMSC. To date, there was no such incident report.

INTERNAL CONTROL SYSTEM

The internal control system focuses on key financial reporting, operational and compliance controls. The system encompasses the policies, processes and activities that contribute to the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with laws and regulations.

The processes applied in reviewing the adequacy and effectiveness of the Group's system of internal control include:

- The presence of the internal audit function that operated independently and reporting to the Audit Committee. Each year, improvements are implemented to the internal audit reviews including its objectives, scope and procedures to enhance effectiveness;

- Rigorous review of the quarterly financial results and reports and evaluating the reasons for unusual variances noted thereof by the Board and Audit Committee;

INTERNAL CONTROL SYSTEM (continued)

- The Group Managing Director closely monitors the business and operations of the Group and reports to the Board on significant changes in the business and external environment which affect the operations of the Group at large; and

- The Board has in place an organisational structure with defined lines of responsibility, proper segregation of duties and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. The Group's system of internal controls includes the establishment of an appropriate control environment and framework as well as reviewing its integrity and adequacy on a regular basis in mitigating the risk of failure to achieve corporate objectives.

INTERNAL AUDIT FUNCTION

The internal audit adopts a risk-based approach in developing its audit plan based on the Group's key risks profile. Internal audit plan and the scope of the internal audit are presented and approved by the Audit Committee on a yearly basis. The Group's internal audit function is performed by the Internal Auditors (outsourced) who are independent of the activities audited by them. The principal role of the internal audit function is to review the Group's operations, evaluating their efficiency, effectiveness and compliance with corporate policies, procedures, laws and regulations.

In 2023, the Internal Auditors executed the approved audit plan and performed the following:

- Internal controls review on most of the Group's operating units for operating processes relating to sales and business development, purchasing, petty cash, cash and bank reconciliations, project implementation, human resource functions, production and post implementation support.

- Compliance review on operating units which are required to comply with guidelines and acts issued by external regulatory bodies.

- Reviewed the control procedures taken by the management on recurrent related party transactions.

- Followed-up on the implementation of corrective action plans agreed by the management.

- Issued reports on the results of the internal reviews, identifying weaknesses with recommendations for improvements.

- Tabled internal audit reports at the Audit Committee meeting on a quarterly basis.

The internal audit function provides assurance of the effectiveness of the internal control system within the Group.

Internal Auditors perform risk assessment, operational and system review as part of the audit activities. The areas of audit coverage are based on areas of high risk that are independently assessed. All audit findings are deliberated and resolved with the management of the subsidiaries. Follow-up reviews will subsequently be performed to ascertain the effectiveness of the recommended mitigation efforts.

The Audit Committee reviews the internal audit issues identified and recommendations made by the Internal Auditors on a regular basis, in addition to the recommendations from the external auditors during the annual statutory audit.

REVIEW OF ADEQUACY AND EFFECTIVENESS

The RMSC had reviewed and reported to the Board the adequacy and effectiveness of the Group's risk management system, including the Group's risk tolerance and the enterprise-wide risk governance framework. The Audit Committee had reviewed and reported to the Board the adequacy and effectiveness of the system of internal controls operated by the Group for fiscal 2023 and till its last meeting prior to the date of the Annual Report. The Board considers the system of internal controls described in this Statement to be satisfactory and the risks to be at an acceptable level within the context of the Group's business environment. The Board had received assurance from the Group Managing Director and Senior Accounts Manager of the Company that the Group's risk management and internal control system for the current Group's business environment is operating adequately and effectively, in all material aspects, based on the risk management framework adopted by the Group.

The Board and the management of the Group will continuously take measures to strengthen and monitor the internal control framework and environment of the Group. For the financial year under review, the Board is satisfied that the system of internal controls is satisfactory and there are no material losses incurred during the current financial year as a result of weaknesses in internal control.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors had reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2023 in accordance with paragraph 15.23 of the Listing Requirements of Bursa Malaysia Securities Berhad and reported to the Board that nothing has come to their attention that caused them to believe that this Statement is not prepared in all material aspects in accordance with the disclosures required under paragraphs 41 and 42 of the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) nor is it factually inaccurate.

AAPG 3, Guidance for Auditors on the Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants, does not require the external auditors to consider whether the Directors' statement on risk management and internal controls covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control procedures including the assessment and opinion by the Board and management thereon. They are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will in fact remedy the problems.