Carlsberg Brewery Malaysia Berhad

Company No. 9210-K
(Incorporated in Malaysia)

Interim Financial Report
31 December 2017

CARLSBERG BREWERY MALAYSIA BERHAD
(Company No.: 9210-K)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Quarter Ended 31 December 2017

	3 months ended 31 December		**12 months ended 31 December**	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Revenue	429,938	434,643	1,768,223	1,679,494
Operating expenses	(366,668)	(351,834)	(1,477,374)	(1,393,573)
Other operating income	2,715	2,735	8,122	8,135
Profit from operations	65,985	85,544	298,971	294,056
Finance income	525	1,157	2,499	1,910
Finance costs	(1,210)	(2,302)	(6,437)	(7,067)
Share of profit/(loss) of equity accounted associate, net of tax	2,678	(3,170)	(241)	(5,056)
Profit before taxation	67,978	81,229	294,792	283,843
Taxation	(15,469)	(32,543)	(62,414)	(73,178)
Profit for the period/year	52,509	48,686	232,378	210,665
Profit attributable to:				
Owner of the Company	50,006	47,068	221,165	204,978
Non-controlling interests	2,503	1,618	11,213	5,687
Profit for the period/year	52,509	48,686	232,378	210,665
Profit for the period/year	52,509	48,686	232,378	210,665
Other comprehensive expenses				
Cash flow hedge	597	-	1,438	-
Foreign currency translation differences for foreign operations	(4,090)	6,484	(9,842)	928
Total comprehensive income for the period/year	49,016	55,170	223,974	211,593
Total comprehensive income attributable to:				
Owner of the Company	46,513	53,552	212,761	205,906
Non-controlling interests	2,503	1,618	11,213	5,687
Total comprehensive income for the period/year	49,016	55,170	223,974	211,593
EPS - Basic (sen)	16.36	15.39	72.34	67.04
- Diluted (sen)	N/A	N/A	N/A	N/A

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

CARLSBERG BREWERY MALAYSIA BERHAD
(Company No.: 9210 -K)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	As at 31 December 2017 RM'000	As at 31 December 2016 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	177,799	172,287
Other intangible assets	3,421	4,344
Investment in an associate	64,309	73,074
Deferred tax assets	2,694	3,087
	248,223	252,792
Current assets		
Inventories	68,412	96,283
Receivables, deposits and prepayments	245,375	270,065
Current tax assets	11,599	6,112
Cash & cash equivalents	74,992	36,270
	400,378	408,730
TOTAL ASSETS	648,601	661,522
EQUITY		
Total equity attributable to equity holders of the Company		
Share capital	149,363	154,039
Reserves	149,655	167,650
	299,018	321,689
Non-controlling interests	13,448	8,358
TOTAL EQUITY	312,466	330,047
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	19,262	15,201
Payables and accruals	-	1,698
Provision	327	-
	19,589	16,899
Current liabilities		
Payables and accruals	273,673	252,121
Current tax liabilities	26,096	29,016
Loans and borrowings	16,777	33,439
	316,546	314,576
TOTAL LIABILITIES	336,135	331,475
TOTAL EQUITY AND LIABILITIES	648,601	661,522
Net assets per share (RM)	1.02	1.08

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

CARLSBERG BREWERY MALAYSIA BERHAD
(Company No.: 9210 -K)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2017

	|-----Attributable to Equity Holders of the Company								-----|		
	|-----Non-distributable							-----|	Distributable			
Group	**Share Capital RM'000**	**Treasury Shares RM'000**	**Share Premium RM'000**	**Exchange Reserve RM'000**	**Cash flow Hedge Reserve RM'000**	**Capital Reserve RM'000**	**Share Option Reserve RM'000**	**Other Reserve RM'000**	**Retained Earnings RM'000**	**Total RM'000**	**Non-controlling Interests RM'000**	**Total RM'000**
At 1 January 2016	154,039	(12,043)	7,367	19,587	-	3,931	(451)	(780)	163,925	335,575	7,013	342,588
Total comprehensive income for the year	-	-	-	928	-	-	-	-	204,978	205,906	5,687	211,593
Dividends to owners of the Company	-	-	-	-	-	-	-	-	(220,139)	(220,139)	-	(220,139)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,342)	(4,342)
Others	-	-	-	-	-	-	347	-	-	347	-	347
At 31 December 2016	154,039	(12,043)	7,367	20,515	-	3,931	(104)	(780)	148,764	321,689	8,358	330,047
At 1 January 2017	154,039	(12,043)	7,367	20,515	-	3,931	(104)	(780)	148,764	321,689	8,358	330,047
Total comprehensive income for the year	-	-	-	(9,842)	1,438	-	-	-	221,165	212,761	11,213	223,974
Dividends to owners of the Company	-	-	-	-	-	-	-	-	(235,426)	(235,426)	-	(235,426)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,123)	(6,123)
Treasury shares cancelled	(12,043)	12,043	-	-	-	-	-	-	-	-	-	-
Transfer pursuant to Companies Act 2016	7,367	-	(7,367)	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	(6)	780	(780)	(6)	-	(6)
At 31 December 2017	149,363	-	-	10,673	1,438	3,931	(110)	-	133,723	299,018	13,448	312,466

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

CARLSBERG BREWERY MALAYSIA BERHAD
(Company No.: 9210-K)
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the Year Ended 31 December 2017

	12 months ended 31 December	
	2017 RM'000	**2016 RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	294,792	283,843
Adjustments for:		
Non-cash items	30,722	36,521
Share of results in associate, net of tax	241	5,056
Finance costs	6,437	7,067
Finance income	(2,499)	(1,910)
Operating profit before working capital changes	329,693	330,577
Changes in working capital:		
Inventories	27,077	(20,281)
Receivables, deposits and prepayments	25,466	15,240
Payables and accruals	21,746	3,098
Cash generated from operations	403,982	328,634
Tax paid	(65,909)	(65,241)
Net cash generated from operating activities	338,073	263,393
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(37,639)	(42,739)
Acquisition of intangible assets	(255)	(705)
Interest received	2,499	1,910
Proceeds from disposal of property, plant and equipment	2,595	901
Dividends received from associate	-	1,478
Net cash used in investing activities	(32,800)	(39,155)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholders of the Company	(235,426)	(220,139)
Dividend paid to non-controlling interests of subsidiary	(6,123)	(4,342)
Interest paid	(6,437)	(7,067)
Reimbursement to ultimate holding company for share options granted	(144)	(198)
Net repayments of short-term borrowings	(17,372)	(862)
Net cash used in financing activities	(265,502)	(232,608)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	39,771	(8,370)
Effect of exchange rate fluctuations on cash held	(1,760)	877
CASH AND CASH EQUIVALENTS AT 1 JANUARY	32,319	39,812
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	70,330	32,319

Cash and cash equivalents comprise the following amounts:

	As at 31 December	
	2017 RM’000	**2016 RM’000**
Deposits with licensed banks	11,200	1,200
Cash and bank balances	63,792	35,070
	74,992	36,270
Bank overdraft	(4,662)	(3,951)
	70,330	32,319

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

Notes :

1. Basis of Preparation

This Interim Financial Report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (MFRS) 134, *Interim Financial Reporting* issued by Malaysian Accounting Standards Board, and International Accounting Standard (IAS) 34, *Interim Financial Reporting* issued by International Accounting Standards Board and paragraph 9.22 together with Part A, Appendix 9B of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Interim Financial Report should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2016.

1.1 MFRS, Amendments to MFRSs and IC Interpretation Issued But Not Yet Effective

At the date of authorisation of these Interim Financial Report, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

MFRSs, Amendments to MFRSs and IC Interpretation		**Effective for annual period beginning on or after**
MFRS 9	Financial Instruments (2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15	Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
Amendments to MFRS 2	Share-based Payment – Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018

1. Basis of Preparation (continued)

1.1 MFRS, Amendments to MFRSs and IC Interpretation Issued But Not Yet Effective (continued)

MFRSs, Amendments to MFRSs and IC Interpretation		**Effective for annual period beginning on or after**
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
Amendments to MFRS 140	Investment Property – Transfers of Investment Property	1 January 2018
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
Amendments to MFRS 9	Financial Instruments - Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11	Joint Arrangements (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
MFRS 16	Leases	1 January 2019
Amendments to MFRS 112	Income Taxes (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
Amendments to MFRS 123	Borrowing Costs (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
Amendments to MFRS 128	Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021

1. Basis of Preparation (continued)

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

MFRS 15 "Revenue from Contracts with Customers"

The implementation of MFRS 15 "Revenue from Contracts with Customers" will impact the Group's financials and revenue stream to the extent that marketing activities with customers should be recognised as discounts to revenue. MFRS 15 thus affects only changes in classification and does not have an impact on the timing of revenue recognition.

Accordingly, supporting marketing activities provided for or organised together with the Group's customers will be considered a part of the customer relationship and related costs will be recognised as discounts, not as marketing expenses.

When applying the new policy, judgement is required to decide whether an activity with a customer should be classified as a discount or a marketing expense, taking into account the drivers behind and the purpose of the activity. Generally, if the purpose of marketing activity is to increase sales with the individual customer, the activity should be seen as a reduction of the transaction price and therefore classified as discount.

The estimated impact from the implementation of MFRS 15 on the consolidated financial statements for 2017 is a reduction of revenue by 2% as a result of increased discounts. As this is merely a classification of marketing expenses to revenue, there is no impact to profit before taxation except for some financial ratios.

MFRS 9 "Financial Instruments"

MFRS 9 "Financial Instruments" introduces new hedge-accounting rules and a new impairment model: the expected credit loss (ECL) model.

The new hedge accounting rules imply that it will generally be easier to apply hedge accounting, as the new rules are more in line with the Group's risk management practices. Based on an assessment of the Group's current hedging arrangements, primarily aluminium hedges, an increased portion will qualify for hedge accounting, resulting in an increased portion of the fair value adjustment being recognised in other comprehensive income. The change in accounting policies applies to all hedging instruments.

The change in accounting policies apply to hedge hedging instruments existing as at 1 January 2018 and for new financial instruments entered into after this date.

1. Basis of Preparation (continued)

MFRS 9 "Financial Instruments" (continued)

The new impairment model requires recognition of impairment losses based on expected credit losses (ECL) rather than incurred losses as is the case under current practice. The ECL model involves a three-stage approach under which financial assets move through the stages as their credit quality changes.

The stages determine how impairment losses are measured and the effective interest is applied. For trade receivables, the Group applies the simplified approach, which permits the use of lifetime ECL. Provision rates are determined based on the grouping of trade receivables sharing the same credit risk characteristics and days past due.

The current impairment policy of the Group involves a relatively higher degree of judgement. The overall principle is that impairment losses are based on an individual review of the need for impairment, taking into consideration the customers' creditworthiness and expected ability to pay, customer insolvency or anticipated insolvency, and past due amounts as well as collateral received. However, when no objective indication of individual impairment exists, management assesses the need to recognise the impairment for a portfolio of receivables. The analysis is based on customer segments, historical information on payment patterns, terms of payment and concentration maturity, as well as information about the general economic situation in the markets.

The expected impact from implementation of MFRS 9 and the determination of ECL will have a relatively insignificant impact on trade receivables and profit before taxation as the current impairment policy is considered reasonably consistent with MFRS 9.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2016 was not subject to any qualification.

3. Seasonal or Cyclical Factors

The Group's level of operations are generally affected by the festive seasons.

4. Unusual Items Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows except for the one off trade offer adjustments during the current financial year under review. The trade offer adjustments impacting the Singapore operations in 2017 is RM26.7 million, of which RM17.2 million relates to prior years. The impact for quarter under review of 2017 is RM13.8 million, of which RM8.2 million relates to prior years.

5. Changes in Estimates

There were no significant changes in estimates that have had a material effect in the current financial year under review.

6. Debt and Equity Securities

There were no issuances, repurchases, resale and repayments of debt and equity securities during the current financial year under review.

Share Buyback

During the period, there was no purchase of shares by the Company.

All shares bought back in 1999 which were retained as treasury shares were cancelled on 17 May 2017.

7. Dividends Paid

The amount of dividends paid during the financial year ended 31 December 2017 was as follows:-

a) In respect of the financial year ended 31 December 2016 as reported in the directors' report of that year:

	RM'000
Final and special single tier dividend of 67.0 sen per RM0.50 ordinary share, paid on 19 May 2017	204,851
	204,851

b) In respect of the financial year ended 31 December 2017:

	RM'000
Interim single tier dividend of 10.0 sen per RM0.50 ordinary share, paid on 6 October 2017	30,575
	30,575

8. Operating Segments

The Group concluded that the operating segments determined in accordance with MFRS/ IFRS 8 are the same as the geographical segments as previously adopted.

Segment assets and liabilities are not included in the internal management reports nor provided regularly to the Group's Managing Director who is considered as the Group's chief operating decision maker. Hence no such disclosures are provided below.

Quarter Ended 31 December 2017	Malaysia RM'000	Singapore RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:				
Total external revenue	290,923	139,015	-	429,938
Inter segment revenue	20,482	-	(20,482)	-
Total revenue	311,405	139,015	(20,482)	429,938
Profit from operations	54,379	12,600	(994)	65,985

Quarter Ended 31 December 2016	Malaysia RM'000	Singapore RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:				
Total external revenue	276,112	158,531	-	434,643
Inter segment revenue	21,591	-	(21,591)	-
Total revenue	297,703	158,531	(21,591)	434,643
Profit from operations	61,159	24,789	(404)	85,544

12 Months Ended 31 December 2017	Malaysia RM'000	Singapore RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:				
Total external revenue	1,170,958	597,265	-	1,768,223
Inter segment revenue	75,654	-	(75,654)	-
Total revenue	1,246,612	597,265	(75,654)	1,768,223
Profit from operations	216,931	82,584	(544)	298,971

12 Months Ended 31 December 2016	Malaysia RM'000	Singapore RM'000	Elimination RM'000	Consolidated RM'000
Geographical Segments:				
Total external revenue	1,096,377	583,117	-	1,679,494
Inter segment revenue	73,401	-	(73,401)	-
Total revenue	1,169,778	583,117	(73,401)	1,679,494
Profit from operations	195,553	98,408	95	294,056

9. Material Contracts

No new material contracts were concluded during current financial year under review.

10. Property, Plant and Equipment

There were no changes to the valuation of property, plant and equipment since the previous audited financial statements.

11. Subsequent Events

There were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the unaudited interim financial statements.

12. Changes in Contingent Liabilities and Contingent Assets

On 23 September 2014, the Board of Directors of the Company had announced to the Bursa Malaysia that the Company had on 19 September 2014 received two bills of demand both dated 17 September 2014 from the Selangor State Director of Royal Malaysian Customs ("State Customs") for the following:

(i) Excise duty amounting to RM35,698,219.81 for period of 1 July 2011 to 14 January 2014;
(ii) Sales tax amounting to RM13,763,381.02 and penalty amounting to RM6,881,690.56 for period of 1 July 2011 to 14 January 2014.

The Company has not agreed to the demands made by the State Customs. Based on legal advice sought, there are reasonable grounds to object the basis of the bills of demand issued by the State Customs. At this stage, the Directors believe that it is not probable that a future sacrifice of economic benefits will be required.

13. Capital Commitments

Capital commitments for property, plant and equipment and intangible assets not provided for in the financial statements as at 31 December 2017 are as follows:

	RM'000
Approved and contracted for	3,102
Approved but not contracted for	-
	3,102

14. Financial Instruments

Derivatives

The outstanding derivative as at the end of the current period is as follows:

Aluminium Hedging Contract	**Contract Value (RM'000)**	**Fair Value (RM'000)**	**Difference (RM'000)**
Less than one year	18,026	20,924	2,898

During the financial period, the Company changed its accounting policy in recognition of aluminium hedge contract from fair value through profit and loss to cash flow hedge accounting. Cash flow hedges are measured at fair value. The fair value of a cash flow hedge is zero at inception, so that the intial recognition will have no impact to the result, only the subsequent change. Changes in the portion of fair value of derivative financial instruments designated as and qualifying as a cash flow hedge and which effectively hedge changes in the value of the hedged item, are recognised in other comprehensive income and attributed to a separate reserve.

15. Holding Company

The Directors regard Carlsberg Breweries A/S and Carlsberg A/S as the immediate and ultimate holding companies respectively during the financial year. Both companies are incorporated in Denmark.

16. Significant Related Party Transactions

	12 months ended 31 December 2017 RM'000
Transactions with holding company:	
Purchases of materials and products	747
Purchases of services	8,071
Royalties payable	35,300
Transactions with related companies:	
Management fees payable	6,421
Purchases of materials and products	26,505
Purchases of services	4,104
Sales of goods	53,667

These transactions had been entered in the ordinary course of business and based on normal commercial terms.

17. Review of Performance

Current Quarter Performance

Net profits for the quarter increased by 6.2% to RM50.0 million as compared to the same quarter last year despite a marginal drop in revenue by 1.1% to RM430.0 million versus the corresponding quarter in 2016, which benefitted from the earlier 2017 Chinese New Year festive sales. The increase in current quarter net profit was mainly due to continued good recovery of business in the associate company in Sri Lanka and absence of tax adjustments in this quarter offset by higher commercial investments during the quarter.

Malaysia total external revenue grew by 5.4% to RM290.0 million whilst profit from operations decreased by 12.1% to RM53.4 million due to higher commercial investments as compared to the same quarter last year. The domestic operations continued its growth momentum, which was mainly contributed by Carlsberg Smooth Draught as well as the premium brands - Somersby Cider, Kronenbourg 1664 Blanc and Connor’s Stout Porter.

Singapore reported a decline in profit from operations to RM12.6 million on the back of a reported revenue which declined by 12.3% to RM139.0 million as compared to the same period last year. The lower revenue and operating profits were mainly due to trade offer adjustments of RM13.8 million in 2017, of which RM8.2 million relates to prior years. The adjustments have no impact on cash flow.

Year-to-date Performance

The Group posted a net profit growth of 7.9% to RM221.2 million for the year ended 31 December 2017 versus last year. This was achieved on the back of a revenue growth of 5.3% to RM1.77 billion from RM1.68 billion in 2016. The results were mainly driven by higher sales and premiumisation in the Malaysia operations, good cost control via Fund the Journey initiatives as well as improved results in Lion Brewery (LBCP) offset by trade offer adjustments in the Singapore operations.

Malaysia total external revenue for the financial year increased by 6.8% to RM1.17 billion driven by higher price mix and better portfolio premiumization, particularly by our flagship brands Carlsberg Green Label and Carlsberg Smooth Draught, as well as our premium brands, Kronenbourg 1664 Blanc, Somersby Cider and Connor’s Stout Porter. Profit from operations improved by RM20.7 million or 10.6% contributed by the increase in revenue and cost control via Fund the Journey initiatives.

In Singapore, revenue for the financial year grew by 2.4% to RM597.3 million, but profit from operations declined by 16.1% to RM82.6 million mainly due to the trade offer adjustments mentioned above. The lower revenue and operating profits were mainly due to trade offer adjustments of RM26.7 million in 2017, of which RM17.2 million relates to prior years. The adjustments have no impact on cash flow.

18. Variation of Result against the Preceding Quarter

The Group's revenue increased by 1.5% or RM6.4 million against the preceding quarter mainly contributed by higher sales volume and better portfolio premiumization.

The Group's profit before tax increased by RM12.6 million to RM68.0 million mainly due to the higher revenue, effective cost management and higher share of profit from associated company, Lion Brewery (Ceylon) PLC in this quarter with recovery of business from the flood distruption in the previous year.

19. Prospects

Overall consumer sentiments remain relatively soft and the macro economic situation is not expected to change in either Malaysia or Singapore in 2018. In Singapore, the introduction of the European Free Trade Agreement by mid 2018 will pose a further challenge from cheaper imports. In Malaysia, the more effective efforts by the Malaysian authorities to curb contraband beer is showing progress in the strengthening of the legitimate tax-paying beer market.

The Group has enjoyed solid growth from its Carlsberg flagship brand as well as its premium brands and expects this momentum to continue in 2018. Likewise, the Fund the Journey efficiency initiatives will continue in 2018 and together hopefully deliver another satisfactory business performance.

20. Profit Forecast

Not applicable as no profit forecast was published.

21. Taxation

	12 months ended 31 December	
	2017 RM'000	**2016 RM'000**
Taxation		
- Malaysia	44,033	53,351
- Outside Malaysia	14,144	17,874
	58,177	**71,225**
Deferred tax		
- Malaysia	4,125	2,037
- Outside Malaysia	112	(84)
Tax expense	**62,414**	**73,178**

The Group's effective tax rate for current year was lower mainly due to one-off prior year taxation adjustment in preceeding year amounting to RM3.8million.

22. Corporate Proposals

There were no corporate proposals announced at the date of this announcement.

23. Borrowing and Debt Securities

Group borrowings and debt securities are as follows:

Short term - Unsecured loans	**As at 31 December 2017 RM'000**	**As at 31 December 2016 RM'000**
Revolving credit	12,115	29,488
Other bank loan	4,662	3,951
Total short term loans	**16,777**	**33,439**

24. Material Litigation

There have been no material litigation action since the last balance sheet included in the annual audited financial statements up to the date of this report.

25. Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period:

	12 months ended 31 December 2017	12 months ended 31 December 2016
Net Profit attributable to shareholders (RM'000)	221,165	204,978
Weighted average number of ordinary shares in issue ('000)	305,748	305,748
Basic earnings per share (sen)	72.34	67.04 *

Diluted earnings per share

Not applicable.

* Basic earnings per share in preceeding year was calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares held by the Company. The treasury shares were cancelled on 17 May 2017.

26. Notes to the Statement of Comprehensive Income

	12 months ended 31 December 2017 RM'000	12 months ended 31 December 2016 RM'000
Depreciation and amortisation	(32,964)	(33,704)
Gain on disposal of property, plant and equipment	2,041	288
Property, plant and equipment written off	(79)	-
Reversal of impairment loss on receivables	776	172
Inventories written off	(491)	(1,871)
Allowance for inventories written down	(300)	(300)
Net foreign exchange loss	(838)	(688)

Other than the above and disclosed in the Statement of Comprehensive Income, there were no gain or loss on disposal of quoted or unquoted investment for the current quarter.

27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 February 2018.