

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 2020 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 2020 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 2 March 2021.

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 4.

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 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

The amendments 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 16 'COVID-19-Related Rent Concessions' (effective 1 June 2020) grant an optional exemption for lessees to account for a rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- i. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- ii. Any reduction in lease payments affects only payments due on or before 30 June 2021; and
- iii. There is no substantive change to other terms and conditions of the lease.

The amendments shall be applied retrospectively.

- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

NOTES TO THE FINANCIAL STATEMENTS

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 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

- Amendments to MFRS 116 'Proceeds before intended use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied retrospectively.

- Amendments to MFRS 137 'onerous contracts – cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied retrospectively.

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

The amendments shall be applied retrospectively.

The adoption of the above 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 interests 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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. 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:

• 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.

(d) Leases

(i) Accounting by lessee

Leases are recognised as right-of-use (“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).

Leased assets (including leasehold land) are presented as a separate line item in statement of financial position.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

(i) Accounting by lessee (continued)

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.

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

- Leasehold land 40 – 99 years

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

(i) Accounting by lessee (continued)

Lease liabilities (continued)

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. 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.

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 includes 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

(ii) Accounting by lessor (continued)

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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Equity instruments (continued)

(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.

(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-based incentive programme established by Carlsberg A/S that is categorized as performance shares. Entitlement to performance shares requires fulfilment of service in the vesting period (2-3 years). The shares are transferred to the recipients based on the KPIs attached to the shares. The number of performance shares granted is the maximum number of performance shares that can vest. The number of shares outstanding at the end of the period is the numbers to vest, based on the extent to which the vesting conditions are expected to be met. The numbers of shares expected to vest is revised on a regular basis.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (continued)

(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 employees 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.

(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 and borrowing costs

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Borrowings and borrowing costs (continued)

(ii) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Revenue and other income

Revenue from contracts with customers

(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 expects to be entitled in exchange for those goods. Amounts disclosed as revenue is net of discounts.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue and other income (continued)

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).

(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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 fair value through profit or loss (“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”).

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial instruments (continued)

Measurement – financial assets (continued)Debt instruments (continued)

(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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Derivative and hedging activities (continued)

(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

Impairment of financial assets

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Impairment of assets (continued)

Groupings of instruments for ECL measured on collective basis

(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.

Impairment of other assets

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 values 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 16.1). 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 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 below 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 represent 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 and historical experience. Management is required to make estimates on the sales volume to be achieved by the customers and distributors to determine the trade offers.

These accruals are netted off within Receivables, deposits and prepayments (Note 16.1). 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 investments in subsidiaries

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

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

The 5-year cash flow forecasts are based on the average annual growth of sales volume based on past performance and management's expectations 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 changes in the key assumptions would not cause the carrying amount of the CGU to exceed their recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

4 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. were as follows:

	2020	2019
Sales volume (% annual growth)	1.5%	2.5%
Long-term growth rate (%)	1.0%	1.0%
Pre-tax discount rate (%)	5.1%	6.0%

For Carlsberg Singapore Pte Ltd, the recoverable amount computed in its VIU analysis was higher than the carrying amount of its cost of investment and hence, no impairment was recognised during the financial year. The Company's cost of investment in Carlsberg Singapore Pte Ltd. as at 31 December 2020 was RM389,663,000.

Based on the sensitivity performed, no reasonable changes in the assumptions would cause the carrying amount of the CGU to exceed its recoverable amount.

5 REVENUE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from contracts with customers	1,785,000	2,256,581	990,024	1,174,236

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

	Manufacturing*	Marketing & Distribution	Total
	RM'000	RM'000	RM'000
<u>2020</u>			
Sales of beverages	988,915	794,446	1,783,361
Sales of by-products and others	1,109	530	1,639
	990,024	794,976	1,785,000
<u>2019</u>			
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

* The manufacturing segment relates to the Company's operations.

NOTES TO THE FINANCIAL STATEMENTS

6 OPERATING PROFIT

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Operating profit is arrived at after charging:				
Amortisation of:				
- Intangible assets	2,184	1,123	523	276
- Right-of-use assets	2,004	1,999	118	121
Auditors' remuneration:				
- Audit services	439	341	198	144
- Audit related services	9	17	9	17
Excise duties and sales tax	973,951	1,165,205	740,909	864,438
Finance costs:				
- Interest on borrowings	6,702	10,184	4,558	5,591
- Interest on lease liability	270	341	-	-
Foreign exchange loss:				
- Unrealised	220	-	121	-
- Realised	21	-	-	-
Inventories:				
- Allowance for written down	2,557	925	1,131	925
- Finished goods written off	5,978	1,536	92	230
Loss allowance on:				
- Trade receivables	802	-	-	-
- Other receivables	-	55	-	55
Personnel expenses (including key management personnel):				
- Wages, salaries and others	120,196	149,568	34,412	36,159
- Contributions to Employees Provident Fund	10,660	11,029	2,947	3,379
- Contributions to other defined contribution plan	1,347	1,390	605	551
- Share based payment expense	436	2,032	332	1,463
- Termination benefits	9,889	-	2,423	-
Property, plant and equipment:				
- Depreciation	38,975	39,001	31,062	32,239
- Net loss on disposal	544	-	791	11
- Written off	1,713	424	1,705	174
Management fees charged from related companies	10,461	7,714	5,700	3,752
Short-term and low value lease expenses	871	1,068	220	337

NOTES TO THE FINANCIAL STATEMENTS

6 OPERATING PROFIT (CONTINUED)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Operating profit is arrived at after crediting:				
Dividend income from:				
- Unquoted subsidiaries	-	-	180,670	298,320
- A foreign quoted associate	-	-	3,581	3,996
Finance income	1,745	1,605	99	17
Foreign exchange gain:				
- Realised	-	98	172	245
- Unrealised	-	827	-	503
Gain on disposal of property, plant and equipment	-	513	-	-
Management fees charged to a subsidiary	-	-	17,864	19,162
Operating lease income from a subsidiary	-	-	780	780
Reversal of loss allowance on:				
- Trade receivables	-	417	-	-
- Other receivables	44	-	44	-

7 TAXATION

Recognised in profit or loss

Major components of taxation include:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current taxation				
Malaysian				
- current year	42,173	58,613	23	2,459
- under/(over) provision in prior years	665	(6,917)	-	(151)
Overseas				
- current year	11,047	17,557	-	-
- (over)/under provision in prior years	(304)	593	-	-
Total current tax	53,581	69,846	23	2,308
Deferred tax expense				
Origination and reversal of temporary differences	(9,986)	12,007	(1,050)	2,786
Total deferred tax	(9,986)	12,007	(1,050)	2,786
Total taxation charge/(credit)	43,595	81,853	(1,027)	5,094

NOTES TO THE FINANCIAL STATEMENTS

7 TAXATION (CONTINUED)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Reconciliation of taxation charge/(credit)</u>				
Profit before taxation	209,780	382,237	173,009	319,344
Tax at Malaysian tax rate of 24% (2019: 24%)	50,347	91,737	41,522	76,643
Effect of tax in foreign jurisdiction	(4,491)	(7,011)	-	-
Non-taxable income	-	(13)	(44,220)	(72,556)
Non-deductible expenses	1,345	7,959	1,671	1,158
Share of results of an associate	(3,584)	(3,910)	-	-
Double deduction on permitted expenses	(383)	(585)	-	-
	43,234	88,177	(1,027)	5,245
Under/(over) provision in prior years	361	(6,324)	-	(151)
Total taxation charge/(credit)	43,595	81,853	(1,027)	5,094
<u>Recognised in Other Comprehensive Income</u>				
Deferred tax				
Arising on income and expense recognised in other comprehensive income				
- Fair value of financial instruments treated as cash flow hedges	906	478	906	478

8 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2020 and 2019 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2020 RM'000	2019 RM'000
Profit for the financial year attributable to shareholders	162,180	291,024

Weighted average number of ordinary shares:

	Group	
	2020 '000	2019 '000
Issued ordinary shares	305,748	305,748
Basic earnings per ordinary share (sen)	53.04	95.18

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

9 PROPERTY, PLANT AND EQUIPMENT

Note	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
<u>Group</u>								
<u>Cost</u>								
At 1 January 2019	18,952	65,563	4,116	492,926	16,057	24,091	8,770	630,475
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	-	-	-	-	-	-	(3,455)	(3,455)
Effect of movements in exchange rates	-	-	6	14	-	7	-	27
At 31 December 2019/ 1 January 2020	18,952	67,908	4,164	509,892	15,063	12,553	11,571	640,103
Additions	-	962	-	28,541	-	125	13,096	42,724
Disposals	-	-	-	(1,471)	(1,093)	(7)	-	(2,571)
Written off	-	-	-	(36,710)	-	(587)	(1,280)	(38,577)
Transfers	-	96	-	7,343	-	12	(7,451)	-
Transfer from/(to) intangible assets	-	-	-	-	-	540	(203)	337
Effect of movements in exchange rates	-	-	6	11	-	7	-	24
At 31 December 2020	18,952	68,966	4,170	507,606	13,970	12,643	15,733	642,040

NOTES TO THE FINANCIAL STATEMENTS

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	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
<u>Group</u>									
<u>Accumulated depreciation</u>									
At 1 January 2019		-	34,606	681	381,183	6,828	21,012	-	444,310
Depreciation for the financial year	6	-	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/ 1 January 2020		-	36,768	1,273	379,964	5,341	9,684	-	433,030
Depreciation for the financial year	6	-	2,436	788	32,330	2,196	1,225	-	38,975
Disposals		-	-	-	(592)	(805)	(3)	-	(1,400)
Written off		-	-	-	(36,280)	-	(584)	-	(36,864)
Transfer from intangible assets	10	-	-	-	-	-	75	-	75
Effect of movements in exchange rates		-	-	3	8	-	2	-	13
At 31 December 2020		-	39,204	2,064	375,430	6,732	10,399	-	433,829
<u>Carrying amounts</u>									
At 31 December 2020		18,952	29,762	2,106	132,176	7,238	2,244	15,733	208,211
At 31 December 2019		18,952	31,140	2,891	129,928	9,722	2,869	11,571	207,073

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Note	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
<u>Cost</u>								
At 1 January 2019		18,952	63,399	468,753	549	14,694	8,148	574,495
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 2019/1 January 2020		18,952	65,749	482,442	549	7,818	11,571	587,081
Additions		-	962	26,698	-	74	13,027	40,761
Disposals		-	-	(1,329)	-	-	-	(1,329)
Written off		-	-	(35,342)	-	(419)	(1,280)	(37,041)
Transfers		-	96	7,343	-	12	(7,451)	-
Transfer to intangible assets	10	-	-	-	-	-	(203)	(203)
At 31 December 2020		18,952	66,807	479,812	549	7,485	15,664	589,269

NOTES TO THE FINANCIAL STATEMENTS

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Note	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
<u>Accumulated depreciation</u>								
At 1 January 2019		-	34,101	365,714	113	13,722	-	413,650
Depreciation for the financial year	6	-	2,014	29,525	99	601	-	32,239
Disposals		-	-	(262)	-	(404)	-	(666)
Written off		-	(16)	(28,814)	-	(6,768)	-	(35,598)
At 31 December 2019/1 January 2020		-	36,099	366,163	212	7,151	-	409,625
Depreciation for the financial year	6	-	2,270	28,278	89	425	-	31,062
Disposals		-	-	(485)	-	-	-	(485)
Written off		-	-	(34,919)	-	(417)	-	(35,336)
At 31 December 2020		-	38,369	359,037	301	7,159	-	404,866
<u>Carrying amounts</u>								
At 31 December 2020		18,952	28,438	120,775	248	326	15,664	184,403
At 31 December 2019		18,952	29,650	116,279	337	667	11,571	177,456

NOTES TO THE FINANCIAL STATEMENTS

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

9.1 Leasing arrangements

The Company leases certain buildings with carrying amount of RM7,709,000 (2019: RM8,020,000) to a subsidiary under operating leases with rentals payable monthly.

Minimum lease receivable on buildings are as follows:

	Company	
	2020 RM'000	2019 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	180	780
Between 4 and 5 years	180	180
More than 5 years	540	720
	3,240	4,020

10 INTANGIBLE ASSETS

	Note	Goodwill RM'000	Computer software RM'000	Total RM'000
<u>Group</u>				
<u>Cost</u>				
At 1 January 2019		2,634	19,926	22,560
Acquisition		-	2,444	2,444
Transfer from property, plant and equipment	9	-	3,455	3,455
Disposal		-	(32)	(32)
Written off		-	(14,570)	(14,570)
Effect of movements in exchange rates		-	4	4
At 31 December 2019/1 January 2020		2,634	11,227	13,861
Acquisition		-	1,683	1,683
Transfer to property, plant and equipment	9	-	(337)	(337)
Written off		-	(116)	(116)
Effect of movements in exchange rates		-	3	3
At 31 December 2020		2,634	12,460	15,094

NOTES TO THE FINANCIAL STATEMENTS

10 INTANGIBLE ASSETS (CONTINUED)

	Note	Goodwill RM'000	Computer software RM'000	Total RM'000
<u>Group (continued)</u>				
<u>Amortisation</u>				
At 1 January 2019		-	19,341	19,341
Amortisation for the financial year	6	-	1,123	1,123
Disposal		-	(32)	(32)
Written off		-	(14,570)	(14,570)
Effect of movements in exchange rates		-	1	1
At 31 December 2019/1 January 2020		-	5,863	5,863
Amortisation for the financial year	6	-	2,184	2,184
Transfer to property, plant and equipment	9	-	(75)	(75)
Written off		-	(116)	(116)
Effect of movements in exchange rates		-	3	3
At 31 December 2020		-	7,859	7,859
<u>Carrying amounts</u>				
At 31 December 2020		2,634	4,601	7,235
At 31 December 2019		2,634	5,364	7,998

NOTES TO THE FINANCIAL STATEMENTS

10 INTANGIBLE ASSETS (CONTINUED)

	Note	Computer software RM'000
<u>Company</u>		
<u>Cost</u>		
At 1 January 2019		10,189
Additions		1,207
Disposal to subsidiary		(157)
Written off		(8,343)
At 31 December 2019/1 January 2020		2,896
Additions		619
Transfer from property, plant and equipment	9	203
Written off		(116)
At 31 December 2020		3,602
<u>Amortisation</u>		
At 1 January 2019		9,967
Amortisation for the financial year	6	276
Written off		(8,343)
At 31 December 2019/1 January 2020		1,900
Amortisation for the financial year	6	523
Written off		(116)
At 31 December 2020		2,307
<u>Carrying amounts</u>		
At 31 December 2020		1,295
At 31 December 2019		996

NOTES TO THE FINANCIAL STATEMENTS

10 INTANGIBLE ASSETS (CONTINUED)

10.1 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	
	2020 RM'000	2019 RM'000
<u>Singapore</u>		
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 was recognised during the financial year.

The 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 were as follows:

	2020	2019
Sales volume (% annual growth)	4.7%	1.0%
Long-term growth rate (%)	1.0%	1.0%
Pre-tax discount rate (%)	4.4%	6.0%

The 5-year cash flows forecast were based on the average annual growth of sales volume 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 changes in the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

11 RIGHT-OF-USE ASSETS/LEASES

11.1 Amounts recognised in the statements of financial position:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Right-of-use assets</u>				
Leasehold land	6,577	6,699	6,508	6,627
Buildings	5,563	7,448	-	-
	12,140	14,147	6,508	6,627
<u>Lease liabilities</u>				
Current	2,070	1,835	-	-
Non-current	3,769	5,834	-	-
	5,839	7,669	-	-

There were no additions to the right-of-use assets during the current financial year.

11.2 Amounts recognised in the statements of comprehensive income and statements of cash flows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Amortisation charge of right-of-use assets</u>				
Leasehold land	122	122	118	121
Building	1,882	1,877	-	-
	2,004	1,999	118	121
Interest expense (included in finance cost)	270	341	-	-
Expense relating to leases of low-value assets and short term leases that are not shown above (included in sales, distribution and administrative expenses)	871	1,068	220	337

The Group's and the Company's total cash outflow for all leases including leases of low-value assets and short terms leases in 2020 was RM2,966,000 (2019:RM3,066,000) and RM220,000 (2019: RM337,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

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

11.3 The Group's leasing activities

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.

12 INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
Unquoted shares – at cost	391,572	391,572

Note 4(ii) sets out the key assumptions and judgements used in impairment testing. The recoverable amounts assessed were higher than the respective carrying costs of investment hence no impairment was 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	
			2020 %	2019 %
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.

NOTES TO THE FINANCIAL STATEMENTS

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

	Effective ownership interest held by NCI	
	2020 %	2019 %
MayBev Pte. Ltd.	49	49

Set out below is the 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.	
	2020 RM'000	2019 RM'000
<u>As at 31 December</u>		
Non-current assets	8,531	10,546
Current assets	27,422	34,581
Non-current liabilities	(4,164)	(5,481)
Current liabilities	(15,924)	(20,838)
Net assets	15,865	18,808
Accumulated non-controlling interests	6,773	8,224
<u>Year ended 31 December</u>		
Revenue	76,632	129,255
Profit for the financial year	8,173	19,102
Total comprehensive income	8,173	19,102
Profit allocated to non-controlling interests	4,005	9,360
Dividend paid to non-controlling interests	5,456	13,006
Cash flow generated from operating activities	16,437	23,465
Cash flow used in investing activities	(303)	(766)
Cash flow used in financing activities	(12,471)	(28,116)
Net changes in cash and cash equivalents	3,663	(5,417)

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Quoted shares, outside Malaysia	25,164	25,164	25,164	25,164
Share of post-acquisition reserves	67,322	59,556	-	-
	92,486	84,720	25,164	25,164
Market value				
Quoted shares, outside Malaysia	254,749	272,329	254,749	272,329

The fair value of the investment in the 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	
			2020 %	2019 %
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:

	2020 RM'000	2019 RM'000
<u>As at 31 December</u>		
Non-current assets	454,146	463,513
Current assets	348,660	332,516
Non-current liabilities	(207,011)	(177,677)
Current liabilities	(225,851)	(279,472)
Net assets	369,944	338,880
<u>Year ended 31 December</u>		
Revenue	1,064,655	1,099,393
Interest income	17,717	26,109
Interest expense	(29,617)	(39,040)
Tax expense	(29,041)	(46,447)
Profit for the financial year	59,728	65,166
Total comprehensive income	59,728	65,166
Dividends received from associate	3,581	3,996

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Reconciliation to carrying amount:

	2020 RM'000	2019 RM'000
Net assets as at 1 January	338,880	291,880
Profit for the financial year	59,728	65,166
Dividend paid	(14,324)	(15,984)
Exchange differences	(14,340)	(2,182)
Net assets as at 31 December	369,944	338,880
Group share at 25%	92,486	84,720
Carrying amount	92,486	84,720

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

14 DEFERRED TAX ASSETS/(LIABILITIES)Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Group</u>						
Property, plant and equipment	-	-	(24,206)	(26,604)	(24,206)	(26,604)
Right-of-use assets	-	-	(948)	(1,266)	(948)	(1,266)
Trade and other receivables	-	-	(628)	(9,172)	(628)	(9,172)
Trade and other payables	9,980	10,740	-	-	9,980	10,740
Lease liabilities	995	1,304	-	-	995	1,304
Others	-	287	(1,027)	(203)	(1,027)	84
Tax assets/(liabilities)	10,975	12,331	(26,809)	(37,245)	(15,834)	(24,914)
Offsetting	(8,250)	(11,827)	8,250	11,827	-	-
Net tax assets/(liabilities)	2,725	504	(18,559)	(25,418)	(15,834)	(24,914)
<u>Company</u>						
Property, plant and equipment	-	-	(21,508)	(23,561)	(21,508)	(23,561)
Trade and other payables	4,325	5,123	-	-	4,325	5,123
Others	-	287	(1,027)	(203)	(1,027)	84
Tax assets/(liabilities)	4,325	5,410	(22,535)	(23,764)	(18,210)	(18,354)
Offsetting	(4,325)	(5,410)	4,325	5,410	-	-
Net tax liabilities	-	-	(18,210)	(18,354)	(18,210)	(18,354)

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Movement in temporary differences during the financial year:

	At 1.1.2019		Credited to profit or loss (Note 7) RM'000	Credited to other comprehensive income (Note 7) RM'000	Foreign exchange differences RM'000	At 31.12.2019		(Charged)/ credited to profit or loss (Note 7) RM'000	Charged to other comprehensive income (Note 7) RM'000	Foreign exchange differences RM'000	At 31.12.2020	
	RM'000	RM'000				RM'000	RM'000				RM'000	RM'000
<u>Group</u>												
Property, plant and equipment	(22,852)	(3,742)	-	-	(10)	(26,604)	2,399	-	-	(1)	(24,206)	
Right-of-use assets	(1,586)	319	-	-	1	(1,266)	318	-	-	-	(948)	
Trade and other Receivables	-	(9,172)	-	-	-	(9,172)	8,544	-	-	-	(628)	
Trade and other Payables	9,864	871	-	-	5	10,740	(761)	-	-	1	9,980	
Lease liabilities	1,586	(281)	-	-	(1)	1,304	(309)	-	-	-	995	
Others	564	(2)	(478)	-	-	84	(205)	(906)	-	-	(1,027)	
	(12,424)	(12,007)	(478)	(478)	(5)	(24,914)	9,986	(906)	-	-	(15,834)	
<u>Company</u>												
Property, plant and equipment	(20,604)	(2,957)	-	-	-	(23,561)	2,053	-	-	-	(21,508)	
Trade and other Payables	4,952	171	-	-	-	5,123	(798)	-	-	-	4,325	
Others	562	-	(478)	-	-	84	(205)	(906)	-	-	(1,027)	
	(15,090)	(2,786)	(478)	(478)	-	(18,354)	1,050	(906)	-	-	(18,210)	

NOTES TO THE FINANCIAL STATEMENTS

15 INVENTORIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Finished goods	60,422	42,113	17,808	17,161
Work-in-progress	4,184	4,164	4,184	4,164
Raw, packaging and other materials	10,089	10,045	10,015	9,971
Spare parts for machinery	11,127	10,547	10,854	10,397
	85,822	66,869	42,861	41,693
Recognised in profit or loss:				
Allowance for inventories written down	2,557	925	1,131	925
Finished goods written off	5,978	1,536	92	230
Inventories recognised as Cost of Sales	204,095	249,652	160,535	193,555

16 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Current</u>					
<u>Trade</u>					
Trade receivables from contracts with customers		76,928	144,341	-	-
Less: Loss allowance		(1,017)	(215)	-	-
	16.1	75,911	144,126	-	-
Prepayments	16.3	40,019	61,018	19,259	9,162
Amount due from a subsidiary	16.2	-	-	-	3,521
Amount due from immediate holding company	16.2	2,082	-	2,082	-
Amounts due from related companies	16.2	8,771	5,353	8,768	5,353
		126,783	210,497	30,109	18,036

NOTES TO THE FINANCIAL STATEMENTS

16 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Non-trade</u>					
Amount due from a subsidiary	16.2	-	-	373	740
Amounts due from related companies	16.2	191	62	191	62
Other receivables	16.4	2,980	6,036	1,259	2,056
Deposits		776	636	118	40
Prepayments		100	54	-	-
		4,047	6,788	1,941	2,898
		130,830	217,285	32,050	20,934

16.1 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 RM164,436,000 (2019: RM131,522,000). There were changes in the basis of certain accounting estimates resulting from reassessing the actual and future expected obligations associated with trade offers. These changes in estimates have been accounted for prospectively.

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 24.1. This instrument is carried under the Level 3 fair value hierarchy which is determined through discounting future cash flows at agreed bank charges rates. The fair value of the debt instruments is equivalent to the carrying amount as the initial cost assessed is insignificant.

16.2 Amounts due from a subsidiary, immediate holding company and related companies

The trade balances have a credit term of 30 days (2019: 30 days).

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

NOTES TO THE FINANCIAL STATEMENTS

16 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

16.3 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 24.7 for disclosure of fair value information.

16.4 Other receivables

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

17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash at bank	93,891	78,460	9,989	19,305
Cash held on hand	100	157	3	8
	93,991	78,617	9,992	19,313

18 SHARE CAPITAL

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 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.

18 SHARE CAPITAL (CONTINUED)Reserves

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other reserves:					
Capital reserve	18.1	3,931	3,931	-	-
Exchange reserve	18.2	(4,146)	(312)	-	-
Equity contribution reserve	18.3	(405)	2,624	(645)	1,890
Cash flow hedge reserve	18.4	1,959	(911)	1,959	(911)
		1,339	5,332	1,314	979
Distributable reserves:					
Retained earnings		17,159	(6,211)	282,215	246,989
		18,498	(879)	283,529	247,968

18.1 Capital reserve

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

18.2 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.

18.3 Equity contribution reserve

The equity contribution reserve comprises the cumulative value of employee services received for the performance shares granted by the ultimate holding company. The grant date fair value of the performance share 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 performance shares. Any reimbursement to Carlsberg A/S in relation to the share-based incentive programme is treated as a capital distribution and would be recorded directly in equity.

18.4 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.

As at 31 December 2020, the unrealised fair value gain on cash flow hedge included in the amount due from/(to) immediate holding company (trade) was RM2,577,000 (2019: fair value loss of RM1,199,000).

NOTES TO THE FINANCIAL STATEMENTS

19 PAYABLES AND ACCRUALS

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Non-current</u>					
Provision		329	329	-	-
<u>Current</u>					
<u>Trade</u>					
Trade payables	19.1	198,571	225,065	97,432	112,116
Amount due to immediate holding company	19.2	3,338	5,690	-	1,465
Amount due to subsidiaries	19.2	-	-	8,038	-
Amount due to related companies	19.2	9,361	11,477	285	150
		211,270	242,232	105,755	113,731
<u>Non-trade</u>					
Other payables	19.4	11,448	20,852	3,414	4,482
Dividend payable		-	51,977	-	51,977
Accrued expenses		49,243	48,876	13,162	13,122
Amount due to ultimate holding company	19.3	-	2,364	-	2,364
Amount due to immediate holding company	19.3	1,077	1,000	844	854
Amount due to related companies	19.3	8,052	12,480	6,227	8,706
		69,820	137,549	23,647	81,505
		281,090	379,781	129,402	195,236
		281,419	380,110	129,402	195,236

NOTES TO THE FINANCIAL STATEMENTS

19 PAYABLES AND ACCRUALS (CONTINUED)

19.1 Trade payables are with a credit term range from 0 day to 130 days (2019: 0 day to 130 days).

Note 24.5 and Note 24.7 set out disclosures of liquidity risk and fair value information respectively.

19.2 Amounts due to immediate holding company, subsidiaries and related companies

Amounts due to immediate holding company, subsidiaries and related companies are unsecured, interest free and subjected to credit terms of 90 days (2019: 90 days).

19.3 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.

19.4 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.

20 LOANS AND BORROWINGS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Current - unsecured</u>				
Revolving credits	122,540	75,000	116,439	75,000

The revolving credits of the Group and the Company are subjected to interests ranging from 0.9% to 3.47% (2019: 3.45% to 3.47%) per annum.

Note 24.5 and Note 24.7 set out disclosures of liquidity risk and fair value information respectively.

NOTES TO THE FINANCIAL STATEMENTS

21 KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors:				
- Fees	273	307	273	307
- Defined contribution plan	173	182	173	182
- Short-term employee benefits (including estimated monetary value of benefits-in-kind)	2,904	3,498	2,904	3,498
	3,350	3,987	3,350	3,987
- Share-based payments	195	999	195	999
	3,545	4,986	3,545	4,986
Other key management personnel:				
- Defined contribution plan	1,168	1,074	544	371
- Short-term employee benefits	14,667	13,277	6,244	3,376
- Share-based payments	136	1,033	(42)	464
	15,971	15,384	6,746	4,211
	19,516	20,370	10,291	9,197

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

NOTES TO THE FINANCIAL STATEMENTS

22 DIVIDENDS

Dividends declared by the Company are:

	Sen per ordinary share	Total amount RM'000	Date of payment
<u>2020</u>			
Fourth interim 2019	17.0	51,977	10 April 2020
Final and special 2019	28.4	86,833	30 September 2020
Total amount		138,810	
<u>2019</u>			
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	

Subsequent to the financial year end, the Board of Directors declared on 18 February 2021 a single tier interim dividend of 10.0 sen per ordinary share in respect of the financial year ended 31 December 2020, which will be payable on 2 April 2021.

The Board of Directors has also recommended for shareholders' approval at the forthcoming Annual General Meeting a final single tier dividend of 30.0 sen per ordinary share in respect of the financial year ended 31 December 2020.

	Sen per ordinary share	Total amount RM'000
<u>For the financial year ended 31 December 2020</u>		
Interim	10.0	30,575
Final	30.0	91,724
		122,299

NOTES TO THE FINANCIAL STATEMENTS

23 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.

NOTES TO THE FINANCIAL STATEMENTS

23 OPERATING SEGMENTS (CONTINUED)

	Malaysia RM'000	Singapore RM'000	Other RM'000	Total RM'000
<u>2020</u>				
Segment profit	135,392	64,629	-	200,021
Included in the measure of segment profit are:				
Revenue from external customers	1,257,139	527,861	-	1,785,000
Inter-segment revenue*	57,189	-	-	57,189
Depreciation and amortisation	38,811	4,352	-	43,163
Not included in the measure of segment profit but provided to Group's Managing Director:				
Finance costs	(6,559)	(413)	-	(6,972)
Finance income	1,745	-	-	1,745
Income tax expense	(33,004)	(10,591)	-	(43,595)
Share of profit of equity - accounted associate, net of tax	-	-	14,932	14,932
<u>2019</u>				
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

* Inter-segment revenue derived from Singapore.

NOTES TO THE FINANCIAL STATEMENTS

23 OPERATING SEGMENTS (CONTINUED)Reconciliation of segment profit or loss

	2020 RM'000	2019 RM'000
<u>Profit</u>		
Total segment profit	200,021	375,080
Inter-segment elimination	54	(215)
Finance costs	(6,972)	(10,525)
Finance income	1,745	1,605
Share of profit of equity - accounted associate, net of tax	14,932	16,292
Consolidated profit before taxation	209,780	382,237

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*	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Geographical location</u>				
Malaysia	1,217,452	1,581,691	213,019	211,292
Singapore	531,918	619,548	14,567	17,926
Other countries	35,630	55,342	92,486	84,720
	1,785,000	2,256,581	320,072	313,938

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

Major customers

The revenue derived from transactions with a single external customer that amounted to 10% or more of the Group's revenue for the financial year was RM353,897,509 (2019: RM256,144,924).

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS

24.1 Financial instruments by categories

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Financial assets at FVOCI</u>				
Receivables	45,216	14,456	-	-
<u>Financial assets at amortised cost</u>				
Receivables and deposits	45,495	141,757	12,791	11,772
Cash and cash equivalents	93,991	78,617	9,992	19,313
	139,486	220,374	22,783	31,085
<u>Financial liabilities at amortised cost</u>				
Loans and borrowings	(122,540)	(75,000)	(116,439)	(75,000)
Payables and accruals*	(260,871)	(354,383)	(122,239)	(186,772)
Lease liabilities	(5,839)	(7,669)	-	-
	(389,250)	(437,052)	(238,678)	(261,772)

* Net of provisions and payroll liabilities

24.2 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial assets at FVOCI and amortised cost	(1,060)	157	(136)	(125)
Financial liabilities at amortised cost	(6,906)	(9,491)	(4,510)	(5,018)

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.3 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

24.4 Credit risk

Trade receivables (including intercompany balances) using simplified approach

- (a) The credit risks concentration profile for trade receivables (including intercompany balances), net of loss allowance, as at the end of the reporting period analysed by geographic region was:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysia	32,939	80,333	-	3,521
Singapore	43,056	63,487	-	-
Others	10,769	5,659	10,850	5,353
	86,764	149,479	10,850	8,874

- (b) Reconciliation on loss allowance

The loss allowance for trade and other receivables as at 31 December 2020 reconciles to the opening loss allowance for that provision as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	(270)	(632)	(55)	-
Loss allowance recognised	(802)	(55)	-	(55)
Loss allowance reversed	44	417	44	-
Loss allowance written off	11	-	11	-
At 31 December	(1,017)	(270)	-	(55)

The loss allowance account in respect of trade and other receivables are 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.

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Trade receivables (including intercompany balances) using simplified approach (continued)

(c) Maximum exposure to credit risk

The grouping of trade receivables (including intercompany balances) for ECL assessment is as below:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Assessed individually	-	4,553	-	3,521
Assessed collectively	87,781	145,141	10,850	5,353
Total trade receivables (including intercompany balances)	87,781	149,694	10,850	8,874

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
<u>2020</u>					
Expected loss rate	-	-*	4%	65%	
<u>RM'000</u>					
Gross carrying amount					
- Trade receivables (assessed collectively)	69,415	5,247	747	1,519	76,928
- Amounts due from related companies	3,866	4,875	30	-	8,771
- Amount due from immediate holding company	2,082	-	-	-	2,082
Loss allowance	-	(4)	(33)	(980)	(1,017)
Carrying amount (net of loss allowance)	75,363	10,118	744	539	86,764

* Less than 1%

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Trade receivables (including intercompany balances) using simplified approach (continued)

(c) Maximum exposure to credit risk (continued)

The ageing of trade receivables (including intercompany balances) 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
<u>2019</u>					
Expected loss rate	-	-	-	30%	
<u>RM'000</u>					
Gross carrying amount					
- Trade receivables (assessed collectively)	131,117	6,869	1,098	704	139,788
- Amount due from related companies	2,204	3,148	-	1	5,353
Loss allowance	-	-	-	(215)	(215)
	133,321	10,017	1,098	490	144,926
Gross carrying amount					
- Trade receivables (assessed individually)	354	2	752	3,445	4,553
Carrying amount (net of loss allowance)	133,675	10,019	1,850	3,935	149,479

The Company's trade intercompany balances were considered fully recoverable, and no loss allowance has been recognised during the current financial year (2019: Nil).

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Intercompany balancesRisk 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 equivalentsRisk 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
AAA	52,392	48,547	9,951	19,201
AA1	2	-	1	-
AA2	58	118	37	104
A1	41,439	29,795	-	-
	93,891	78,460	9,989	19,305

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.5 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
<u>Group</u>						
<u>2020</u>						
Payables and accruals*	260,871	-	260,871	260,871	-	-
Loans and borrowings	122,540	0.95-3.47	123,568	123,568	-	-
Lease liabilities	5,839	4.05	6,257	2,095	1,471	2,691
	389,250		390,696	386,534	1,471	2,691
<u>2019</u>						
Payables and accruals*	354,383	-	354,383	354,383	-	-
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
	437,052		437,907	431,650	2,095	4,162

* Net of provisions and payroll liabilities

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.5 Liquidity risk (continued)

Maturity analysis (continued)

	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
<u>Company</u>						
<u>2020</u>						
Payables and accruals*	122,239	-	122,239	122,239	-	-
Loans and borrowings	116,439	2.15-3.47	117,463	117,463	-	-
	238,678		239,702	239,702	-	-
<u>2019</u>						
Payables and accruals*	186,772	-	186,772	186,772	-	-
Loans and borrowings	75,000	3.45-3.47	75,175	75,175	-	-
	261,772		261,947	261,947	-	-

* Net of provisions and payroll liabilities

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk

Market risk comprises currency risk, price risk and interest rate risk that will affect the Group's and the Company's financial position or cash flows.

24.6.1 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 financial 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.

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
<u>Group</u>			
<u>2020</u>			
Trade receivables	3,873	-	-
Cash and cash equivalents	7,165	6,551	-
Trade payables	(11,258)	(320)	(948)
Intercompany balances	(478)	-	(1,202)
Net exposure	(698)	6,231	(2,150)

	Denominated in				
	USD RM'000	SGD RM'000	EUR RM'000	DKK RM'000	JPY RM'000
<u>2019</u>					
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)

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

	Denominated in		
	USD RM'000	SGD RM'000	EUR RM'000
<u>Company</u>			
<u>2020</u>			
Cash and cash equivalents	3,257	6,452	-
Trade payables	(10,959)	-	(340)
Intercompany balances	8,832	-	(350)
Net exposure	1,130	6,452	(690)

	Denominated in			
	USD RM'000	SGD RM'000	EUR RM'000	DKK RM'000
<u>2019</u>				
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)

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% (2019: 2%) 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.

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

Currency risk sensitivity analysis (continued)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
USD	14	239	(23)	70
SGD	(125)	(36)	(129)	(1)
EUR	43	89	14	42
DKK	-	11	-	17
JPY	-	29	-	-
	(68)	332	(138)	128

24.6.2 Price risk

The Group is exposed to price risk arising from the fluctuating prices of aluminium cans. To manage its price risk arising from prices of aluminium cans, the Group engages in the hedging of aluminium prices. Hedging is performed by fixed-price purchase agreement with suppliers. The fair value of the cash flow hedge is disclosed in the consolidated statement of changes in equity.

24.6.3 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.

Risk management objectives, policies and processes for managing the risk

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

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

24.6.3 Interest rate risk (continued)

Exposure to interest rate risk

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Floating rate instruments</u>				
Revolving credits	(122,540)	(75,000)	(116,439)	(75,000)

Interest rate risk sensitivity analysis

The exposure to interest rate risk arising from floating rate instruments is not material due to the short-term nature of the Group's and the Company's borrowings. Hence, sensitivity analysis is not presented.

24.7 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.

25 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 2020 and 2019 are as follows:

	Group	
	2020 RM'000	2019 RM'000
Total debt	128,379	82,669
Total equity	174,634	156,708
Total capital	303,013	239,377
Gearing ratio	42%	35%

NOTES TO THE FINANCIAL STATEMENTS

26 CAPITAL COMMITMENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Capital expenditure commitments				
<u>Plant and equipment</u>				
Authorised and contracted for	1,867	4,998	1,043	4,393

27 SIGNIFICANT EVENTS DURING THE YEAR

Impact of COVID-19

On 18 March 2020, the Malaysian Government implemented the Movement Control Order (“MCO”) in its efforts to contain the COVID-19 pandemic. The MCO required by law that all private premises were prohibited from operating except for those providing essential services. In line with the Government’s MCO, the Group had to essentially suspend its production and distribution operations from 18 March 2020 as beer was not included within the list of essential consumer items.

On 4 May 2020, the Group resumed its operations after the Government lifted the MCO and implemented a Conditional MCO (“CMCO”) to ease the partial lockdown that had been in place since 18 March 2020. On 7 June 2020, the Malaysian Government announced the Recovery Movement Control Order (“RMCO”) from 10 June 2020 to 31 August 2020 with the further lifting of certain restrictions. On 12 Oct 2020, CMCO was re-introduced in various hot spot states due to increased COVID-19 cases. This imposition was subsequently extended nationwide.

In Singapore, the Circuit Breaker (“CB”) measures were implemented on 7 April 2020 which resulted in the closure of all on-trade outlets. The CB ended on 1 June 2020, replaced with a three-phased approach announced by the Singaporean Government on 19 May 2020. The Phase 2 (“Safe Transition”) from 18 June 2020, allowed for the reopening of on-trade business with safety measures in place. Since 28 December 2020, Singapore has entered into Phase 3 (“Safe Nation”) of reopening for more activities. The Singapore Multi-Ministry Taskforce will continue to conduct pilots in some higher-risk activities and settings such as busking and live performances in outdoor venues, karaoke, nightlife to assess how these activities can take place and scale up safely.

The government regulations set during the MCO, CMCO and RMCO in Malaysia and CB in Singapore had significantly affected sales and distribution. Though many eateries and restaurants have periodically been allowed to reopen with dine-in operations whilst observing social distancing and other health and safety guidelines, the recovery in on-trade is slow due to reduced capacities and shorter operating hours thus affecting general consumer consumption.

For the financial period ended 31 December 2020, the COVID-19 crisis consequently had a material adverse impact on the Group’s business and financial performance in Malaysia and Singapore, as well as in its associated company in Sri Lanka which was also not spared from the effects of the pandemic.

28 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 12), an associate (see Note 13), 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
Brasseries Kronenbourg SAS	France	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
Carlsberg Vietnam Breweries Limited	Vietnam	Fellow subsidiary
Lao Brewery Co. Ltd.	Laos	Fellow subsidiary
Carlsberg Brewery (Anhui) Company Ltd	China	Fellow subsidiary
Carlsberg Brewery (Guangdong) Ltd.	China	Fellow subsidiary
Cambrew Limited	Cambodia	Fellow subsidiary
Monster the Cat GmbH	Switzerland	Fellow subsidiary
Saku Õlletehase AS	Estonia	Fellow subsidiary
Carlsberg Supply Company Polska SA	Poland	Fellow subsidiary
Carlsberg Taiwan Trading Company Ltd.	Taiwan	Associate company of immediate holding company
Myanmar Carlsberg Co. Ltd	Myanmar	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.

NOTES TO THE FINANCIAL STATEMENTS

28 RELATED PARTIES (CONTINUED)

Details of the related party transactions (other than key management personnel remuneration disclosed in Note 21 to the financial statements) with the Group and the Company are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Ultimate holding company</u>				
Reimbursement for share based payments granted to employees	3,714	115	2,868	115
<u>Immediate holding company</u>				
Purchases of materials and products	104	332	104	332
Purchases of services	8,058	7,290	4,401	5,023
Royalties	31,679	36,961	3,632	6,793
Net settlements in respect of loss from hedging contracts	3,304	3,560	3,304	3,560
<u>Related companies</u>				
Management fees	10,461	7,714	5,700	3,752
Purchases of materials and products	31,535	20,382	25	690
Purchases of services	5,710	5,693	3,254	2,702
Sale of goods and services	(33,592)	(52,039)	(33,592)	(52,039)
Royalties	4	-	-	-
<u>Subsidiaries</u>				
Sale of goods and services			956,776	1,121,780
Sale of computer software			-	157
Management fee received			17,864	19,162
Operating leases income			780	780
Dividend income			180,670	298,320
<u>Associate</u>				
Dividend income			3,581	3,996

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 16 and 19.