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 2021 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 2021 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 2022.

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 2021:

- Amendments to MFRS 16 'COVID-19-Related Rent Consessions'
- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform - Phase 2'

The Group has applied the Phase 2 amendments related to interest rate benchmark ("IBOR") reform. The term "IBOR reform" refers to the market-wide reform of an IBOR (e.g. GBP LIBOR, USD LIBOR, SIBOR, KLIBOR, etc.), including the replacement of an IBOR with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report 'Reforming Major Interest Rate Benchmarks'. There was no impact from the adoption of Interest Rate Benchmark Reform - Phase 2 amendments during the financial period as there were no changes or modification to the contractual cash flows of the LIBOR-linked contracts. The effect of IBOR reform is disclosed in Note 27.

Other than that, the adoption of other amendments to standards 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 2021:

- Amendments to MFRS 16 –COVID-19-Related Rent Concessions beyond 30 June 2021 (effective 1 April 2021) extends the applicable period of the practical expedient by one year to cover rent concessions that reduce lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

  Lessees that had already applied the 2020 practical expedient has no option but must apply the 2021 amendment. In contrast, lessees that had not applied the 2020 practical expedient are not allowed to apply the 2021 amendment.

  The amendments shall be applied retrospectively.

- 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 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.

2 BASIS OF PREPARATION (CONTINUED)

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

- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives (effective 1 January 2022) removed the illustration on the reimbursement relating to leasehold improvements by the lessor to avoid potential confusion as the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in MFRS 16.

  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.

- 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. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

  The assessment of whether an entity has the right to defer settlement of a liability at the reporting date is not affected by expectations of the entity or events after the reporting date.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates (effective 1 January 2023) require companies to disclose material accounting policies rather than significant accounting policies as it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

  Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

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.

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 or 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.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

(i) Accounting by lessee (continued)

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
- Buildings 3 - 10 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

(i) Accounting by lessee (continued)

Lease liabilities (continued)

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 without a purchase option. 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 categorised 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Payables

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

(m) Borrowings 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.

(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.

(iii) Borrowings subject to IBOR reform

When the basis to determine the future contractual cash flows of the borrowings are modified entirely as a result of IBOR reform, the Group applies the reliefs provided by the Phase 2 amendments related to IBOR reform to adjust the effective interest rate of the borrowings with no modification gain or loss is recognised.

In situations where some or all of a change in the basis for determining the contractual cash flows of the borrowings does not meet the criteria of the Phase 2 amendments, the Group first applies the practical expedient to the changes required by IBOR reform, including updating the effective interest rate of the borrowings. Any additional changes are accounted for as modification of borrowings in accordance with the requirement in MFRS 9 (that is, assessed for modification or derecognition, with the resulting modification gain or loss recognised immediately in profit or loss where the borrowings are not derecognised).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Other income

(i) Management fee

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

(ii) Dividend income

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

(iii) Interest income

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax

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

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

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

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

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

(p) Earning per ordinary share

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

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

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

(q) Operating segments

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUE

(r) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

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

(s) Financial instruments

Classification – financial assets

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

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

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

Recognition and derecognition – financial assets

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

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

Measurement – financial assets

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at 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”).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial instruments (continued)

IBOR modification – financial assets

When the basis to determine the future contractual cash flows of the financial assets measured using amortised cost measurement (e.g. financial assets classified as amortised cost or FVOCI) are modified entirely as a result of IBOR reform, the Group applies the reliefs provided by the Phase 2 amendments related to IBOR reform to adjust the effective interest rate with no modification gain or loss is recognised.

In situations where some or all of a change in the basis for determining the contractual cash flows of financial assets classified as amortised cost or FVOCI does not meet the criteria of the Phase 2 amendments, the Group first applies the practical expedient to the changes required by IBOR reform, including updating the effective interest rate. Any additional changes are accounted for as modification of financial assets in accordance with the requirement in MFRS 9 (that is, assessed for modification or derecognition, with the resulting modification gain or loss recognised immediately in profit or loss where the financial assets are not derecognised).

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 or losses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

(ii) FVTPL

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

(iii) FVOCI

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Impairment of assets (continued)

Impairment of financial assets (continued)

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.

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.

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 targets 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.

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:

	2021	2020
Sales volume (% annual growth)	**2.1%**	1.5%
Long-term growth rate (% per annum)	**1.0%**	1.0%
Pre-tax discount rate (% per annum)	**6.7%**	5.1%

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 therefore, no impairment was recognised during the financial year. The Company's cost of investment in Carlsberg Singapore Pte Ltd. at 31 December 2021 was RM389,663,000.

There are no reasonable possible changes in any of the key assumptions used that would cause the carrying amount of the CGU to materially exceed its recoverable amount.

5 REVENUE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contracts with customers	**1,772,821**	1,785,000	**863,844**	990,024

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

	Manufacturing* RM'000	Marketing & Distribution RM'000	Total RM'000
2021			
Sales of beverages	**862,875**	**908,622**	**1,771,497**
Sales of by-products and others	**969**	**355**	**1,324**
	863,844	**908,977**	**1,772,821**
2020			
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

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

NOTES TO THE FINANCIAL STATEMENTS

6 OPERATING PROFIT

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Operating profit is arrived at after charging:				
Amortisation of:				
- Intangible assets	**2,541**	2,184	**667**	523
- Right-of-use assets	**2,028**	2,004	**118**	118
Audit fees:				
- Payable to PricewaterhouseCoopers PLT	**257**	257	**183**	183
- Payable to PricewaterhouseCoopers International Limited	**170**	168	**-**	-
- Payable to other auditor	**11**	11	**11**	11
Audit related services				
- Payable to PricewaterhouseCoopers PLT	**9**	9	**9**	9
Excise duties and sales tax	**913,710**	973,951	**626,477**	740,909
Finance costs:				
- Interest on borrowings	**3,003**	6,702	**5,005**	4,558
- Interest on lease liability	**194**	270	**-**	-
Foreign exchange loss:				
- Realised	**-**	21	**-**	-
- Unrealised	**198**	220	**221**	121
Inventories:				
- Written down	**5,574**	2,557	**5,630**	1,131
- Finished goods written off	**2,465**	5,978	**-**	92
Loss allowance on:				
- Trade receivables	**523**	802	**-**	-
Personnel expenses (including key management personnel):				
- Wages, salaries and others	**122,809**	120,196	**36,314**	34,412
- Contributions to Employees Provident Fund	**10,767**	10,660	**2,934**	2,947
- Contributions to other defined contribution plan	**1,217**	1,347	**536**	605
- Share based payment expense	**1,127**	436	**863**	332
- Termination benefits	**4**	9,889	**-**	2,423
Property, plant and equipment:				
- Depreciation*	**52,679**	38,975	**44,851**	31,062
- Net loss on disposal	**-**	544	**-**	791
- Written off	**464**	1,713	**119**	1,705
Management fees charged from related companies	**12,081**	10,461	**7,074**	5,700
Lease expenses relating to short-term and low value assets	**819**	871	**134**	220

* Included in the depreciation of property, plant and equipment of the Group and the Company are accelerated depreciation on 'plant and machinery' amounting to RM5,267,000 (2020: nil) arising from the discontinuation of one of the packaging lines that will be replaced in 2022, as announced in the third quarter financial results for the period ended 30 September 2021.

6 OPERATING PROFIT (CONTINUED)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Operating profit is arrived at after crediting:				
Dividend income from:				
- Unquoted subsidiaries	**-**	-	**173,545**	180,670
- A foreign quoted associate	**-**	-	**7,531**	3,581
Finance income	**749**	1,745	**14**	99
Realised gain on foreign exchange	**420**	-	**324**	172
Gain on disposal of property, plant and equipment	**722**	-	**523**	-
Management fees charged to a subsidiary	**-**	-	**19,010**	17,864
Operating lease income from a subsidiary	**-**	-	**780**	780
Reversal of loss allowance on:				
- Other receivables	**-**	44	**-**	44

7 TAXATION

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current taxation				
Current tax:				
- Malaysian income tax	**54,564**	42,173	**3**	23
- foreign income tax	**9,992**	11,047	**-**	-
- (over)/under provision in prior years	**(1,269)**	361	**-**	-
	63,287	53,581	**3**	23
Deferred taxation (Note 14):				
- origination and reversal of temporary differences	**(8,079)**	(9,986)	**(3,685)**	(1,050)
Tax expense/(credit)	**55,208**	43,595	**(3,682)**	(1,027)

7 TAXATION (CONTINUED)

A reconciliation of income tax expense/(credit) applicable to profit before taxation at the statutory income tax rate to income tax expense/(credit) at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before taxation	**259,573**	209,780	**161,706**	173,009
Statutory income tax at rate of 24% (2020: 24%)	**62,298**	50,347	**38,809**	41,522
Tax effects of:				
- different tax rates in foreign jurisdiction	**(4,039)**	(4,491)	**-**	-
- income not subject to tax	**-**	-	**(43,458)**	(44,220)
- expenses not deductible for tax purposes	**2,499**	1,345	**967**	1,671
- share of results of an associate	**(3,644)**	(3,584)	**-**	-
- expenses qualified for double deduction	**(446)**	(383)	**-**	-
- effects of changes in tax rate*	**(191)**	-	**-**	-
	56,477	43,234	**(3,682)**	(1,027)
(Over)/under provision in prior years	**(1,269)**	361	**-**	-
Total taxation charge/(credit)	**55,208**	43,595	**(3,682)**	(1,027)

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised in other comprehensive income:

Deferred tax				
Items that will not be reclassified subsequently to profit or loss:				
- fair value of financial instruments treated as cash flow hedges	**110**	906	**110**	906

* Deferred tax income relating to changes in tax rates due to the One-off "Cukai Makmur" tax rate (33%) imposed on the portion of Year of Assessment 2022 chargeable income of non- Micro, Small and Medium Enterprises (non-MSMEs) exceeding RM100 million.

8 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2021 and 2020 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2021 RM'000	2020 RM'000
Profit for the financial year attributable to shareholders	**200,988**	162,180

Weighted average number of ordinary shares:

	Group	
	2021 '000	2020 '000
Issued ordinary shares	**305,748**	305,748
Basic earnings per ordinary share (sen)	**65.74**	53.04

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
Group									
Cost									
At 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	10	-	-	-	-	-	540	(203)	337
Effect of movements in exchange rates		-	-	6	11	-	7	-	24
At 31 December 2020/1 January 2021		**18,952**	**68,966**	**4,170**	**507,606**	**13,970**	**12,643**	**15,733**	**642,040**
Additions		**-**	**372**	**732**	**19,621**	**259**	**1,479**	**34,359**	**56,822**
Disposals		**-**	**(68)**	**-**	**(9,981)**	**(1,554)**	**(7)**	**-**	**(11,610)**
Written off		**-**	**(405)**	**(1,375)**	**(13,788)**	**-**	**(774)**	**-**	**(16,342)**
Transfers		**-**	**479**	**-**	**11,581**	**-**	**311**	**(12,371)**	**-**
Transfer to intangible assets	10	**-**	**-**	**-**	**-**	**-**	**-**	**(226)**	**(226)**
Effect of movements in exchange rates		**-**	**-**	**48**	**76**	**-**	**57**	**-**	**181**
At 31 December 2021		**18,952**	**69,344**	**3,575**	**515,115**	**12,675**	**13,709**	**37,495**	**670,865**

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
Group									
Less: Accumulated depreciation									
At 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 2020/1 January 2021		-	39,204	2,064	375,430	6,732	10,399	-	433,829
Depreciation for the financial year	6	-	2,851	1,001	45,888	1,987	952	-	52,679
Disposals		-	(42)	-	(9,926)	(1,031)	(4)	-	(11,003)
Written off		-	(129)	(1,314)	(13,666)	-	(769)	-	(15,878)
Effect of movements in exchange rates		-	-	24	54	-	36	-	114
At 31 December 2021		-	41,884	1,775	397,780	7,688	10,614	-	459,741
Carrying amounts									
At 31 December 2021		18,952	27,460	1,800	117,335	4,987	3,095	37,495	211,124
At 31 December 2020		18,952	29,762	2,106	132,176	7,238	2,244	15,733	208,211

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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
Company								
Cost								
At 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 2020/1 January 2021		**18,952**	**66,807**	**479,812**	**549**	**7,485**	**15,664**	**589,269**
Additions		**-**	**372**	**16,898**	**-**	**543**	**34,031**	**51,844**
Disposals		**-**	**(68)**	**(9,882)**	**-**	**-**	**-**	**(9,950)**
Written off		**-**	**(3)**	**(10,686)**	**-**	**(120)**	**-**	**(10,809)**
Transfers		**-**	**479**	**11,581**	**-**	**311**	**(12,371)**	**-**
Transfer to intangible assets	10	**-**	**-**	**-**	**-**	**-**	**(118)**	**(118)**
At 31 December 2021		**18,952**	**67,587**	**487,723**	**549**	**8,219**	**37,206**	**620,236**

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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
Company								
Less: Accumulated depreciation								
At 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 2020/1 January 2021		**-**	**38,369**	**359,037**	**301**	**7,159**	**-**	**404,866**
Depreciation for the financial year	6	**-**	**2,719**	**41,755**	**99**	**278**	**-**	**44,851**
Disposals		**-**	**(42)**	**(9,882)**	**-**	**-**	**-**	**(9,924)**
Written off		**-**	**(1)**	**(10,569)**	**-**	**(120)**	**-**	**(10,690)**
At 31 December 2021		**-**	**41,045**	**380,341**	**400**	**7,317**	**-**	**429,103**
Carrying amounts								
At 31 December 2021		**18,952**	**26,542**	**107,382**	**149**	**902**	**37,206**	**191,133**
At 31 December 2020		18,952	28,438	120,775	248	326	15,664	184,403

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

9.1 Leasing arrangements

The Company leases certain buildings with carrying amount of RM7,284,000 (2020: RM7,709,000) to a subsidiary under operating leases with rentals payable monthly.

Minimum lease receivable on buildings are as follows:

	Company	
	2021 RM'000	2020 RM'000
Within 1 year	**954**	780
Between 1 and 2 years	**954**	780
Between 2 and 3 years	**954**	780
Between 3 and 4 years	**954**	180
Between 4 and 5 years	**954**	180
More than 5 years	**1,020**	540
	5,790	3,240

10 INTANGIBLE ASSETS

	Note	Goodwill RM'000	Computer software RM'000	Total RM'000
Group				
Cost				
At 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 2020/1 January 2021		**2,634**	**12,460**	**15,094**
Acquisition		**-**	**600**	**600**
Transfer from property, plant and equipment	9	**-**	**226**	**226**
Written off		**-**	**(1,574)**	**(1,574)**
Effect of movements in exchange rates		**-**	**35**	**35**
At 31 December 2021		**2,634**	**11,747**	**14,381**

10 INTANGIBLE ASSETS (CONTINUED)

	Note	Goodwill RM'000	Computer software RM'000	Total RM'000
Group (continued)				
Amortisation				
At 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 2020/1 January 2021		**-**	**7,859**	**7,859**
Amortisation for the financial year	6	**-**	**2,541**	**2,541**
Written off		**-**	**(1,574)**	**(1,574)**
Effect of movements in exchange rates		**-**	**22**	**22**
At 31 December 2021		**-**	**8,848**	**8,848**
Carrying amounts				
At 31 December 2021		**2,634**	**2,899**	**5,533**
At 31 December 2020		2,634	4,601	7,235

10 INTANGIBLE ASSETS (CONTINUED)

	Note	Computer software RM'000
Company		
Cost		
At 1 January 2020		2,896
Additions		619
Transfer from property, plant and equipment	9	203
Written off		(116)
At 31 December 2020/1 January 2021		**3,602**
Additions		**5**
Transfer from property, plant and equipment	9	**118**
Written off		**(23)**
At 31 December 2021		**3,702**
Amortisation		
At 1 January 2020		1,900
Amortisation for the financial year	6	523
Written off		(116)
At 31 December 2020/1 January 2021		**2,307**
Amortisation for the financial year	6	**667**
Written off		**(23)**
At 31 December 2021		**2,951**
Carrying amounts		
At 31 December 2021		**751**
At 31 December 2020		1,295

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	
	2021 RM'000	2020 RM'000
Singapore		
MayBev Pte. Ltd.	**2,634**	2,634

The recoverable amount of the CGU 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:

	2021	2020
Sales volume (% annual growth)	**9.4%**	4.7%
Long-term growth rate (% per annum)	**1.0%**	1.0%
Pre-tax discount rate (% per annum)	**6.7%**	4.4%

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 possible changes in the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

11 RIGHT-OF-USE ASSETS/LEASES

11.1 Amounts recognised in the statements of financial position:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Right-of-use assets				
Leasehold land	**6,454**	6,577	**6,390**	6,508
Buildings	**3,656**	5,563	**-**	-
	10,110	12,140	**6,390**	6,508
Lease liabilities				
Current	**1,321**	2,070	**-**	-
Non-current	**2,590**	3,769	**-**	-
	3,911	5,839	**-**	-

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Amortisation charge of right-of-use assets				
Leasehold land	**122**	122	**118**	118
Buildings	**1,906**	1,882	**-**	-
	2,028	2,004	**118**	118
Interest expense (included in finance cost)	**194**	270	**-**	-
Lease expenses relating to short-term and low value assets that are not shown above (included in sales, distribution and administrative expenses)	**819**	871	**134**	220

The Group's and the Company's total cash outflow for all leases including leases expenses relating to short-term and low value assets in 2021 are RM 2,942,000 (2020: RM2,966,000) and RM134,000 (2020: RM220,000) respectively.

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, but may have extension or termination options.

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	
	2021 RM'000	2020 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 and therefore 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 2021 %	2020 %
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

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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	
	2021 %	2020 %
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.	
	2021 RM'000	2020 RM'000
As at 31 December		
Non-current assets	6,424	8,531
Current assets	27,564	27,422
Non-current liabilities	(2,966)	(4,164)
Current liabilities	(19,637)	(15,924)
Net assets	11,385	15,865
Accumulated non-controlling interests	4,456	6,773
Year ended 31 December		
Revenue	78,447	76,632
Profit for the financial year	6,892	8,173
Total comprehensive income	6,892	8,173
Profit allocated to non-controlling interests	3,377	4,005
Dividend paid to non-controlling interests	5,694	5,456
Cash flow generated from operating activities	10,278	16,437
Cash flow used in investing activities	(215)	(303)
Cash flow used in financing activities	(5,781)	(12,471)
Net changes in cash and cash equivalents	4,282	3,663

13 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Quoted shares, outside Malaysia	**25,164**	25,164	**25,164**	25,164
Share of post-acquisition reserves	**69,584**	67,322	**-**	-
	94,748	92,486	**25,164**	25,164
Market value				
Quoted shares, outside Malaysia	**221,655**	254,749	**221,655**	254,749

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 2021 %	Effective ownership interest 2020 %
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:

	2021 RM'000	2020 RM'000
As at 31 December		
Non-current assets	**424,938**	454,146
Current assets	**363,187**	348,660
Non-current liabilities	**(163,947)**	(207,011)
Current liabilities	**(245,185)**	(225,851)
Net assets	**378,993**	369,944
Year ended 31 December		
Revenue	**1,133,878**	1,064,655
Interest income	**11,802**	17,717
Interest expense	**(18,113)**	(29,617)
Tax expense	**(37,425)**	(29,041)
Profit for the financial year	**60,719**	59,728
Total comprehensive income	**60,719**	59,728
Dividends received from associate	**7,531**	3,581

13 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Reconciliation to carrying amount:

	2021 RM'000	2020 RM'000
Net assets as at 1 January	**369,944**	338,880
Profit for the financial year	**60,719**	59,728
Dividend paid	**(30,124)**	(14,324)
Exchange differences	**(21,546)**	(14,340)
Net assets as at 31 December	**378,993**	369,944
Group share at 25%	**94,748**	92,486
Carrying amount	**94,748**	92,486

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 therefore, has deemed the option's fair value to be insignificant.

14 DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group						
Property, plant and equipment	**-**	-	**(23,974)**	(24,206)	**(23,974)**	(24,206)
Right-of-use assets	**-**	-	**(635)**	(948)	**(635)**	(948)
Trade and other receivables	**1,893**	-	**-**	(628)	**1,893**	(628)
Trade and other payables	**15,311**	9,980	**-**	-	**15,311**	9,980
Lease liabilities	**679**	995	**-**	-	**679**	995
Others	**-**	-	**(1,137)**	(1,027)	**(1,137)**	(1,027)
Tax assets/(liabilities)	**17,883**	10,975	**(25,746)**	(26,809)	**(7,863)**	(15,834)
Offsetting	**(10,723)**	(8,250)	**10,723**	8,250	**-**	-
Net tax assets/(liabilities)	**7,160**	2,725	**(15,023)**	(18,559)	**(7,863)**	(15,834)
Company						
Property, plant and equipment	**-**	-	**(21,428)**	(21,508)	**(21,428)**	(21,508)
Trade and other payables	**7,930**	4,325	**-**	-	**7,930**	4,325
Others	**-**	-	**(1,137)**	(1,027)	**(1,137)**	(1,027)
Tax assets/(liabilities)	**7,930**	4,325	**(22,565)**	(22,535)	**(14,635)**	(18,210)
Offsetting	**(7,930)**	(4,325)	**7,930**	4,325	**-**	-
Net tax liabilities	**-**	-	**(14,635)**	(18,210)	**(14,635)**	(18,210)

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Movement in temporary differences during the financial year:

	At 1.1.2020 RM'000	Recognised to profit or loss (Note 7) RM'000	Recognised to other comprehensive income (Note 7) RM'000	Foreign exchange differences RM'000	At 31.12.2020 RM'000	Recognised to profit or loss (Note 7) RM'000	Recognised to other comprehensive income (Note 7) RM'000	Foreign exchange differences RM'000	At 31.12.2021 RM'000
Group									
Property, plant and equipment	(26,604)	2,399	-	(1)	(24,206)	237	-	(5)	(23,974)
Right-of-use assets	(1,266)	318	-	-	(948)	324	-	(11)	(635)
Trade and other receivables	(9,172)	8,544	-	-	(628)	2,521	-	-	1,893
Trade and other payables	10,740	(761)	-	1	9,980	5,325	-	6	15,311
Lease liabilities	1,304	(309)	-	-	995	(328)	-	12	679
Others	84	(205)	(906)	-	(1,027)	-	(110)	-	(1,137)
	(24,914)	9,986	(906)	-	(15,834)	8,079	(110)	2	(7,863)
Company									
Property, plant and equipment	(23,561)	2,053	-	-	(21,508)	80	-	-	(21,428)
Trade and other payables	5,123	(798)	-	-	4,325	3,605	-	-	7,930
Others	84	(205)	(906)	-	(1,027)	-	(110)	-	(1,137)
	(18,354)	1,050	(906)	-	(18,210)	3,685	(110)	-	(14,635)

15 INVENTORIES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Finished goods	**57,798**	60,422	**18,846**	17,808
Work-in-progress	**3,728**	4,184	**3,728**	4,184
Raw, packaging and other materials	**10,754**	10,089	**10,705**	10,015
Spare parts for machinery	**6,673**	11,127	**6,342**	10,854
	78,953	85,822	**39,621**	42,861
Recognised in profit or loss:				
Allowance for inventories written down	**5,574**	2,557	**5,630**	1,131
Finished goods written off	**2,465**	5,978	**-**	92
Inventories recognised as Cost of Sales	**202,193**	204,095	**142,751**	160,535

16 RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current					
Trade					
Trade receivables from contracts with customers	16.1	**86,962**	76,928	**-**	-
Less: Loss allowance		**(1,366)**	(1,017)	**-**	-
		85,596	75,911	**-**	-
Prepayments	16.3	**39,993**	40,019	**34,539**	19,259
Amount due from immediate holding company	16.2	**1,959**	2,082	**1,959**	2,082
Amounts due from related companies	16.2	**3,568**	8,771	**3,531**	8,768
		131,116	126,783	**40,029**	30,109

16 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-trade					
Amount due from a subsidiary	16.2	**-**	-	**281**	373
Amounts due from related companies	16.2	**-**	191	**-**	191
Other receivables		**1,532**	2,576	**507**	1,259
Deposits		**1,848**	1,180	**45**	118
Prepayments		**377**	100	**30**	-
		3,757	4,047	**863**	1,941
		134,873	130,830	**40,892**	32,050

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 RM186,858,000 (2020: RM164,436,000). 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 the Group subsequent to the transfer. The Group considers the hold to collect and sell business model remains appropriate for these receivables and therefore 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 (2020: 30 days).

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

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.

17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Cash at bank	**75,537**	93,891	**6,124**	9,989
Cash held on hand	**49**	100	**-**	3
	75,586	93,991	**6,124**	9,992

18 SHARE CAPITAL

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Issued and fully paid-up:				
- 305,748,000 ordinary shares with no par value				
At beginning/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.

NOTES TO THE FINANCIAL STATEMENTS

18 SHARE CAPITAL (CONTINUED)

Reserves

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Other reserves:					
Capital reserve	18.1	**3,931**	3,931	**-**	-
Exchange reserve	18.2	**(8,906)**	(4,146)	**-**	-
Equity contribution reserve	18.3	**2,131**	(405)	**1,659**	(645)
Cash flow hedge reserve	18.4	**2,307**	1,959	**2,307**	1,959
		(537)	1,339	**3,966**	1,314
Distributable reserves:					
Retained earnings		**62,300**	17,159	**292,124**	282,215
		61,763	18,498	**296,090**	283,529

18.1 Capital reserve

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

18.2 Exchange reserve

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

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. 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 2021, the unrealised fair value gain on cash flow hedge included in the amount due from immediate holding company (trade) was RM3,036,000 (2020: fair value gain of RM2,577,000).

NOTES TO THE FINANCIAL STATEMENTS

19 PAYABLES AND ACCRUALS

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current					
Provision		**334**	329	**-**	-
Current					
Trade					
Trade payables	19.1	**215,057**	198,571	**103,122**	97,432
Amount due to immediate holding company	19.2	**2,294**	3,338	**-**	-
Amount due to a subsidiary	19.2	**-**	-	**2,017**	8,038
Amounts due to related companies	19.2	**11,697**	9,361	**-**	285
		229,048	211,270	**105,139**	105,755
Non-trade					
Other payables	19.3	**21,314**	11,448	**12,339**	3,414
Accrued expenses		**57,600**	49,243	**16,188**	13,162
Amount due to immediate holding company	19.4	**547**	1,077	**417**	844
Amount due to a subsidiary	19.5	**-**	-	**94,761**	-
Amounts due to related companies	19.4	**7,097**	8,052	**6,088**	6,227
		86,558	69,820	**129,793**	23,647
		315,606	281,090	**234,932**	129,402
		315,940	281,419	**234,932**	129,402

NOTES TO THE FINANCIAL STATEMENTS

19 PAYABLES AND ACCRUALS (CONTINUED)

19.1 Trade payables carry credit terms ranging from 0 to 130 days (2020: 0 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, subsidiary and related companies

Amounts due to immediate holding company, subsidiary and related companies are unsecured, interest free and subject to credit terms of 90 days (2020: 90 days).

19.3 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.

19.4 Amounts due to immediate holding company and related companies

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

19.5 Amounts due to a subsidiary

The Company has entered into a cash pooling arrangement with its subsidiary. The cash pooling arrangement is repayable on demand, unsecured, and subjected to fixed interest rate of 2.5% (2020: 2.5%) based on an overnight sweep arrangement. Interest expenses from the cash pooling arrangement amounting to RM2,811,000 (2020: RM1,039,000) is presented within the finance cost in the statements of comprehensive income.

20 LOANS AND BORROWINGS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current - unsecured				
Terms loan	**5,504**	-	**-**	-
	5,504	-	**-**	-
Current – unsecured				
Terms loan	**1,667**	-	**-**	-
Revolving credits	**31,623**	122,540	**10,000**	116,439
	33,290	122,540	**10,000**	116,439

The term loan of the Group is subjected to fixed interest rate of 2% per annum.

The revolving credits of the Group and the Company are subjected to interests ranging from 0.84% to 2.17% (2020: 0.9% to 3.47%) per annum.

The maturity analysis of the loans and borrowings at end of reporting date is disclosed in Note 24.5 under liquidity risk.

21 KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors:				
- Fees	**311**	273	**311**	273
- Defined contribution plan	**178**	173	**178**	173
- Short-term employee benefits (including estimated monetary value of benefits-in-kind)	**3,115**	2,904	**3,115**	2,904
	3,604	3,350	**3,604**	3,350
- Share-based payments	**521**	195	**521**	195
	4,125	3,545	**4,125**	3,545
Other key management personnel:				
- Defined contribution plan	**1,059**	1,168	**318**	544
- Short-term employee benefits	**13,887**	14,667	**4,134**	6,244
- Share-based payments	**606**	241	**54**	(42)
	15,552	16,076	**4,506**	6,746
	19,677	19,621	**8,631**	10,291

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.

22 DIVIDENDS

Dividends declared by the Company are:

	Sen per ordinary share	Total amount RM'000	Date of payment
2021			
Interim 2020	**10.0**	**30,575**	**2 April 2021**
Final 2020	**30.0**	**91,724**	**18 May 2021**
Interim 2021	**10.0**	**30,575**	**17 November 2021**
Total amount		**152,874**	
2020			
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	

22 DIVIDENDS (CONTINUED)

The Board of Directors recommended for shareholders' approval at the forthcoming Annual General Meeting a final single-tier dividend of 46.0 sen per ordinary share in respect of the financial year ended 31 December 2021.

	Sen per ordinary share	Total amount RM'000
For the financial year ended 31 December 2021		
Final	**46.0**	**140,644**

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.
- Others — 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.

23 OPERATING SEGMENTS (CONTINUED)

	Malaysia RM'000	Singapore RM'000	Others RM'000	Total RM'000
2021				
Segment profit	**189,851**	**58,014**	**-**	**247,865**
Included in the measure of segment profit are:				
Revenue from external customers	**1,211,766**	**561,055**	**-**	**1,772,821**
Inter-segment revenue*	**56,387**	**-**	**-**	**56,387**
Depreciation and amortisation	**52,601**	**4,647**	**-**	**57,248**
Not included in the measure of segment profit but provided to Group's Managing Director:				
Finance costs	**(2,890)**	**(307)**	**-**	**(3,197)**
Finance income	**749**	**-**	**-**	**749**
Income tax expense	**(46,227)**	**(8,981)**	**-**	**(55,208)**
Share of profit of equity - accounted associate, net of tax	**-**	**-**	**15,180**	**15,180**
2020				
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

* Inter-segment revenue derived from Singapore.

NOTES TO THE FINANCIAL STATEMENTS

23 OPERATING SEGMENTS (CONTINUED)

Reconciliation of segment profit or loss

	2021 RM'000	2020 RM'000
Profit		
Total segment profit	**247,865**	200,021
Inter-segment elimination	**(1,024)**	54
Finance costs	**(3,197)**	(6,972)
Finance income	**749**	1,745
Share of profit of equity - accounted associate, net of tax	**15,180**	14,932
Consolidated profit before taxation	**259,573**	209,780

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*	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Geographical location				
Malaysia	**1,171,040**	1,217,452	**214,285**	213,019
Singapore	**574,347**	531,918	**12,482**	14,567
Other countries	**27,434**	35,630	**94,748**	92,486
	1,772,821	1,785,000	**321,515**	320,072

* 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 two external customers that amounted to 10% or more of the Group's revenue for the financial year was RM685,239,000 (2020: RM353,898,000 was derived from transactions with a single external customer).

24 FINANCIAL INSTRUMENTS

24.1 Financial instruments by categories

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial assets at FVOCI				
Receivables	**86,675**	45,216	**-**	-
Financial assets at amortised cost				
Receivables and deposits	**7,828**	45,495	**6,323**	12,791
Cash and cash equivalents	**75,586**	93,991	**6,124**	9,992
	83,414	139,486	**12,447**	22,783
Financial liabilities at amortised cost				
Payables and accruals*	**(288,768)**	(260,871)	**(225,799)**	(122,239)
Loans and borrowings	**(38,794)**	(122,540)	**(10,000)**	(116,439)
Lease liabilities	**(3,911)**	(5,839)	**-**	-
	(331,473)	(389,250)	**(235,799)**	(238,678)

* Net of provisions and payroll liabilities

24.2 Net gains/(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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial assets at FVOCI and amortised cost	**646**	(1,060)	**175**	(136)
Financial liabilities at amortised cost	**(3,814)**	(6,906)	**(5,387)**	(4,510)

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysia	**60,730**	32,939	**-**	-
Singapore	**25,174**	43,056	**-**	-
Others	**5,219**	10,769	**5,490**	10,850
	91,123	86,764	**5,490**	10,850

(b) Reconciliation on loss allowance

The loss allowance for trade and other receivables as at 31 December 2021 reconciles to the opening loss allowance for that provision as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January	**(1,017)**	(270)	**-**	(55)
Loss allowance recognised	**(1,110)**	(802)	**-**	-
Loss allowance reversed	**587**	44	**-**	44
Loss allowance written off	**174**	11	**-**	11
At 31 December	**(1,366)**	(1,017)	**-**	-

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.

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Assessed collectively	**92,489**	87,781	**5,490**	10,850
Total trade receivables (including intercompany balances)	**92,489**	87,781	**5,490**	10,850

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
2021					
Expected loss rate	**-**	**-**	**16%**	**71%**	
RM'000					
Gross carrying amount					
- Trade receivables (assessed collectively)	**80,334**	**4,082**	**824**	**1,722**	**86,962**
- Amounts due from related companies	**1,723**	**1,808**	**37**	**-**	**3,568**
- Amount due from immediate holding company	**1,959**	**-**	**-**	**-**	**1,959**
Carrying amount	**84,016**	**5,890**	**861**	**1,722**	**92,489**
Loss allowance	**-**	**-**	**(139)**	**(1,227)**	**(1,366)**
Carrying amount (net of loss allowance)	**84,016**	**5,890**	**722**	**495**	**91,123**

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
2020					
Expected loss rate	-	-*	4%	65%	
RM'000					
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
Carrying amount	75,363	10,122	777	1,519	87,781
Loss allowance	-	(4)	(33)	(980)	(1,017)
Carrying amount (net of loss allowance)	75,363	10,118	744	539	86,764

* Less than 1%

The Company's trade intercompany balances were considered fully recoverable, and no loss allowance has been recognised during the current financial year (2020: Nil).

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Intercompany balances

Risk management objectives, policies and processes for managing the risk

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

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

Exposure to credit risk

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

Credit quality

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

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

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

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

Exposure to credit risk

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

Credit quality

Counterparties with external credit rating:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
AAA	**21,185**	52,392	**6,062**	9,951
AA1	**37**	2	**33**	1
AA2	**-**	58	**-**	37
AA3	**849**	-	**29**	-
A1	**53,466**	41,439	**-**	-
	75,537	93,891	**6,124**	9,989

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
Group						
2021						
Payables and accruals*	**288,768**	**-**	**288,768**	**288,768**	**-**	**-**
Loans and borrowings	**38,794**	**0.84-2.17**	**39,155**	**33,470**	**1,795**	**3,890**
Lease liabilities	**3,911**	**4.05**	**4,162**	**1,471**	**1,346**	**1,345**
	331,473		**332,085**	**323,709**	**3,141**	**5,235**
2020						
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
Company						
2021						
Payables and accruals*	**225,799**	**-**	**225,799**	**225,799**	**-**	**-**
Loans and borrowings	**10,000**	**2.17**	**10,017**	**10,017**	**-**	**-**
	235,799		**235,816**	**235,816**	**-**	**-**
2020						
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	-	-

*Net of provisions and payroll liabilities

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") and Sri Lankan Rupee ("LKR").

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	LKR RM'000
Group				
2021				
Trade receivables	**5,435**	**-**	**-**	**-**
Cash and cash equivalents	**7,118**	**399**	**-**	**6,584**
Trade payables	**(12,436)**	**(477)**	**(5,720)**	**-**
Intercompany balances	**(8,519)**	**-**	**(520)**	**-**
Net exposure	**(8,402)**	**(78)**	**(6,240)**	**6,584**

	Denominated in			
	USD RM'000	SGD RM'000	EUR RM'000	LKR RM'000
2020				
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)	-

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	LKR RM'000
Company				
2021				
Cash and cash equivalents	**239**	**89**	**-**	**6,584**
Trade payables	**(10,630)**	**(3)**	**(4,724)**	**-**
Intercompany balances	**3,531**	**-**	**-**	**-**
Net exposure	**(6,860)**	**86**	**(4,724)**	**6,584**

	Denominated in			
	USD RM'000	SGD RM'000	EUR RM'000	LKR RM'000
2020				
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)	-

Currency risk sensitivity analysis

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

A 2% (2020: 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.

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
USD	**168**	14	**137**	(23)
SGD	**2**	(125)	**(2)**	(129)
EUR	**125**	43	**94**	14
LKR	**(132)**	-	**(132)**	-
	163	(68)	**97**	(138)

24 FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

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.

The Group's and 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. During 2021, the Group enters into long-term bank loans at fixed interest rate. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings.

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	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Floating rate instruments				
Loan and borrowings	**(31,623)**	(122,540)	**(10,000)**	(116,439)

The Group has variable rate borrowing such as revolving credits and the Group considers the risk of significant changes to interest rate on these borrowings to be unlikely due to the relative short-term nature of the borrowings. The Group actively reviews it debt portfolio to manage the timings of repayment of these borrowings and monitors the interest rates on these borrowing closely to ensure they are maintained at favourable rates.

As at the reporting date, if the annual interest rates increase/decrease by 0.5% (2020: 0.5%) respectively and all other variables including tax and interest rates being held constant, the profit after tax will be higher/lower by RM188,000 (2020: RM749,000) as a result of higher/lower interest expense on these borrowings. However, since all fixed-rate borrowings are measured at amortised cost, there is no impact on profit or loss. The sensitivity analysis is based on the financial instruments recognised at the reporting date.

24.7 Fair value of financial instruments

The carrying amounts of the current financial assets and liabilities of the Group and the Company measured at amortised cost as at the reporting date 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 2021 and 2020 are as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Total debt	**42,705**	128,379
Total equity	**215,582**	174,634
Total capital	**258,287**	303,013
Gearing ratio	**17%**	42%

26 CAPITAL COMMITMENTS

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Capital expenditure commitments				
Authorised and contracted for				
- Property, plant and equipment	**73,196**	1,867	**71,210**	1,043

27 EFFECT OF IBOR REFORM

During the financial year, the Group changed its accounting policies on borrowings upon adoption of the Phase 2 amendments related to KLIBOR and SIBOR.

In accordance with the transitional provisions, the amendments are applied retrospectively to borrowings. The adoption of the amendments has no impact on the opening retained earnings as at 1 January 2021 because none of the LIBOR-linked contracts of the Group were modified in 2020.

Following the Global Financial Crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR, USD LIBOR and other interbank offered rates has become a priority for global regulators. Globally, the new alternative reference rates ("ARR") are being introduced to improve the integrity of financial benchmark rates as part of a transition to transaction-based rates, in line with the LIBOR reforms. The Group currently has revolving credits which references to SIBOR and KLIBOR.

27 EFFECT OF IBOR REFORM (CONTINUED)

On 24 September 2021, Bank Negara Malaysia ("BNM") announced the launch of the Malaysia Overnight Rate ("MYOR") as the new alternative reference rate for Malaysia. The MYOR will run in parallel to the existing Kuala Lumpur Interbank Offered Rate ("KLIBOR"). There remain key differences between KLIBOR and MYOR. KLIBOR is a 'term rate', which means that it is published for a borrowing period (such as 3- or 6-month tenor) and is 'forward looking', because it is published at the beginning of the borrowing period. MYOR is currently a 'backward-looking' rate, based on unsecured overnight Malaysian Ringgit interbank transactions in the Malaysian financial market, and it is published on the next business day (i.e. at the end of the overnight borrowing period). Furthermore, KLIBOR includes a credit spread over the risk-free rate, which MYOR currently does not. To transition existing contracts and agreements that reference KLIBOR to MYOR, adjustments for term and credit differences might need to be applied to MYOR, to enable the two benchmark rates to be economically equivalent on transition.

The publication of the 2- and 12-month KLIBOR tenors will be discontinued on 1 January 2023. The remaining 1-, 3- and 6-month KLIBOR tenors will be reviewed by BNM in the second half of 2022. A new Islamic benchmark rate to replace the Kuala Lumpur Islamic Reference Rate will be announced by BNM by the first half of 2022.

As at reporting date, there is no change to the Group's KLIBOR-linked contracts. The Group will closely monitor the regulators' announcement on the alternative benchmark rate or discontinuation of publication of the KLIBOR for the relevant tenors; and engage the counterparties to discuss necessary changes to the related contracts.

28 SIGNIFICANT EVENTS DURING THE YEAR

Temporary suspension of the Company's brewery operations and impact of COVID-19 restrictions

On 28 May 2021, the Malaysian Government imposed Full Movement Control Order ("FMCO") effective from 1 June 2021 to curb the spread of the coronavirus ("COVID") infection in the country. In accordance with the FMCO rulings, and in line with the National Security Council's standard operating procedures ("SOPs") announced on 1 June 2021, the Company's brewery in Shah Alam was temporarily closed from 2 June 2021 and necessary arrangements to work-from-home ("WFH") for its employees were put in place. The temporary suspension of Company's brewery operations from 2 June 2021 to 15 August 2021 had a major impact to the Company's business and financial performance for the financial year ended 31 December 2021. The brewery resumed operations on 16 August 2021.

During this time, the Malaysian Government announced that the FMCO, which was modified into National Recovery Plan ("NRP") Phase 1 starting from 29 June 2021 would be extended and will only move to NRP Phase 2 depending on the target achieved for the three factors, which are the number of active cases of COVID, the capacity of Malaysia's public health system and the percentage of Malaysians vaccinated. The National Security Council's SOPs would continue to apply. Gradually, the nation eventually moved from NRP Phase 1 and eventually achieved NPR Phase 4 by state in October 2021. Throughout the phases, the various lockdown measures continued to have impact on the Company's financial performance.

Similar lockdown measures were also imposed by the Singapore Government. The re-imposition of such lockdown measures and other restrictions on dining-in caused by the resurgence of the COVID-19 pandemic during this period exacerbated the adverse impact on the Group's business and financial performance. The performance on Lion Brewery in Sri Lanka was similarly impacted by the COVID-19 lockdown measures in that country.

29 SUBSEQUENT EVENT

One-time surcharge tax in Sri Lanka

In the 2022 Sri Lanka's National Budget, the Sri Lanka's government proposed a one-time surcharge tax (ST) at a rate of 25% in Sri Lanka for companies with a taxable income exceeding Sri Lankan Rupee 2 billion for the year of assessment 2020/2021. This was published on 3 February 2022 and is scheduled to be enacted by the Parliament in due course. The Group's share of the potential additional tax expense for its associate, Lion Brewery (Ceylon) PLC, arising from this tax ruling amounted to approximately RM6 million. As this proposed tax ruling has yet to be legislated, the Group has not provided for the potential liability in its financial statements for the financial year ended 31 December 2021.

Other than above, there are no other material events subsequent to the end of the current financial year ended 31 December 2021 that should have been reflected in the financial statements.

30 RELATED PARTIES

Identity of related parties

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

The Group has related party relationship with the ultimate holding company and its related corporations, its subsidiaries (see Note 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 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.

30 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Ultimate holding company				
Reimbursement for share based payments granted to employees	**1,564**	3,714	**1,164**	2,868
Immediate holding company				
Purchases of materials and products	**18**	104	**-**	104
Purchases of services	**7,465**	8,058	**4,143**	4,401
Royalties	**29,603**	31,679	**5,237**	3,632
Net settlements in respect of (gain)/loss from hedging contracts	**(6,875)**	3,304	**(6,875)**	3,304
Related companies				
Management fees	**12,081**	10,461	**7,074**	5,700
Purchases of materials and products	**37,382**	31,535	**-**	25
Purchases of services	**5,373**	5,710	**2,616**	3,254
Sale of goods and services	**(27,196)**	(33,592)	**(27,196)**	(33,592)
Royalties	**5**	4	**-**	-

	Company	
	2021 RM'000	2020 RM'000
Subsidiaries		
Sale of goods and services	**837,296**	956,776
Management fee received	**19,010**	17,864
Operating leases income	**780**	780
Dividend income	**173,545**	180,670
Interest expenses on cash pooling arrangement	**2,811**	1,039
Associate		
Dividend income	**7,531**	3,581

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.