NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Carlsberg Brewery Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

No. 55, Persiaran Selangor,
Section 15, 40200 Shah Alam,
Selangor Darul Ehsan, Malaysia.

The consolidated financial statements as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate. The financial statements of the Company as at and for the financial year ended 31 December 2019 do not include other entities.

The Company is principally engaged in the production of beer, stout, cider, shandy and non-alcoholic beverages for distribution in the domestic market and for export while the other Group entities are primarily involved in the marketing and distribution of beer, stout, cider, shandy, liquor and non-alcoholic beverages.

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

These financial statements were authorised for issue by the Board of Directors on 12 March 2020.

2 BASIS OF PREPARATION

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

The financial statements have been prepared under the historical cost basis except as disclosed in the significant accounting policies below.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

2 BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and interpretations that are effective

The Group and the Company have applied the following standards and amendments for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 'Leases'
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'
- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures'
- Amendments to MFRS 119 'Plan Amendment, Curtailment or Settlement'
- Annual Improvements to MFRSs 2015 – 2017 Cycle

The detailed impact of adoption of MFRS 16 is set out in Note 4.

Other than disclosed in Note 4, the adoption of standards, amendments and interpretations listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) Standards and amendments to published standards and interpretations that have been issued but not yet effective

New standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2020:

- Amendments to MFRS 101 and 108 'Definition of material' clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

  The definition of 'material' has been revised as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

  The amendments shall be applied retrospectively.

- The Conceptual Framework for Financial Reporting ("Framework")

  The Framework was revised with the primary purpose to assist the Malaysian Accounting Standards Board to develop MFRS that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an MFRS. The framework is not a MFRS, and does not override any MFRSs.

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments to published standards and interpretations that have been issued but not yet effective (continued)

- The Conceptual Framework for Financial Reporting ("Framework") (continued)

  Key changes to the Framework are as follows:

  - Objective of general purpose financial reporting - clarification that the objective of financial reporting is to provide useful information to the users of financial statements for resource allocation decisions and assessment of management's stewardship.
  - Qualitative characteristics of useful financial information - reinstatement of the concepts of prudence when making judgement of uncertain conditions and "substance over form" concept to ensure faithful representation of economic phenomenon.
  - Clarification on reporting entity for financial reporting - introduction of new definition of a reporting entity, which might be a legal entity or a portion of a legal entity.
  - Elements of financial statements - the definitions of an asset and a liability have been refined. Guidance in determining unit of account for assets and liabilities have been added, by considering the nature of executory contracts and substance of contracts.
  - Recognition and derecognition - the probability threshold for asset or liability recognition has been removed. New guidance on de-recognition of asset and liability have been added.
  - Measurement - explanation of factors to consider when selecting a measurement basis have been provided.
  - Presentation and disclosure - clarification that statement of profit or loss ('P&L') is the primary source of information about an entity's financial performance for a reporting period. In principle, recycling of income/expense included in other comprehensive income to P&L is required if this results in more relevant information or a more faithful representation of P&L.

  Amendments to References to the Conceptual Framework in MFRS Standards

  The MASB also issued Amendments to References to the Conceptual Framework in MFRS Standards ('Amendments'), to update references and quotations to fourteen (14) Standards so as to clarify the version of Conceptual Framework these Standards refer to, for which the effective date above applies.

  The amendments should be applied retrospectively in accordance with MFRS 108 unless retrospective application would be impracticable or involve undue cost or effort.

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments to published standards and interpretations that have been issued but not yet effective (continued)

- Amendments to MFRS 3 'Definition of a business' clarify that to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term 'outputs' is narrower, focusses on goods and services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

  The amendments shall be applied prospectively.

The adoption of new standards and amendments are not expected to have any significant impact on the Group's and the Company's financial statements or accounting policies, as they cover areas that are not material and/or relevant for the Group and the Company.

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

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

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

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

The Group recognises any non-controlling interest's in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(vi) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vi) Associates (continued)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the exchange reserve ("ER") in equity.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(iii) Operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at average exchange rates.

Foreign currency differences are recognised in other comprehensive income and accumulated in the ER in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the ER related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Assets in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	40 - 99 years
• Buildings	15 - 50 years
• Renovation	10 years
• Plant and machinery	3 - 20 years
• Motor vehicles	5 years
• Furniture and office equipment	3 - 5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

Accounting policies applied from 1 January 2019

From 1 January 2019, leased assets (including leasehold land) are presented as a separate line item in statement of financial position. See accounting policy Note 3 (d) on right-of-use ("ROU") assets for these assets.

Accounting policies applied until 31 December 2018

Until 31 December 2018, leased assets (including leasehold land) under lease arrangement classified as finance lease is amortised in equal instalments over the period of the respective leases that range from 40 to 99 years.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases

(i) Accounting by lessee

Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as ROU asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets are subsequently measured at cost, less accumulated amortisation and impairment loss (if any). The ROU assets are generally amortised over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is amortised over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

(i) Accounting by lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments may include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of comprehensive income.

Reassessment of lease liabilities

The Group may be exposed to potential future increase in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short-term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise the lease of copy and printing machines. Payments associated with short-term leases and leases of low-value asset are recognised on a straight-line basis as an expense in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

(i) Accounting by lessee (continued)

Accounting policies on lessee accounting applied until 31 December 2018

Finance lease

Until 31 December 2018, leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

(ii) Accounting by lessor

As a lessor, the Group or the Company determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group or the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group or the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Operating leases

The Group or the Company classified a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. The Group or the Company recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group or the Company allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15.

(e) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

(ii) Customised computer software

Customised computer software that is not integral to the functionality of the related equipment is recognised as an intangible asset. These intangible assets that are acquired by the Group or the Company are stated at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangible assets (continued)

(iv) Amortisation

Goodwill is not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in administrative expenses in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful life of customised computer software is 3 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(f) Inventories

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

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(g) Trade and other receivables

Trade receivables are amounts due from customers for goods sold performed in the ordinary course of business. Other receivables generally arise from transactions outside the ordinary course of business of the Group and the Company. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value. Other receivables are recognised initially at fair value.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method and fair value through other comprehensive income, less loss allowance. Details on the Group's and the Company's impairment policies of trade and other receivables are provided in Note 3(u).

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitment. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(iv) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(j) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (continued)

(ii) State plans

The Group's and the Company's contribution to the statutory pension funds and Carlsberg Brewery Malaysia Retirement Plan, a defined contribution plan, are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(iii) Share-based payment transactions

Certain employees of the Group and the Company are entitled to a share option programme established by Carlsberg A/S that gives the right to Carlsberg A/S shares. The grant date fair value of the share options granted to these employees is recognised as an employee expense in profit or loss and a corresponding increase in equity, over the period from the grant date until the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Any reimbursement to Carlsberg A/S in relation to the share option programme is treated as a capital distribution and would be recorded directly in equity.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group and the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits at the earlier of the following dates: (a) when the Group and the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employee expected to accept the offer. Benefits falling due more than 12 months after end of the reporting period are discounted to the present value.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Payables

Payables represent liabilities for sales tax payable to customs and goods or services provided to the Group and the Company prior to the end of financial year which are unpaid. Payables are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Payables are recognised initially at fair value. Payables are subsequently measured at amortised cost using the effective interest method.

(m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is capitalised as prepayment until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the borrowings that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss within other income or finance costs.

Where the terms of borrowings are renegotiated and the Group issues equity instruments to a creditor to extinguish all or part of the borrowings (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the borrowings and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(n) Revenue and other income

<u>Revenue from contracts with customers</u>

(i) Goods sold

Revenue from contracts with customers comprises sales of beverages, sales of by-products and others.

Revenue from the sale of own-produced finished goods and by-products is recognised at the point in time when the control of goods and products is transferred to the customer with a right of return within a specified period, the Group and the Company consider the timing of recognition.

Revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods. Amounts disclosed as revenue is net of discounts.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue and other income (continued)

Revenue from contracts with customers (continued)

(i) Goods sold (continued)

The Group and the Company consider whether contracts include other promises that constitute separate performance obligations and to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group and the Company consider the effects of variable consideration. No element of financing is deemed present, as payment is generally made on the basis of cash on delivery or up to 60 days of credit.

The Group pays various discounts depending on nature of customer and business. Customer discounts comprise off-invoice discounts, volume and activity-related discounts, including specific promotion prices offered, and other discounts.

Off-invoice discounts arise from sales transactions where the customer immediately receives a reduction in the sales price. This also includes cash discounts and incentives for early payments.

Volume and activity-related discounts are a broad term covering incentives for customers to sustain business with the Group and the Company over a longer time and may be related to a current campaign or a sales target measured in volumes or total value. Examples include discounts paid as a lump sum, discounts for meeting all or certain sales targets or for exceeding targets, or progressive discounts offered in step with increasing sales to a customer.

Other discounts include listing fees, i.e. fees for certain listings on shelves, in coolers or in favourable store locations, as such specific promotions are closely related to the volumes sold.

Other income

(i) Management fee

Fee from management is recognised in the period in which the services are rendered.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income that are not generated as part of the Company's principal activities are classified as investment income.

(iii) Interest income

Interest income on financial assets at amortised cost is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently became credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Earning per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(q) Operating segments

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(s) Financial instruments

Classification – financial assets

The Group and the Company classify its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost

The Group and the Company reclassify debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition – financial assets

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

Measurement – financial assets

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely for payment of principal and interest ("SPPI").

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial instruments (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company classify its debt instruments under the following categories:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

(ii) FVTPL

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ("FVOCI") are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in profit or loss in the period which it arises.

(iii) FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gains or losses previously recognised in OCI is reclassified from equity to profit or loss.

(t) Derivative and hedging activities

Derivative financial instruments are initially recognised in the statement of financial position at fair value at the trade date and subsequently re-measured at fair value at the end of each reporting period. Attributable transaction costs are recognised in the profit or loss.

(i) Cash flow hedge

The Group and the Company designate and document, at the inception of a hedging transaction, the hedging relationship so that the risk being hedged, the hedged item and the hedging instrument are clearly identified and the risk in the hedged item is the risk being hedged with the hedging instrument. Hedge accounting is only applied when the Group expects the derivative financial instrument to be highly effective in offsetting the designated hedged risk associated with the hedged item.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Derivative and hedging activities (continued)

(i) Cash flow hedge (continued)

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. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. When the hedged transaction results in gains or losses, amounts previously recognised in other comprehensive income are transferred to the same item as the hedged item when the hedged item is recognised in the profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the non-financial asset is recognised.

The Group monitors the cash flow hedge relationship twice a year to assess whether the hedge is still effective. The effectiveness portion relates to aluminium hedge.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

(u) Impairment of assets

<u>Impairment of financial assets</u>

The Group and the Company apply the simplified approach to measure expected credit losses ("ECL") on trade receivables measured at amortised cost, fair value through other comprehensive income and trade intercompany balances. This entails recognising a lifetime expected loss allowance for all trade receivables. Loss rates are determined based on grouping of receivables sharing the same credit risk characteristics and past due days.

Management assesses the ECL for portfolios of trade receivables based on customer segments, historical information on payment patterns, terms of payment, concentration maturity, and information about the general economic situation in the countries.

No significant changes to estimation techniques or assumptions were made during the reporting period.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

A significant increase in credit risk is presumed if a debtor is more than 60 days past due in making a contractual payment which is based on past payment trends. Credit risk on trade receivables can be reduced through bank guarantees.

For other receivables and non-trade intercompany balances, the Group and the Company apply 3-stage approach to measure expected credit losses which reflect their credit risk and how the loss allowance is determined. The Group and the Company assessed the intercompany receivables as performing category with a low risk of default and a strong capacity to meet contractual cash flows. The basis of measuring ECL are based on 12 months ECL.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Impairment of assets (continued)

<u>Groupings of instruments for ECL measured on collective basis</u>

(i) Collective assessment

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(ii) Individual assessment

Trade receivables that are in default or credit impaired are assessed individually.

<u>Impairment of other assets</u>

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, an annual impairment will be performed and the recoverable amount is estimated at the end of each reporting period.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units "CGUs". Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value-in-use ("VIU") and its fair value less costs of disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amounts of the other assets in the CGU (groups of CGUs) on a pro rata basis. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(w) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously (as shown in Note 17.1). The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

NOTES TO THE FINANCIAL STATEMENTS

4 CHANGE IN ACCOUNTING POLICIES

MFRS 16 "Leases"

The Group has adopted MFRS 16 with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 'Leases' and IC Interpretation 4 'Determining whether an Arrangement Contains a Lease'.

(a) Group as a lessee

(i) Leases classified as operating lease under MFRS 117

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.05%.

In applying MFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the ROU asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(ii) Leases classified as finance lease under MFRS 117

For leases previously classified as finance leases and presented as a part of 'property, plant and equipment', the Group recognised the carrying amount of this lease asset immediately before transition which were measured applying MFRS 117 as the carrying amount of the ROU asset at date of initial recognition.

4 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

MFRS 16 "Leases" (continued)

(a) Group as a lessee (continued)

Adjustments as at 1 January 2019

The following table presents the impact of changes to the consolidated statement of financial position of the Group resulting from the adoption of MFRS 16 as at 1 January 2019:

	Note	As at 31 December 2018 RM'000	Changes RM'000	As at 1 January 2019 RM'000
Group				
Non-current assets				
Property, plant and equipment:				
Leasehold land	10	6,822	(6,822)	-
Right-of-use assets	12	-	16,137	**16,137**
Non-current liabilities				
Lease liabilities	12	-	7,657	**7,657**
Current liabilities				
Lease liabilities	12	-	1,658	**1,658**
Total lease liabilities		-	9,315	**9,315**

Measurement of lease liabilities on 1 January 2019

The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follows:

	Group RM'000
Operating lease commitments disclosed as at 31 December 2018	14,231
Discounted using the lessee's incremental borrowing rate at the date of initial application	(3,958)
(Less): Low-value assets/short term leases not recognised as a liability	(958)
Lease liability recognised as at 1 January 2019	9,315

4 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

MFRS 16 "Leases" (continued)

(b) Company as a lessee

Adjustments as at 1 January 2019

The following table presents the impact of changes to the statement of financial position of the Company resulting from the adoption of MFRS 16 as at 1 January 2019:

	Note	As at 31 December 2018 RM'000	Changes RM'000	As at 1 January 2019 RM'000
Company				
Non-current assets				
Property, plant and equipment:				
Leasehold land	10	6,748	(6,748)	-
Right-of-use assets	12	-	6,748	**6,748**

Measurement of lease liabilities on 1 January 2019

The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follows:

	Company RM'000
Operating lease commitments disclosed as at 31 December 2018	189
(Less): Low-value assets/short term leases not recognised as a liability	(189)
Lease liability recognised as at 1 January 2019	-

(c) Company as a lessor

The Company did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of MFRS 16.

5 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The application of accounting standards and policies requires the Group to make estimates and assumptions about future events that directly affect its reported financial condition and operating performance. The accounting estimates and assumptions discussed are those that the Group consider to be most critical to its financial statements. An accounting estimate is considered critical if both (a) the nature of estimates or assumptions is material due to the level of subjectivity and judgement involved, and (b) the impact within a reasonable range of outcomes of the estimates and assumptions is material to the Group's financial condition of operating performance.

(i) Trade offer accruals

The Group estimates trade offer accruals using either the expected value method or the most likely amount method depending on which method better predicts the amount of consideration to which the customers will be entitled.

The expected value method is used for contracts with more than one threshold due to the complexity and the activities agreed with the individual customer during the year.

Trade offer accruals consist primarily of trade discounts and sales volume rebates which are recognised based on agreed trading terms and promotional activities with trade customers and distributors. Volume and activity related discounts are typically associated with certain sales target to be achieved by the customers and distributors. These trade offers represents variable considerations which the Group estimates using either expected value method or the most likely amount method depending on which method better predicts the amount of consideration based on the terms of the contracts. As a result, management is required to make estimates on the sales volume to be achieved by the customers and distributors to determine the trade offers. However, there is a constraint on the amount of variable consideration to be included in the transaction price. The Group recognises trade offer accruals only to the extent that it is highly probable that a subsequent change in estimated variable consideration will not result in a significant reversal.

These accruals are netted off within Receivables, deposits and prepayments (Note 17.1). The senior management of the Group regularly reviews and updates its estimate of trade offers accruals at each reporting date until the uncertainty is resolved.

(ii) Impairment review of investment in subsidiaries

The Company performs impairment review of investment in subsidiaries on annual basis, in accordance with the accounting policy stated in Note 3(u).

The recoverable amount of the CGU was based on its VIU calculations. VIU of the CGU was determined by discounting the future cash flows forecasted to be generated from the continuing use of the CGU.

The 5-year cash flows forecast are based on the average annual growth of sales volume approved by the Directors based on past performance and management's expectation of market development. The discount rates used to discount the future cash flows are pre-tax and reflect the specific risks relating to the CGU.

The Directors of the Company believe that any reasonable change in the key assumptions would not cause the carrying amount of the CGU to exceed their recoverable amount.

5 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(ii) Impairment review of investment in subsidiaries (continued)

The key assumptions used for the CGU Carlsberg Singapore Pte Ltd. are as follows:

	2019	**2018**
Sales volume (% annual growth)	**2.5%**	2.0%
Long-term growth rate (%)	**1.0%**	1.0%
Pre-tax discount rate (%)	**6.0%**	6.4%

For CGU Carlsberg Singapore Pte Ltd, the recoverable amount for the CGU was higher than the carrying amount of cost of investment and hence, no impairment loss was recognised during the financial year.

The recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows:

	2019		**2018**	
	From	**To**	**From**	**To**
Sales volume (% annual growth)	**2.5%**	**(5.1%)**	2.0%	(3.7%)
Long-term growth rate (%)	**1.0%**	**0%**	1.0%	0%
Pre-tax discount rate (%)	**6.0%**	**7.0%**	6.4%	7.4%

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

6 REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contract with customers	**2,256,581**	1,982,342	**1,174,236**	1,031,879

Breakdown of the Group's revenue from contracts with customers:

	Manufacturing* RM'000	Marketing & Distribution RM'000	Total RM'000
2019			
Sales of beverages	**1,172,063**	**1,080,951**	**2,253,014**
Sales of by-products and others	**2,173**	**1,394**	**3,567**
	1,174,236	**1,082,345**	**2,256,581**
2018			
Sales of beverages	1,030,387	949,217	1,979,604
Sales of by-products and others	1,492	1,246	2,738
	1,031,879	950,463	1,982,342

* The manufacturing segment belongs to Company Level.

7 OPERATING PROFIT

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating profit is arrived at after charging:				
Allowance for inventories written down	**925**	300	**925**	300
Amortisation of intangible assets	**1,123**	458	**276**	139
Auditors' remuneration:				
- Audit services	**341**	382	**144**	148
- Audit related services	**17**	16	**17**	16
Depreciation of property, plant and equipment	**39,001**	40,376	**32,239**	35,400
Amortisation of right-of-use assets	**1,999**	-	**121**	-
Excise duties and sales tax	**1,165,205**	962,248	**864,438**	724,566
Finance costs				
- Interest on borrowings	**10,184**	8,079	**5,591**	2,404
- Interest on lease liability	**341**	-	**-**	-
Finished goods written off	**1,536**	737	**230**	29
(Reversal)/loss allowance on trade receivables	**(417)**	171	**-**	27
Loss allowance on other receivables	**55**	-	**55**	-
Loss on disposal of property, plant and equipment	**-**	-	**11**	-
Personnel expenses (including key management personnel):				
- Wages, salaries and others	**149,568**	150,887	**36,159**	35,720
- Contributions to Employees Provident Fund	**11,029**	12,226	**3,379**	3,608
- Contributions to other defined contribution plan	**1,390**	765	**551**	323
Property, plant and equipment written off	**424**	639	**174**	558
Management fees charged from related companies	**7,714**	6,738	**3,752**	2,534
Lease of land and buildings	**7,022**	7,412	**6,135**	3,495
Share based payment expense	**2,032**	1,777	**1,463**	1,777
Unrealised foreign exchange loss	**-**	15	**-**	497
Operating profit is arrived at after crediting:				
Dividend income from unquoted subsidiaries	**-**	-	**298,320**	226,004
Dividend income from a foreign quoted associate	**-**	-	**3,996**	1,772
Finance income	**1,605**	1,408	**17**	287
Gain on disposal of property, plant and equipment	**513**	1,385	**-**	138
Management fees charged to a subsidiary	**-**	-	**19,162**	12,227
Realised foreign exchange gain	**98**	564	**245**	392
Operating lease income from a subsidiary	**-**	-	**780**	780
Reversal of loss allowance on receivables	**417**	-	**-**	-
Unrealised foreign exchange gain	**827**	-	**503**	-

NOTES TO THE FINANCIAL STATEMENTS

8 TAXATION

Recognised in profit or loss

Major components of taxation include:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current taxation				
Malaysian				
- current year	58,613	62,638	2,459	8,360
- (over)/under provision in prior years	(6,917)	549	(151)	634
Overseas				
- current year	17,557	14,237	-	-
- under provision in prior years	593	-	-	-
	69,846	77,424	2,308	8,994
Deferred tax expense				
Origination and reversal of temporary differences	12,007	(2,921)	2,786	(2,772)
Total deferred tax	12,007	(2,921)	2,786	(2,772)
Total taxation	81,853	74,503	5,094	6,222
Reconciliation of taxation				
Profit before taxation	382,237	361,260	319,344	256,185
Tax at Malaysian tax rate of 24% (2018: 24%)	91,737	86,702	76,643	61,484
Effect of tax in foreign jurisdiction	(7,011)	(6,493)	-	-
Non-taxable income	(13)	(804)	(72,556)	(55,477)
Non-deductible expenses	7,959	1,753	1,158	1,132
Share of results of an associate	(3,910)	(5,029)	-	-
Double deduction on permitted expenses	(585)	(491)	-	-
Others	-	(1,684)	-	(1,551)
	88,177	73,954	5,245	5,588
(Over)/under provision in prior years	(6,324)	549	(151)	634
Total taxation	81,853	74,503	5,094	6,222

NOTES TO THE FINANCIAL STATEMENTS

8 TAXATION (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Recognised in Other Comprehensive Income				
Deferred tax				
Arising on income and expense recognised in other comprehensive income - Fair value of financial instruments treated as cash flow hedges	478	(1,221)	478	(1,221)

9 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2019 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2019 RM'000	2018 RM'000
Profit for the financial year attributable to shareholders	291,024	277,154

Weighted average number of ordinary shares:

	Group	
	2019 '000	2018 '000
Issued ordinary shares	305,748	305,748
Basic earnings per ordinary share (sen)	95.18	90.65

The diluted earnings per share of the Group is equal to the basic earnings per share as the Group does not have any material potential dilutive ordinary shares in issue.

NOTES TO THE FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land (Note 10.1) RM'000	Freehold land RM'000	Buildings RM'000	Renovation RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Group										
Cost										
At 1 January 2018		10,571	19,097	62,434	1,713	483,867	16,035	28,789	1,823	624,329
Additions		-	-	3,070	2,618	36,395	3,957	1,722	8,902	56,664
Disposals		-	(145)	(277)	-	(8,376)	(3,935)	(964)	-	(13,697)
Written off		-	-	(409)	(220)	(20,197)	-	(5,465)	-	(26,291)
Transfers		-	-	745	-	1,210	-	-	(1,955)	-
Effect of movements in exchange rates		-	-	-	5	27	-	9	-	41
At 31 December 2018		**10,571**	**18,952**	**65,563**	**4,116**	**492,926**	**16,057**	**24,091**	**8,770**	**641,046**
Effect of adoption of MFRS 16	12	**(10,571)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,571)**
Additions		**-**	**-**	**2,072**	**42**	**45,781**	**2,816**	**1,277**	**12,588**	**64,576**
Disposals		**-**	**-**	**-**	**-**	**(721)**	**(3,810)**	**(535)**	**-**	**(5,066)**
Written off		**-**	**-**	**(29)**	**-**	**(34,138)**	**-**	**(12,287)**	**-**	**(46,454)**
Transfers		**-**	**-**	**302**	**-**	**6,030**	**-**	**-**	**(6,332)**	**-**
Transfer to intangible assets	11	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,455)**	**(3,455)**
Effect of movements in exchange rates		**-**	**-**	**-**	**6**	**14**	**-**	**7**	**-**	**27**
At 31 December 2019		**-**	**18,952**	**67,908**	**4,164**	**509,892**	**15,063**	**12,553**	**11,571**	**640,103**

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NOTES TO THE FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land (Note 10.1) RM'000	Freehold land RM'000	Buildings RM'000	Renovation RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Group										
Depreciation										
At 1 January 2018		3,627	-	32,915	520	373,768	9,508	26,192	-	446,530
Depreciation for the financial year	7	122	-	1,996	325	35,601	1,129	1,203	-	40,376
Disposals		-	-	(127)	-	(8,376)	(3,809)	(932)	-	(13,244)
Written off		-	-	(178)	(169)	(19,842)	-	(5,463)	-	(25,652)
Effect of movements in exchange rates		-	-	-	5	32	-	12	-	49
At 31 December 2018		**3,749**	**-**	**34,606**	**681**	**381,183**	**6,828**	**21,012**	**-**	**448,059**
Effect of adoption of MFRS 16	12	**(3,749)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,749)**
Depreciation for the financial year	7	**-**	**-**	**2,180**	**589**	**33,183**	**1,561**	**1,488**	**-**	**39,001**
Disposals		**-**	**-**	**-**	**-**	**(690)**	**(3,048)**	**(534)**	**-**	**(4,272)**
Written off		**-**	**-**	**(18)**	**-**	**(33,726)**	**-**	**(12,286)**	**-**	**(46,030)**
Effect of movements in exchange rates		**-**	**-**	**-**	**3**	**14**	**-**	**4**	**-**	**21**
At 31 December 2019		**-**	**-**	**36,768**	**1,273**	**379,964**	**5,341**	**9,684**	**-**	**433,030**
Carrying amounts										
At 31 December 2019		**-**	**18,952**	**31,140**	**2,891**	**129,928**	**9,722**	**2,869**	**11,571**	**207,073**
At 31 December 2018		6,822	18,952	30,957	3,435	111,743	9,229	3,079	8,770	192,987

NOTES TO THE FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land Note(10.1) RM'000	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Company									
Cost									
At 1 January 2018		10,399	18,952	61,056	458,943	625	18,354	1,821	570,150
Additions		-	-	2,642	32,792	494	410	7,602	43,940
Disposals		-	-	-	(6,908)	(570)	(480)	-	(7,958)
Written off		-	-	(364)	(17,284)	-	(3,590)	-	(21,238)
Transfers		-	-	65	1,210	-	-	(1,275)	-
At 31 December 2018		**10,399**	**18,952**	**63,399**	**468,753**	**549**	**14,694**	**8,148**	**584,894**
Effect of adoption of MFRS 16	12	**(10,399)**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,399)**
Additions		**-**	**-**	**2,072**	**36,931**	**-**	**297**	**9,755**	**49,055**
Disposals		**-**	**-**	**-**	**(292)**	**-**	**(405)**	**-**	**(697)**
Written off		**-**	**-**	**(24)**	**(28,980)**	**-**	**(6,768)**	**-**	**(35,772)**
Transfers		**-**	**-**	**302**	**6,030**	**-**	**-**	**(6,332)**	**-**
At 31 December 2019		**-**	**18,952**	**65,749**	**482,442**	**549**	**7,818**	**11,571**	**587,081**

NOTES TO THE FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land Note(10.1) RM'000	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Company									
Depreciation									
At 1 January 2018		3,533	-	32,348	356,827	520	17,197	-	410,425
Depreciation for the financial year	7	118	-	1,908	32,731	49	594	-	35,400
Disposals		-	-	-	(6,908)	(456)	(480)	-	(7,844)
Written off		-	-	(155)	(16,936)	-	(3,589)	-	(20,680)
At 31 December 2018		**3,651**	**-**	**34,101**	**365,714**	**113**	**13,722**	**-**	**417,301**
Effect of adoption of MFRS 16	12	**(3,651)**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,651)**
Depreciation for the financial year	7	**-**	**-**	**2,014**	**29,525**	**99**	**601**	**-**	**32,239**
Disposals		**-**	**-**	**-**	**(262)**	**-**	**(404)**	**-**	**(666)**
Written off		**-**	**-**	**(16)**	**(28,814)**	**-**	**(6,768)**	**-**	**(35,598)**
At 31 December 2019		**-**	**-**	**36,099**	**366,163**	**212**	**7,151**	**-**	**409,625**
Carrying amounts									
At 31 December 2019		**-**	**18,952**	**29,650**	**116,279**	**337**	**667**	**11,571**	**177,456**
At 31 December 2018		6,748	18,952	29,298	103,039	436	972	8,148	167,593

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

10.1 Leasehold land

Included in the carrying amount of leasehold land are lease of land with:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unexpired lease period less than 50 years	-	74	-	-
Unexpired lease period more than 50 years	-	6,748	-	6,748
	-	6,822	-	6,748

From 2019, leasehold land are presented as a separate line item in the statement of financial position (Note 12). Refer to Note 4 for details about the changes in the accounting policies.

10.2 Purchase of property, plant and equipment

Purchase of property, plant and equipment for the financial year is presented in the statement of cash flow after deducting the capitalised asset retirement cost as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total additions of property, plant and equipment	64,576	56,664	49,055	43,940
Capitalised asset retirement cost	-	(2)	-	-
Purchase of property, plant and equipment	64,576	56,662	49,055	43,940

10.3 Leasing arrangements

The Company leases certain buildings with carrying amount of RM8,020,000 to a subsidiary under operating leases with rentals payable monthly.

Minimum lease receivable on buildings are as follows:

	Company	
	2019 RM'000	2018 RM'000
Within 1 year	780	780
Between 1 and 2 years	780	780
Between 2 and 3 years	780	780
Between 3 and 4 years	780	780
Between 4 and 5 years	180	780
More than 5 years	720	900
	4,020	4,800

11 INTANGIBLE ASSETS

	Note	Goodwill RM'000	Computer software RM'000	Total RM'000
Group				
Cost				
At 1 January 2018		2,634	20,770	23,404
Acquisition		-	259	259
Written off		-	(1,112)	(1,112)
Effect of movements in exchange rates		-	9	9
At 31 December 2018		2,634	19,926	22,560
Acquisition		-	2,444	2,444
Transfer from property, plant and equipment	10	-	3,455	3,455
Disposal		-	(32)	(32)
Written off		-	(14,570)	(14,570)
Effect of movements in exchange rates		-	4	4
At 31 December 2019		2,634	11,227	13,861
Amortisation				
At 1 January 2018		-	19,983	19,983
Amortisation for the financial year	7	-	458	458
Written off		-	(1,112)	(1,112)
Effect of movements in exchange rates		-	12	12
At 31 December 2018		-	19,341	19,341
Amortisation for the financial year	7	-	1,123	1,123
Disposal		-	(32)	(32)
Written off		-	(14,570)	(14,570)
Effect of movements in exchange rates		-	1	1
At 31 December 2019		-	5,863	5,863
Carrying amounts				
At 31 December 2019		2,634	5,364	7,998
At 31 December 2018		2,634	585	3,219

NOTES TO THE FINANCIAL STATEMENTS

11 INTANGIBLE ASSETS (CONTINUED)

	Note	Computer software RM'000
Company		
Cost		
At 1 January 2018		10,793
Additions		184
Written off		(788)
At 31 December 2018		**10,189**
Additions		**1,207**
Disposal to subsidiary		**(157)**
Written off		**(8,343)**
At 31 December 2019		**2,896**
Amortisation		
At 1 January 2018		10,616
Amortisation for the financial year	7	139
Written off		(788)
At 31 December 2018		**9,967**
Amortisation for the financial year	7	**276**
Written off		**(8,343)**
At 31 December 2019		**1,900**
Carrying amounts		
At 31 December 2019		**996**
At 31 December 2018		222

11 INTANGIBLE ASSETS (CONTINUED)

11.1 Impairment testing for CGUs containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating geographical divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

	Group	
	2019 RM'000	**2018 RM'000**
Singapore		
MayBev Pte. Ltd.	**2,634**	2,634

The recoverable amount of the CGU - MayBev Pte. Ltd. was based on its VIU calculations. The recoverable amount for the CGU was higher than the aggregate carrying amount of the identifiable net assets and goodwill allocated and hence, no impairment loss was recognised during the financial year.

VIU of the CGU was determined by discounting the future cash flows forecasted to be generated from the continuing use of the CGU. The key assumptions used for the CGU are as follows:

	2019	**2018**
Sales volume (% annual growth)	**1.0%**	2.0%
Long-term growth rate (%)	**1.0%**	1.0%
Pre-tax discount rate (%)	**6.0%**	6.4%

The 5-year cash flows forecast are based on the average annual growth of sales volume approved by the Directors based on past performance and management's expectation of market development. The discount rates used to discount the future cash flows are pre-tax and reflect the specific risks relating to the CGU.

The Directors of the Company believe that any reasonable change in the key assumptions would not cause the carrying amount of the CGU to exceed their recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

12 RIGHT-OF-USE ASSETS/LEASES

12.1 Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Right-of-use assets				
Leasehold land	6,699	-	6,627	-
Buildings	7,448	-	-	-
	14,147	-	6,627	-
Lease liabilities				
Current	1,835	-	-	-
Non-current	5,834	-	-	-
	7,669	-	-	-

For adjustments recognised on adoption of MFRS 16 on 1 January 2019, please refer to Note 4.

There were no additions to the right-of-use assets in financial year 2019.

12.2 Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amortisation charge of right-of-use assets				
Leasehold land	122	-	121	-
Building	1,877	-	-	-
	1,999	-	121	-
Interest expense (included in finance cost)	341	-	-	-
Expense relating to lease of low-value assets and short term lease that are not shown above (included in sales, distribution and administrative expenses)	1,051	-	337	-

The Group's total cash outflow for leases in 2019 was RM1,998,000.

12 RIGHT-OF-USE ASSETS/LEASES (CONTINUED)

12.3 The Group's leasing activities and how these are accounted for

The Group leases offices and a warehouse. Rental contracts are typically made for fixed periods of 5 to 6 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the financial year ended 31 December 2018, leases of offices and warehouse were classified as operating leases. From 1 January 2019, such leases are recognised as ROU assets and a corresponding liability at the date at which the leased asset is available for use by the Group.

Leasehold land previously classified as finance leases and presented as part of 'property, plant and equipment' until financial year ended 31 December 2018 are recognised as ROU asset with no corresponding liability from 1 January 2019. The carrying amount of leasehold land is depreciated on a straight-line basis on the remaining lease term.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities are the monthly fixed payments of the leases.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for lease in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received as a starting point, with adjustments made to reflect changes in financing conditions since the third-party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ROU assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

ROU assets are generally amortised over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

13 INVESTMENTS IN SUBSIDIARIES

	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares – at cost	**391,572**	391,572

Note 5(ii) sets out the key assumptions and judgements used in impairment testing. The recoverable amount is higher than the cost of investment hence no impairment loss is recognised during the financial year.

The following are the subsidiaries of the Group:

Name of company	Principal activities	Principal place of business/ country of incorporation	Effective ownership interest 2019 %	Effective ownership interest 2018 %
Carlsberg Marketing Sdn. Bhd.	Marketing and distribution of beer, stout, cider, shandy and non-alcoholic beverages	Malaysia	**100**	100
Euro Distributors Sdn. Bhd.	Marketing and distribution of non-alcoholic beverages	Malaysia	**100**	100
Carlsberg Singapore Pte. Ltd. #	Importation and marketing of beer and liquor products	Singapore	**100**	100
MayBev Pte. Ltd#	Importation and marketing of beer and liquor products	Singapore	**51**	51

\# Audited by a member firm of PricewaterhouseCoopers International Limited which are separate and independent legal entities from PricewaterhouseCoopers PLT, Malaysia.

The Group's subsidiary that has material non-controlling interest ("NCI") is as follows:

	Effective ownership interest held by NCI 2019 %	Effective ownership interest held by NCI 2018 %
MayBev Pte. Ltd.	**49**	49

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Set out below is summarised financial information for MayBev Pte. Ltd., the subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

	MayBev Pte. Ltd. 2019 RM'000	MayBev Pte. Ltd. 2018 RM'000
As at 31 December		
Non-current assets	**10,546**	4,919
Current assets	**34,581**	40,132
Non-current liabilities	**(5,481)**	(687)
Current liabilities	**(20,838)**	(18,135)
Net assets	**18,808**	26,229
Accumulated non-controlling interests	**8,224**	11,870
Year ended 31 December		
Revenue	**129,255**	129,606
Profit for the financial year	**19,102**	19,599
Total comprehensive income	**19,102**	19,599
Profit allocated to non-controlling interests	**9,360**	9,603
Dividend paid to non-controlling interests	**13,006**	11,181
Cash flow generated from operating activities	**23,465**	18,216
Cash flow used in investing activities	**(766)**	(4,124)
Cash flow used in financing activities	**(28,116)**	(22,989)
Net changes in cash and cash equivalents	**(5,417)**	(8,897)

14 INVESTMENT IN AN ASSOCIATE

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Quoted shares, outside Malaysia	**25,164**	25,164	**25,164**	25,164
Share of post-acquisition reserves	**59,556**	47,806	**-**	-
	84,720	72,970	**25,164**	25,164
Market value				
Quoted shares, outside Malaysia	**272,329**	258,618	**272,329**	258,618

NOTES TO THE FINANCIAL STATEMENTS

14 INVESTMENT IN AN ASSOCIATE (CONTINUED)

The fair value of investment in an associate falls under Level 1 in the fair value level hierarchy.

Name of company	Principal activities	Principal place of business/ country of incorporation	Effective ownership interest 2019 %	2018 %
Lion Brewery (Ceylon) PLC	Manufacturing, marketing and distribution of beer, stout, cider, shandy and non-alcoholic beverages	Sri Lanka	**25**	25

Summary financial information on associate:

	2019 RM'000	2018 RM'000
As at 31 December		
Non-current assets	**463,513**	480,845
Current assets	**332,516**	314,380
Non-current liabilities	**(177,677)**	(235,557)
Current liabilities	**(279,472)**	(267,788)
Net assets	**338,880**	291,880
Year ended 31 December		
Revenue	**1,099,393**	1,029,614
Interest income	**26,109**	22,578
Interest expense	**(39,040)**	(49,861)
Tax expense	**(46,447)**	(61,156)
Profit for the financial year	**65,166**	83,819
Total comprehensive income	**65,166**	83,819
Dividends received from associate	**3,996**	1,772

NOTES TO THE FINANCIAL STATEMENTS

14 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Reconciliation to carrying amount:

	2019 RM'000	2018 RM'000
Net assets as at 1 January	**291,880**	257,236
Profit for the financial year	**65,166**	83,819
Dividend paid	**(15,984)**	(7,087)
Exchange differences	**(2,182)**	(42,088)
Net assets as at 31 December	**338,880**	291,880
Group share at 25%	**84,720**	72,970
Carrying amount	**84,720**	72,970

In conjunction with the investment undertaken in Lion Brewery (Ceylon) PLC, the Company had written a call option with the principal licensor, Carlsberg A/S, its ultimate holding company incorporated in Denmark, allowing Carlsberg A/S to acquire the Company's interest in the associate, should certain events occur. The purchase consideration is to be based on an agreed formula and in any event to be a minimum of the original purchase price paid by the Company. The Directors of the Company consider the likelihood of occurrence of such events as remote and hence, the option's fair value is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

15 DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group						
Property, plant and equipment	-	-	(26,604)	(22,852)	(26,604)	(22,852)
Right-of-use assets	-	-	(1,266)	-	(1,266)	-
Trade and other receivables	-	-	(9,172)	-	(9,172)	-
Trade and other payables	10,740	9,864	-	-	10,740	9,864
Lease liabilities	1,304	-	-	-	1,304	-
Others	287	767	(203)	(203)	84	564
Tax assets/(liabilities)	12,331	10,631	(37,245)	(23,055)	(24,914)	(12,424)
Offsetting	(11,827)	(7,278)	11,827	7,278	-	-
Net tax assets/(liabilities)	504	3,353	(25,418)	(15,777)	(24,914)	(12,424)
Company						
Property, plant and equipment	-	-	(23,561)	(20,604)	(23,561)	(20,604)
Trade and other payables	5,123	4,952	-	-	5,123	4,952
Others	287	767	(203)	(205)	84	562
Tax assets/(liabilities)	5,410	5,719	(23,764)	(20,809)	(18,354)	(15,090)
Offsetting	(5,410)	(5,719)	5,410	5,719	-	-
Net tax liabilities	-	-	(18,354)	(15,090)	(18,354)	(15,090)

NOTES TO THE FINANCIAL STATEMENTS

15 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Movement in temporary differences during the financial year:

	At 1.1.2018 RM'000	Credited to profit or loss (Note 8) RM'000	Credited to other comprehensive income (Note 8) RM'000	Foreign exchange differences RM'000	At 31.12.2018 RM'000	Adoption of MFRS 16 RM'000	(Charged)/ credited to profit or loss (Note 8) RM'000	Charged to other comprehensive income (Note 8) RM'000	Foreign exchange differences RM'000	At 31.12.2019 RM'000
Group										
Property, plant and equipment	(22,907)	53	-	2	(22,852)	-	(3,742)	-	(10)	(26,604)
Right-of-use assets	-	-	-	-	-	(1,586)	319	-	1	(1,266)
Trade and other receivables	-	-	-	-	-	-	(9,172)	-	-	(9,172)
Trade and other payables	7,777	2,087	-	-	9,864	-	871	-	5	10,740
Lease liabilities	-	-	-	-	-	1,586	(281)	-	(1)	1,304
Others	(1,438)	781	1,221	-	564	-	(2)	(478)	-	84
	(16,568)	2,921	1,221	2	(12,424)	-	(12,007)	(478)	(5)	(24,914)
Company										
Property, plant and equipment	(21,441)	837	-	-	(20,604)	-	(2,957)	-	-	(23,561)
Trade and other payables	3,796	1,156	-	-	4,952	-	171	-	-	5,123
Others	(1,438)	779	1,221	-	562	-	-	(478)	-	84
	(19,083)	2,772	1,221	-	(15,090)	-	(2,786)	(478)	-	(18,354)

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

16 INVENTORIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finished goods	**42,113**	79,600	**17,161**	15,643
Work-in-progress	**4,164**	2,322	**4,164**	2,322
Raw, packaging and other materials	**10,045**	8,674	**9,971**	8,608
Spare parts for machinery	**10,547**	6,127	**10,397**	5,992
	66,869	96,723	**41,693**	32,565
Recognised in profit or loss:				
Allowance for inventories written down	**925**	300	**925**	300
Finished goods written off	**1,536**	737	**230**	29
Inventories recognised as Cost of Sales	**249,652**	237,567	**193,555**	177,615

17 RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current					
Trade					
Trade receivables from contracts with customers	25.4	**144,341**	122,434	**-**	-
Less: Loss allowance	25.4	**(215)**	(632)	**-**	-
	17.1	**144,126**	121,802	**-**	-
Prepayment	17.3	**61,018**	65,145	**9,162**	16,886
Amount due from related companies	17.2	**5,353**	9,438	**5,353**	9,432
Amount due from a subsidiary	17.2	**-**	-	**3,521**	18,238
		210,497	196,385	**18,036**	44,556

17 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-trade					
Amount due from a subsidiary	17.2	**-**	-	**740**	266
Amount due from an associate	17.2	**-**	7	**-**	7
Amount due from related companies	17.2	**62**	571	**62**	571
Other receivables	17.4	**6,036**	9,503	**2,056**	3,155
Deposits		**636**	733	**40**	187
Prepayments		**54**	434	**-**	240
		6,788	11,248	**2,898**	4,426
		217,285	207,633	**20,934**	48,982

17.1 Trade receivables from contracts with customers

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 60 days and therefore are all classified as current.

The Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The amount netted within trade receivables of the Group are trade offer accruals amounting to RM131,522,000 (2018: RM89,603,000).

Included in trade receivables is a portfolio of receivables which are subject to factoring arrangement. Under this arrangement, the Group will transfer the relevant trade receivables to a bank in exchange for cash with no recourse to Group subsequent to the transfer. The Group considers the hold to collect and sell business model remains appropriate for these receivables and hence continues to measure these financial assets at fair value through OCI as disclosed in Note 25.1.

17.2 Amounts due from subsidiaries, associate and related companies

The trade balances have a credit term of 30 days (2018: 30 days).

The non-trade balances are unsecured, interest free and repayable on demand.

17.3 Prepayments

Prepayments comprise excise duties and upfront cash payments in relation to listing fees provided to the sales outlets. The listing fees are amortised over the duration of the contracts entered with these outlets. The amortised upfront listing fee payments are recognised as a discount to revenue.

Refer to Note 25.7 for disclosure of fair value information.

17 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

17.4 Other receivables

Other receivables mainly comprise loan to staff and receivables from sale of motor vehicles of the Group and the Company. Collateral is not normally obtained.

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Cash at bank	**78,460**	96,483	**19,305**	18,525
Cash held on hand	**157**	129	**8**	12
	78,617	96,612	**19,313**	18,537

19 SHARE CAPITAL

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Issued:				
- 305,748,000 ordinary shares with no par value				
At beginning of financial year	**149,363**	149,363	**149,363**	149,363
At end of financial year	**149,363**	149,363	**149,363**	149,363

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

19 SHARE CAPITAL (CONTINUED)

Reserves

	Note	Group		Company	
		2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Other reserves:					
Capital reserve	19.1	**3,931**	3,931	**-**	-
Exchange reserve	19.2	**(312)**	174	**-**	-
Share option reserve	19.3	**2,624**	707	**1,890**	542
Cash flow hedge reserve	19.4	**(911)**	(2,427)	**(911)**	(2,427)
		5,332	2,385	**979**	(1,885)
Distributable reserves:					
Retained earnings		**(6,211)**	17,379	**246,989**	247,353
		(879)	19,764	**247,968**	245,468

19.1 Capital reserve

The capital reserve comprises reserve capitalised by a subsidiary for bonus issue of shares in prior years.

19.2 Exchange reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

19.3 Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options granted by the ultimate holding company. The grant date fair value of the share options granted to these employees is recognised as an employee expense in profit or loss and a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. Any recharge by Carlsberg A/S in excess of the initial capital contribution initially recognised in the equity is treated as a capital distribution and would be recorded directly in equity.

19.4 Cash flow hedge reserve

During the financial year, the Group and the Company have applied cash flow hedge. The cash flow hedges comprise aluminium hedges where the hedged item is aluminium cans that will be used by the Company. Aluminium swaps are used to hedge the risk of volatile aluminium prices associated with the purchase of cans.

The fair value changes of effective cash flow hedge on aluminium hedge contracts are recognised in other comprehensive income and attributed to this reserve.

Included in the amount due to immediate holding company (trade) is fair value loss on cash flow hedge of RM873,000 (2018: fair value gain of RM3,063,000).

20 PAYABLES AND ACCRUALS

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current					
Provisions		**329**	329	**-**	-
Current					
Trade					
Trade payables	20.1	**225,065**	221,085	**112,116**	112,706
Amount due to ultimate holding company		**-**	449	**-**	-
Amount due to immediate holding company	20.2	**5,690**	6,703	**1,465**	3,967
Amount due to related companies	20.2	**11,477**	10,001	**150**	3,068
		242,232	238,238	**113,731**	119,741
Non-trade					
Other payables	20.4	**20,852**	27,363	**4,482**	13,426
Dividend payable		**51,977**	48,920	**51,977**	48,920
Accrued expenses		**48,876**	48,392	**13,122**	15,324
Amount due to ultimate holding company	20.3	**2,364**	3,649	**2,364**	3,649
Amount due to immediate holding company	20.3	**1,000**	1,488	**854**	1,303
Amount due to related companies	20.3	**12,480**	11,100	**8,706**	6,377
		137,549	140,912	**81,505**	88,999
		379,781	379,150	**195,236**	208,740
		380,110	379,479	**195,236**	208,740

20.1 Trade payables are with a credit term range from 0 day to 130 days (2018: 0 day to 130 days).

Note 25.5 and Note 25.7 set out disclosures of liquidity risk and fair value information respectively.

20.2 Amounts due to immediate holding company and related companies

Amounts due to immediate holding company and related companies are unsecured, interest free and subjected to credit terms of 90 days (2018: 90 days).

20.3 Amounts due to ultimate holding company, immediate holding company and related companies

Amounts due to ultimate holding company, immediate holding company and related companies are unsecured, interest free and repayable on demand.

20 PAYABLES AND ACCRUALS (CONTINUED)

20.4 These amounts comprise liabilities of goods and services provided to the Group and the Company. The amounts are unsecured and are usually paid within 30 days of recognition.

21 LOANS AND BORROWINGS

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current - unsecured				
Revolving credits	**75,000**	75,000	**75,000**	75,000

The revolving credits of the Group are subjected to interests ranging from 3.45% to 3.47% (2018: 3.73% to 3.93%) per annum.

Note 25.5 and Note 25.7 set out disclosures of liquidity risk and fair value information respectively.

22 KEY MANAGEMENT PERSONNEL COMPENSATION

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Directors:				
- Fees	**307**	331	**307**	331
- Remuneration	**2,851**	3,304	**2,851**	3,304
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	**829**	962	**829**	962
	3,987	4,597	**3,987**	4,597
- Share-based payments	**999**	936	**999**	936
	4,986	5,533	**4,986**	5,533
Other key management personnel:				
- Short-term employee benefits	**14,351**	14,878	**3,747**	5,096
- Share-based payments	**1,033**	909	**464**	909
	15,384	15,787	**4,211**	6,005
	20,370	21,320	**9,197**	11,538

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

NOTES TO THE FINANCIAL STATEMENTS

23 DIVIDENDS

Dividends declared by the Company are:

	Sen per ordinary share	Total amount RM'000	Date of payment
2019			
Fourth interim 2018	**16.6**	**50,754**	**8 April 2019**
Final and special 2018	**31.7**	**96,922**	**31 May 2019**
First interim 2019	**21.5**	**65,736**	**31 July 2019**
Second interim 2019	**16.1**	**49,225**	**31 October 2019**
Third interim 2019	**17.0**	**51,977**	**22 January 2020**
Total amount		**314,614**	
2018			
Final and special 2017	77.0	235,426	18 May 2018
First interim 2018	20.0	61,150	3 July 2018
Second interim 2018	15.7	48,002	17 October 2018
Third interim 2018	16.0	48,920	30 January 2019
Total amount		393,498	

Subsequent to financial year, the Board of Directors declared on 21 February 2020 a fourth single tier interim dividend of 17.0 sen per ordinary share in respect of the financial year ended 31 December 2019, which will be payable on 10 April 2020.

The Board of Directors has also recommended for shareholders' approval at the forthcoming Annual General Meeting a final single tier dividend of 23.6 sen per ordinary share and a special single tier dividend of 4.8 sen per ordinary share in respect of the financial year ended 31 December 2019.

	Sen per ordinary share	Total amount RM'000
For the financial year ended 31 December 2019		
Fourth interim 2019	**17.0**	**51,977**
Final	**23.6**	**72,157**
Special	**4.8**	**14,676**
		138,810

NOTES TO THE FINANCIAL STATEMENTS

24 OPERATING SEGMENTS

The Group has three operating segments, which are the Group's geographical segments. The strategic business units offer similar products but are managed separately because they require different marketing strategies due to the geographical locations. For each of the strategic business unit, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis.

The following summary describes the operations in each of the Group's operating segments:

- Malaysia — Includes manufacturing, marketing and distribution of both alcoholic and non-alcoholic beverages by entities in Malaysia.
- Singapore — Includes marketing and distribution of both alcoholic and non-alcoholic beverages by entities in Singapore.
- Other — Includes manufacturing, marketing and distribution of both alcoholic and non-alcoholic beverages in geographical locations other than Malaysia and Singapore.

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

Segment assets, liabilities and capital expenditures

Segment assets, liabilities and capital expenditures information is neither included in the internal management reports nor provided regularly to the Group's Managing Director who is considered the Group's chief operating decision maker. Hence no such disclosures are provided below.

	Malaysia RM'000	Singapore RM'000	Other RM'000	Total RM'000
2019				
Segment profit	**274,558**	**100,522**	**-**	**375,080**
Included in the measure of segment profit are:				
Revenue from external customers	**1,638,501**	**618,080**	**-**	**2,256,581**
Inter-segment revenue	**72,988**	**-**	**-**	**72,988**
Depreciation and amortisation	**37,928**	**4,195**	**-**	**42,123**
Not included in the measure of segment profit but provided to Group's Managing Director:				
Finance costs	**(10,145)**	**(380)**	**-**	**(10,525)**
Finance income	**1,605**	**-**	**-**	**1,605**
Income tax expense	**(64,273)**	**(17,580)**	**-**	**(81,853)**
Share of profit of equity - accounted associate, net of tax	**-**	**-**	**16,292**	**16,292**

24 OPERATING SEGMENTS (CONTINUED)

	Malaysia RM'000	Singapore RM'000	Other RM'000	Total RM'000
2018				
Segment profit	254,649	92,859	-	347,508
Included in the measure of segment profit are:				
Revenue from external customers	1,413,246	569,096	-	1,982,342
Inter-segment revenue	69,645	-	-	69,645
Depreciation and amortisation	39,147	1,687	-	40,834
Not included in the measure of segment profit but provided to Group's Managing Director:				
Finance costs	(7,977)	(102)	-	(8,079)
Finance income	1,408	-	-	1,408
Income tax expense	(59,758)	(14,745)	-	(74,503)
Share of profit of equity - accounted associate, net of tax	-	-	20,955	20,955

Reconciliation of segment profit or loss

	2019 RM'000	2018 RM'000
Profit		
Total segment profit	**375,080**	347,508
Inter-segment elimination	**(215)**	(532)
Finance costs	**(10,525)**	(8,079)
Finance income	**1,605**	1,408
Share of profit of equity - accounted associate, net of tax	**16,292**	20,955
Consolidated profit before taxation	**382,237**	361,260

24 OPERATING SEGMENTS (CONTINUED)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Non-current assets are based on the geographical location of the assets.

	Revenue		Non-current assets*	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Geographical location				
Malaysia	**1,581,691**	1,353,466	**296,012**	258,647
Singapore	**619,548**	569,508	**17,926**	10,529
Other countries	**55,342**	59,368	**-**	-
	2,256,581	1,982,342	**313,938**	269,176

* Non-current assets comprise of property, plant and equipment, intangible assets, ROU assets and investment in associate.

Major customers

The Group does not transact with a single external customer amounting to 10% or more of the Group's total revenue.

25 FINANCIAL INSTRUMENTS

25.1 Financial instruments by categories

The table below provides an analysis of financial instruments categorised as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial assets at FVOCI				
Receivables	**14,456**	-	**-**	-
Financial assets at amortised cost				
Receivables and deposits	**141,757**	142,054	**11,772**	31,856
Cash and cash equivalents	**78,617**	96,612	**19,313**	18,537
	220,374	238,666	**31,085**	50,393
Financial liabilities at amortised cost				
Loans and borrowings	**(75,000)**	(75,000)	**(75,000)**	(75,000)
Payables and accruals	**(380,110)**	(379,479)	**(195,236)**	(208,740)
Lease liabilities	**(7,669)**	-	**-**	-
	(462,779)	(454,479)	**(270,236)**	(283,740)

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONTINUED)

25.2 Net gains and losses arising from financial instruments

Net gains/(losses) arising from financial instruments comprises finance income/(expense), unrealised foreign exchange gains/(losses) and impairment losses.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial assets at FVOCI and amortised cost	**4,460**	5,911	**(125)**	219
Financial liabilities at amortised cost	**(9,491)**	(8,524)	**(5,018)**	(2,862)

25.3 Financial risk management

The Group and the Company have exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

Trade receivables using simplified approach

(a) The exposure of credit risk for trade receivables, net of loss allowance, as at the end of the reporting period by geographic region was:

	Group	
	2019 RM'000	2018 RM'000
Malaysia	**80,333**	71,151
Singapore	**63,487**	50,043
Others	**306**	608
	144,126	121,802

25 FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Trade receivables using simplified approach (continued)

(b) Reconciliation on loss allowance

The loss allowance for trade receivables as at 31 December 2019 reconciles to the opening loss allowance for that provision as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	**(632)**	(1,356)	**-**	-
Loss allowance recognised	**-**	(171)	**-**	(27)
Loss allowance reversed	**417**	-	**-**	-
Loss allowance written off	**-**	895	**-**	27
At 31 December	**(215)**	(632)	**-**	-

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

(c) Maximum exposure to credit risk

The grouping of trade receivables for ECL assessment is as below:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assessed individually	**4,553**	-	**-**	-
Assessed collectively	**139,788**	122,434	**-**	-
Total trade receivables	**144,341**	122,434	**-**	-

25 FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Trade receivables using simplified approach (continued)

(c) Maximum exposure to credit risk (continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised:

Group	Current	1 - 30 days past due	More than 30 days past due	More than 60 days past due	Total
2019					
Expected loss rate	**-**	**-**	**-**	**31%**	
RM'000					
Gross carrying amount - Trade receivables (assessed collectively)	**131,117**	**6,869**	**1,098**	**704**	**139,788**
Loss allowance	**-**	**-**	**-**	**(215)**	**(215)**
	131,117	**6,869**	**1,098**	**489**	**139,573**
Gross carrying amount - Trade receivables (assessed individually)	**354**	**2**	**752**	**3,445**	**4,553**
Carrying amount (net of loss allowance)	**131,471**	**6,871**	**1,850**	**3,934**	**144,126**

The ageing of trade receivables as at the end of the reporting period was:

Group	Current	1 - 30 days past due	More than 30 days past due	More than 60 days past due	Total
2018					
Expected loss rate	-	-	-	90%	
RM'000					
Gross carrying amount - Trade receivables (assessed collectively)	113,807	6,849	1,076	702	122,434
Loss allowance	-	-	-	(632)	(632)
Carrying amount (net of loss allowance)	113,807	6,849	1,076	70	121,802

25 FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Group has transactions with related companies. The Group monitors the collectability of the amounts owing from related companies regularly.

The Company has transactions with subsidiaries and related companies. The Company monitors the collectability of the amounts owing from subsidiaries and related companies regularly.

Exposure to credit risk

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

Credit quality

As at the end of the reporting period, there was no indication that the amounts due from subsidiaries and related companies are not recoverable. The amounts due from subsidiaries and related companies have been outstanding for less than a year.

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group's and the Company's short term deposits are placed as fixed rate investments and daily short term deposits and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents are placed only with licensed financial institutions.

Exposure to credit risk

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

Credit quality

Counterparties with external credit rating:

	Group		Company	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
AAA	**48,547**	60,095	**19,201**	18,453
AA2	**118**	88	**104**	72
A1	**29,795**	36,300	**-**	-
	78,460	96,483	**19,305**	18,525

25 FINANCIAL INSTRUMENTS (CONTINUED)

25.5 Liquidity risk

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

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000
Group						
2019						
Payables and accruals	**380,110**	**-**	**380,110**	**379,781**	**-**	**329**
Loans and borrowings	**75,000**	**3.45-3.47**	**75,175**	**75,175**	**-**	**-**
Lease liabilities	**7,669**	**4.05**	**8,349**	**2,092**	**2,095**	**4,162**
	462,779		**463,634**	**457,048**	**2,095**	**4,491**
2018						
Payables and accruals	379,479	-	379,479	379,150	-	329
Loans and borrowings	75,000	3.73-3.93	75,189	75,189	-	-
	454,479		454,668	454,339	-	329

25 FINANCIAL INSTRUMENTS (CONTINUED)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000
Company				
2019				
Payables and accruals	**195,236**	**-**	**195,236**	**195,236**
Loans and borrowings	**75,000**	**3.45-3.47**	**75,175**	**75,175**
	270,236		**270,411**	**270,411**
2018				
Payables and accruals	208,740	-	208,740	208,740
Loans and borrowings	75,000	3.73-3.93	75,189	75,189
	283,740		283,929	283,929

25.6 Market risk

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

25.6.1 Currency risk

The Group and the Company are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Singapore Dollar ("SGD"), Euro ("EUR"), Danish Krone ("DKK") and Japanese Yen ("JPY").

Risk management objectives, policies and processes for managing the risk

The Group and the Company did not hedge any foreign trade receivables and trade payables denominated in foreign currency during the year. In respect of other monetary assets and liabilities held in currencies other than RM and SGD, the Group ensures that the net exposure is kept to an acceptable level.

25 FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

25.6.1 Currency risk (continued)

Exposure to foreign currency risk

The Group's and the Company's exposure to foreign currency (a currency which is other than the functional currency of any entity in the Group and the Company) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in				
	USD RM'000	SGD RM'000	EUR RM'000	DKK RM'000	JPY RM'000
Group					
2019					
Trade receivables	**3,299**	**-**	**-**	**-**	**-**
Cash and cash equivalents	**8,224**	**1,782**	**-**	**-**	**-**
Trade payables	**(16,187)**	**-**	**(4,268)**	**-**	**(1,431)**
Intercompany balances	**(7,272)**	**-**	**(190)**	**(527)**	**-**
Net exposure	**(11,936)**	**1,782**	**(4,458)**	**(527)**	**(1,431)**
2018					
Trade receivables	2,396	-	-	-	-
Cash and cash equivalents	3,417	331	-	-	-
Trade payables	(9,536)	-	(1,648)	-	-
Intercompany balances	(10,390)	-	(2,342)	(3,915)	-
Net exposure	(14,113)	331	(3,990)	(3,915)	-

25 FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

25.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

	Denominated in			
	USD RM'000	SGD RM'000	EUR RM'000	DKK RM'000
Company				
2019				
Cash and cash equivalents	**6,280**	**50**	**-**	**-**
Trade payables	**(14,983)**	**-**	**(2,092)**	**-**
Intercompany balances	**5,203**	**-**	**-**	**(873)**
Net exposure	**(3,500)**	**50**	**(2,092)**	**(873)**
2018				
Cash and cash equivalents	71	157	-	-
Trade payables	(9,601)	-	(1,648)	-
Intercompany balances	1,828	266	(1,466)	(3,639)
Net exposure	(7,702)	423	(3,114)	(3,639)

Currency risk sensitivity analysis

Foreign currency risk arises primarily for transactions denominated in USD, SGD, EUR, DKK and JPY. The exposure to currency risk for transaction other than USD, SGD, EUR, DKK and JPY is not material and hence, sensitivity analysis is not presented.

A 2% (2018: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group and the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
USD	**239**	1,411	**70**	770
SGD	**(36)**	(33)	**(1)**	(42)
EUR	**89**	399	**42**	311
DKK	**11**	392	**17**	364
JPY	**29**	-	**-**	-
	332	2,169	**128**	1,403

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25 FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

25.6.2 Interest rate risk

The Group's and the Company's borrowings are not exposed to a risk of change in their fair values due to changes in interest rates. The Group's and the Company's borrowings are exposed to a risk of change in cash flows due to changes in interest rate. Receivables and payables are not significantly exposed to interest rate risk.

<u>Risk management objectives, policies and processes for managing the risk</u>

The Group's and the Company's borrowings are short term in nature. As such, the Group and the Company does not engage in any hedging activities to manage interest rate fluctuations.

<u>Exposure to interest rate risk</u>

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Floating rate instruments</u>				
Revolving credits	**(75,000)**	(75,000)	**(75,000)**	(75,000)

<u>Interest rate risk sensitivity analysis</u>

The exposure to interest rate risk arising from floating rate instruments is not material, and hence, sensitivity analysis is not presented.

25.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

26 CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of total equity, less amounts accumulated in equity related to cash flow hedges.

The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with regulatory requirements. The ratio is calculated as total debt divided by total capital. Total debt is calculated as sum of total borrowings (including "current and non-current loan and borrowing" and "lease liabilities" as shown in the statement of financial position). Total capital is calculated as sum of total equity and total debt.

The gearing ratio as at 31 December 2019 and 2018 are as follows:

	Group	
	2019 RM'000	2018 RM'000
Total debt	**82,669**	75,000
Total equity	**156,708**	180,997
Total capital	**239,377**	255,997
Gearing ratio	**35%**	29%

The gearing ratio increases from 29% to 35% following the adoption of MFRS 16 "Leases". Both debt and gross assets increased following the recognition of right-of-use lease assets and lease liabilities on 1 January 2019. See Note 4 for further information.

27 OPERATING LEASES

The Group leases offices and warehouse under non-cancellable operating leases expiring within six months to five years with an option to renew the leases after the date of expiration.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short term and low-value leases, see Notes 4 and 12 for further information.

Non-cancellable operating lease rentals are payable as follows:

	Group 2018 RM'000	Company 2018 RM'000
Less than one year	3,455	189
Between one and five years	10,776	-
	14,231	189

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28 CAPITAL COMMITMENTS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Capital expenditure commitments				
Plant and equipment				
Authorised and contracted for	**4,998**	1,399	**4,393**	1,031

29 CONTINGENT LIABILITIES

On 23 September 2014, the Board of Directors of the Company had announced to 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 the period from 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 the period from 1 July 2011 to 14 January 2014.

On 13 February 2020, the Company received a letter dated 3 February 2020 from the State Customs confirming that the bill of demand for sales tax amounting to RM13,763,381.02 and the penalty amounting to RM6,881,690.56 for period of 1 July 2011 to 14 January 2014 had been cancelled.

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

30 RELATED PARTIES

Identity of related parties

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

The Group has related party relationship with the ultimate holding company and its related corporations, its subsidiaries (see Note 13), an associate (see Note 14), Directors and key management personnel. The relationship of related parties are identified as below:

Name of company	**Country of incorporation**	**Classes of Related parties**
Carlsberg A/S	Denmark	Ultimate holding company
Carlsberg Breweries A/S	Denmark	Immediate holding company
Carlsberg Marketing Sdn. Bhd.	Malaysia	Subsidiary
Carlsberg Singapore Pte. Ltd.	Singapore	Subsidiary
Euro Distributors Sdn. Bhd.	Malaysia	Subsidiary
MayBev Pte. Ltd.	Singapore	Subsidiary
Lion Brewery (Ceylon) PLC	Sri Lanka	Associate
Carlsberg Hong Kong Ltd.	Hong Kong	Fellow subsidiary
Carlsberg Supply Company AG	Switzerland	Fellow subsidiary
Carlsberg Business Solutions	Denmark	Fellow subsidiary
Brasseries Kronenbourg SAS	France	Fellow subsidiary
CB Distribution Co. Ltd.	Thailand	Fellow subsidiary
Carlsberg Croatia D.O.O.	Croatia	Fellow subsidiary
Carlsberg Brewery Hong Kong Ltd.	Hong Kong	Fellow subsidiary
Carlsberg Supply Co. Asia Ltd.	Hong Kong	Fellow subsidiary
Kronenbourg Supply Company	France	Fellow subsidiary
Carlsberg Vietnam Breweries Limited	Vietnam	Fellow subsidiary
Lao Brewery Co. Ltd.	Laos	Fellow subsidiary
Carlsberg Brewery (Guangdong) Ltd.	China	Fellow subsidiary
Carlsberg Italia S.p.A	Italy	Fellow subsidiary
Cambrew Limited	Cambodia	Fellow subsidiary
Carlsberg Taiwan Trading Company Ltd.	Taiwan	Associate company of immediate holding company

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel includes all the Directors of the Group and of the Company, and certain members of senior management of the Group and of the Company.

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30 RELATED PARTIES (CONTINUED)

Details of the related party transactions (other than key management personnel remuneration disclosed in Note 22 to the financial statements) with the Group and the Company are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Ultimate holding company				
Reimbursement for share option granted to employees	**115**	960	**115**	844
Sale of goods	**-**	(28)	**-**	-
Immediate holding company				
Purchases of materials and products	**332**	412	**332**	412
Purchases of services	**7,290**	6,311	**5,023**	4,910
Royalties	**36,961**	39,550	**6,793**	7,856
Net settlements in respect of gain from hedging contracts	**(3,560)**	(1,041)	**(3,560)**	(1,041)
Related companies				
Management fees	**7,714**	6,738	**3,752**	2,534
Purchases of materials and products	**20,382**	31,326	**690**	6,613
Purchases of services	**5,693**	4,109	**2,702**	2,362
Sale of goods and services	**(52,039)**	(56,506)	**(52,039)**	(19,076)

	Company	
	2019 RM'000	**2018 RM'000**
Subsidiaries		
Sale of goods and services	**1,121,780**	1,012,871
Sale of computer software	**157**	-
Management fee received	**19,162**	12,227
Rental income	**780**	780
Dividend income	**298,319**	226,004
Associate		
Dividend income	**3,996**	1,772

The terms and conditions for the above transactions are based on negotiated terms. All the amounts outstanding are unsecured and expected to be settled with cash.

Outstanding balances are disclosed accordingly in Notes 17 and 20.

31 RECLASSIFICATION

The Group reclassified an account in the comparative to conform with the current year's presentation. This only impact the presentation of the Group's statement of comprehensive income with no impact to other statements.

Impact to the Statement of Comprehensive Income

	Before reclassification RM'000	**Reclassification RM'000**	**After reclassification RM'000**
For the financial year 31 December 2018			
Other income			
Reversal of loss allowance on receivables	-	4,243	4,243
Sales and distribution expenses			
Reversal of loss allowance on receivables	4,243	(4,243)	-

As result of initiative to standardise the financial statements mapping, reversal of loss allowance on receivables has been reclassed from sales and distribution expenses to other income.