SUSTAINABILITY STATEMENT

OUR COMMITMENT TO SUSTAINABILITY

The Carlsberg Brewery Malaysia Berhad (Carlsberg Malaysia Group) believes that sustainability is everyone's responsibility as the economic, environmental and social choices we make, affect all of us now and in the future. Sustainability is also central to our purpose 'brewing for a better today and tomorrow'.

Our founder, J.C. Jacobsen, was committed to improving brewing and society, giving us the foundation for our purpose. Today, we build on his legacy through our sustainability priorities that of growing responsibly, while enhancing the quality of life for our consumers, employees and other stakeholders. All this is fundamental to our growth and imperative to defend our license to brew and operate in Malaysia.

SCOPE

This year's Sustainability Statement underpins Carlsberg Malaysia Group's commitment to undertaking business in a responsible and sustainable manner through our Economic, Environmental and Societal or EES performance. It covers the period 1 January to 31 December 2016 and the Group's key sustainability activities in our Malaysia and Singapore operations.

Our Sri Lanka investment, Lion Brewery (Ceylon) PLC, an associate company in which we have a 25% stake, but no direct management control, is excluded.

This statement reflects the outcome of the Carlsberg Group's materiality assessment emphasising the four most important sustainability areas, which have also been adopted by our Malaysia and Singapore operations. These four priorities - Energy & Carbon, Water, Responsible Drinking and Health & Safety – will be presented in accordance with the Economic, Environmental and Social pillars as per Bursa Malaysia Securities Berhad's (Bursa Malaysia) recommended sustainability framework.

These priorities also support the United Nations Sustainable Development Goals or SDGs. Please refer to Our Sustainability Strategy on page 40 for detailed elaboration.

All data disclosed here is extracted from CSR Enablon, the online sustainability reporting platform used globally by all subsidiaries of the Carlsberg Group.

This Sustainability Statement is to be read in conjunction with the rest of Carlsberg Brewery Malaysia Berhad's 2016 Annual Report, which highlights other financial and non-financial aspects of our business. To avoid content overlap, certain parts of this Statement may make reference to existing content within other sections of this Annual Report.

SUSTAINABILITY GOVERNANCE

As a fundamental component of Carlsberg Malaysia Group's core business strategies, we have developed our sustainability governance structure to facilitate cross-functional ownership that drives compliance and performance.

In alignment with the Carlsberg Group's global sustainability governance framework, we have a robust network of local Sustainability Policy Owners who work with Global Policy Owners to align on our priorities and approaches. At the same time, we monitor and report on the implementation of sustainability policies and guidelines. Within the Carlsberg Malaysia Group, our sustainability strategy is championed by the Managing Director with endorsement by the Board of Directors and Senior Management.

In line with the SAIL'22's two enablers of 'Create a Winning Culture' and 'Defend our License to Operate', our principles and actions are governed by the Carlsberg Group's seven Sustainability policies – Environment; Health & Safety; Labour & Human Rights; Community Engagement; Responsible Drinking; Marketing Communications; and Business Ethics. With the help of CSR Enablon, we track our performance in all policy areas on a scheduled basis, either monthly, quarterly, bi-annually or annually.

Enclosed is an illustration of our sustainability policies and framework.

Reporting Frequency

enablon	Quarterly	Monthly	Annual	Annual	Bi-Annual	Annual	Annual

Policy Owner

Carlsberg Malaysia	Supply Chain Director		Human Resources Director	Corporate Communications & CSR Director			Legal Counsel
Carlsberg Singapore	General Manager		Head of Human Resources & Corporate Affairs			Head of Marketing	

BREWING FOR A BETTER TODAY & TOMORROW

SUSTAINABILITY STRATEGY

With the introduction of our new corporate strategy SAIL'22, the year 2016 was in many ways a year of transition for us. Our ambition is to make Carlsberg Malaysia Group a more successful, professional and attractive brewer in our markets. We believe that the two enablers under SAIL'22 – 'Create a Winning Culture' and 'Defend our License to Operate' are needed to support the way we conduct our business and work together. Both enablers set clear objectives and activities as follows:

- **Create a Winning Culture** sets a clear direction for our sustainability priorities and ongoing commitment on the Economic, Environmental and Social or EES fronts. It highlights what we are already doing as a conscientious corporate citizen in terms of making tangible economic contributions throughout our value chain, conserving our environment and supporting society. This is line with the global drive for prosperity with lower impact as set out by the Paris Climate Accord and United Nations Sustainable Development Goals (SDGs).

- **Defend our License to Operate** indicates how should we behave ethically, both within the Company and towards external business partners, like suppliers and customers. In November 2016, our new Code of Ethics and Conduct was cascaded throughout the organisation via several training sessions including a new e-learning in February 2017.

Over the course of the year, the Carlsberg Group collaborated with external sustainability partners such as Carbon Trust and the WWF to restructure our approach to sustainability in order to efficiently tackle the ever-increasing challenges in our operating environment and industry.

In tandem with these efforts, we pledged our commitment towards meeting the Carlsberg Group's standard and local stakeholder expectations on the following four sustainability priorities in 2016:

- **Energy & Carbon** – by contributing to the containment of climate change;

- **Water** – by improving our water efficiency and securing shared water resources;

- **Responsible Drinking** – by supporting responsible consumption and promoting a healthy lifestyle; and

- **Health & Safety** – by improving workplace safety and striving to achieve a Zero Accidents culture.

We divided our sustainability priorities according to the Economic, Environmental and Social (EES) framework recommended by Bursa Malaysia, and lined these up to support five identified SDGs. These efforts underpin our pledge towards **"Brewing for a better today and tomorrow"** and reinforce our purpose-driven culture.

Economic

Economy

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Our Sustainability Priorities and Commitments

Environment

Energy & Carbon

Water

Social

Responsible drinking

Health & Safety

In support of Sustainable Development Goals (SDGs)

7 AFFORDABLE AND CLEAN ENERGY

7.3 By 2030, double the global rate of improvement in energy efficiency.

6 CLEAN WATER AND SANITATION

6.4 By 2030, substantially increase water-use efficiency and ensure sustainable withdrawals and supply of freshwater to address water scarcity.

3 GOOD HEALTH AND WELL-BEING

3.5 Strengthen the prevention and treatment of substance abuse, including harmful use of alcohol.

8 DECENT WORK AND ECONOMIC GROWTH

8.8 Protect labour rights and promote safe and secure working environments for all workers.

We aim to bring the most value to our business and society through our four priority areas under the Environment and Social pillars, which correlate most closely to SDGs three, six, seven and eight. As shown here, our activities will contribute to the SDG targets that call for the doubling of the global rate of energy efficiency by 2030, to substantially increase water-use efficiency, to strengthen the prevention and treatment of harmful use of alcohol, to protect labour rights and to promote safe and secure working environments for all our workers.

We are also committed to addressing SDG 12, responsible consumption and production, through our 4Rs efforts by 'Reuse', 'Reduce', 'Recycle' and 'Rethink'. The other sustainability activities of our Malaysia and Singapore operations are covered in this Statement on pages 44 to 47.

SAIL'22

CREATE A WINNING CULTURE

DEFEND OUR LICENSE TO OPERATE

OUR ECONOMIC CONTRIBUTIONS

Carlsberg Malaysia Group is a dynamic brewer that produces beer, stout and cider for both domestic consumption and export to regional markets like Singapore, Thailand, Taiwan, Hong Kong, Cambodia and Laos.

As an established brewer with over 45 years in operation, our brewery in Shah Alam, Selangor and our 17 sales offices throughout Peninsular and East Malaysia play an integral role in supporting the local F&B industry. Through our operations, we continue to create value and bring vitality to advertising, event and media agencies as well as generate commercial activities throughout the value chain of our business, from research and development to packaging, logistics, sales and marketing.

Malaysia's excise duty for beer is the third highest in the world despite a significant lower income per capita than Norway and Singapore, which have the highest excise duties in the world.

It is also subject to higher excise duties at RM175 per litre at ABV 100% than wine and liquors at RM150 per litre at ABV 100%. This is a clear contrast to the Government's call for a healthier nation as the disparity of the excise duty rate for beer vs wine and liquors may change the pattern of alcohol consumption from beer, which is of a lower alcohol content, to wine and spirits, which have a higher alcohol content.

Since its establishment over 30 years ago, Carlsberg Singapore, a trading business located in Zhongshan Park, has grown from strength to strength. Today, it is a one-stop alcohol beverages provider and owns 51% equity in local importer MayBev Pte. Ltd. (MayBev) that is responsible for the distribution of Japanese premium brands.

As beer is most frequently consumed by adults aged over 35 and those who are least well-off, the high beer duty relative to wines and spirits disproportionately impacts lower income consumers rather than affluent Singaporeans.

In 2016, the Carlsberg Malaysia Group contributed to society by creating jobs, generating growth and a range of government revenues, as well as raising funds for various causes.

1,926
people employed

Direct: 554 employees in Malaysia and 69 staff in Singapore; Indirect: 1,043 sales promoters in Malaysia and 260 beer promoters in Singapore

RM754 million
in **excise duties**

was paid on our products brewed and sold in both Malaysia and Singapore.

RM66 million
in **direct taxes**

was borne covering corporate taxes of RM48 million in Malaysia and RM18 million in Singapore.

RM55 million
in **indirect taxes**

was borne covering Goods & Services Tax (GST) collected on behalf of the Malaysian government and Singapore government.

RM17.3 million
for **community welfare and development**

from funds raised directly and indirectly via our charitable projects and donations in-cash made by the J.C. Jacobsen Foundation to Malaysia communities.

RM 400,000
on **human capital development**

was spent on training activities for 490 employees in Malaysia and 69 employees in Singapore.

Efficient brewing and packaging for lower energy and carbon footprint

Our Environmental Policy sets the standards and guidelines for our operations and lays out the reporting requirements on our energy and utility consumption. Efforts to reduce energy consumption remain a top priority in our Malaysian production plant, which is ISO-certified according to the 14001:2004 standard. We set year-on-year improvement targets for energy use, packaging efficiency and CO_2 emissions.

In 2016, we continued to pledge our support towards the Earth Hour movement for the eight consecutive year. In conjunction with the event on 19 March 2016 from 8:30 pm to 9:30 pm, we rolled out the "Probably the Best Social Media in the World" campaign at 10 modern bars and restaurants in Malaysia.

The campaign saw consumers turn off their mobile devices during earth hour in order to appreciate the brews and have a good conversation face-to-face in a live social environment, instead of social media platforms. During the one-hour, we recorded a savings of 278 kWh at our brewery in Shah Alam.

Our 4Rs programme – reduce, reuse and recycle and rethink the usage of resources and waste disposal – is another ongoing commitment we have made to minimise our environmental impact.

The 4Rs mindset has us working hand in hand with our retailers and distributors to ensure the return of all used bottles, kegs and crates from the market to the brewery. To encourage an effective return rate, we have set in place an attractive incentive scheme for our retailers and distributors as well as daily tracking system with our logistic partners to ensure punctual collections.

We strive to eliminate waste by crushing the used bottles into cullet, and then return this cullet to our bottle supplier, who recycles the materials into new bottles. Our aluminium cans are eco-friendly and can be crushed into cubes and recycled into new cans.

The infographics illustrate some of our key and on-going 4Rs initiatives:

BREWING WITH THE ENVIRONMENT IN MIND

Used plastic crates were upcycled as bar stools for the Visitors' Lounge and used aluminium kegs were upcycled as coffee tables for the reception at our brewery.

Used glass bottles are crushed into cullet for our bottle supplier to recycle the materials into new bottles.

Spent grains, a by-product from the brewing process are recycled by local farmers and reused as cattle feed.

Partnered with supplier GS Paper & Packaging Sdn. Bhd. to produce 800 units of bag cum writing desk made of recycled corrugated carton boxes for underprivileged students.

4Rs

Recycle

Rethink

Reuse

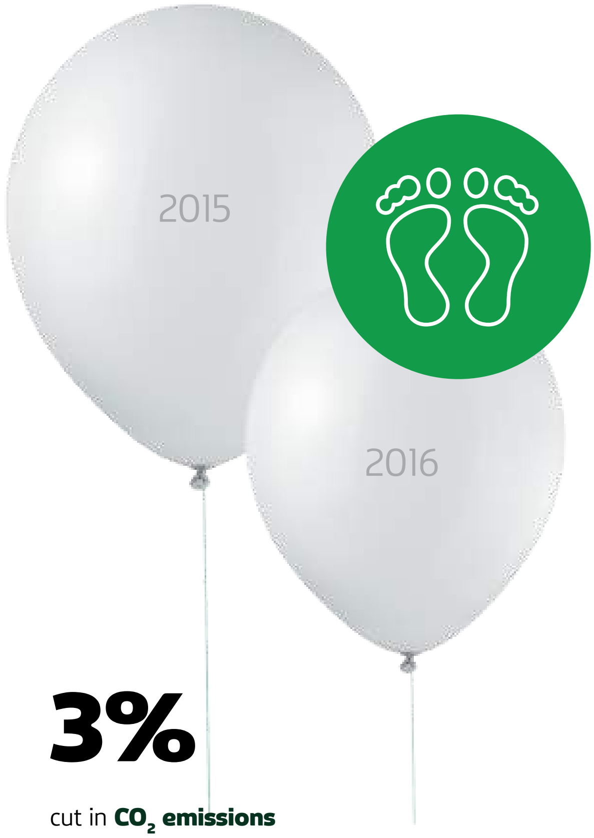
Reduce

CO_2 is recovered for purification and reused in other areas of production and sales thus saving greenhouse gas emissions.

261 tonnes of paper waste reduced in 2016 vs 2015 due to the change from paper carton multi-packs packaging to lighter shrink wrap packaging.

90% of the total returnable glass bottles are refilled in 2016 to optimise the need to use new bottles and resources.

13% reduction in process losses in 2016 vs 2015 due to higher efficiency in brewing and packaging.



Other new initiatives, which we implemented in 2016 to reduce our carbon footprint, were as follows:

- The reduction of electricity consumption by replacing fluorescent light bulbs with LED lights at our production facilities;
- The installation of a more efficient control pumps that resulted in lower electricity consumption;
- The optimization of the boiler operation has improved the thermal energy efficiency;
- The change from paper carton packaging to a lighter plastic shrink wrap packaging has resulted in lower CO_2 emissions.

Our overall energy performance in Malaysia operations recorded an improvement in 2016 with 9.48KWh/hl compared with 9.74Kwh/hl in 2015. Thermal consumption reduced to 20.3 Kwh/hl in 2016 from 21.1 Kwh/hl in 2015.

3%

cut in **CO_2 emissions** in 2016 vs 2015

4%

reduction in **electricity consumption** in 2016 vs 2015

5%

reduction in **thermal energy** in 2016 vs 2015

90%

of our bottles, kegs and crates were **recycled** in 2016

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* *The energy and carbon performance of our Singapore operations, which is not a production facility, is not included as it produces the least material in the context of the Carlsberg Malaysia Group.*

Improving water efficiency and waste water disposal

Our Malaysian operations conducts an annual assessment of the local water supply condition to ensure sufficient water resources at our production site. We also practice responsible water stewardship for water extraction and discharge of treated waste at an on-site waste water treatment plant in accordance with the requirements of local authorities.

In 2016, we continued to improve water efficiency by improving production forecasts, operations efficiency and reducing idle water consumption. We used recycled water from production for cleaning of equipment and reduced water consumption by improving production efficiency.

As part of our continuous improvement efforts to reduce the waste disposal, we made an investment for yeast press equipment to improve the performance of the waste water treatment plant by splitting water and sludge at a higher efficiency level. Our water efficiency consumption in 2016 reduced to 3.70hl/hl from 3.72hl/hl in 2015.

3.70
hectolitre

of **water used** to brew one hectolitre of beer in 2016

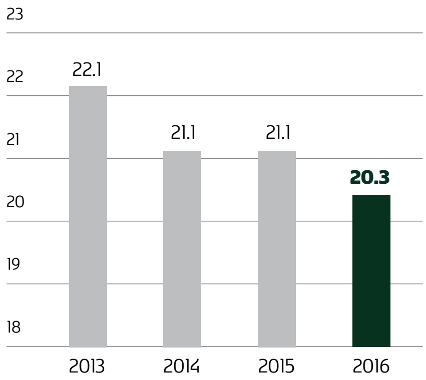
5%

reduction in **waste disposal** in 2016 vs 2015

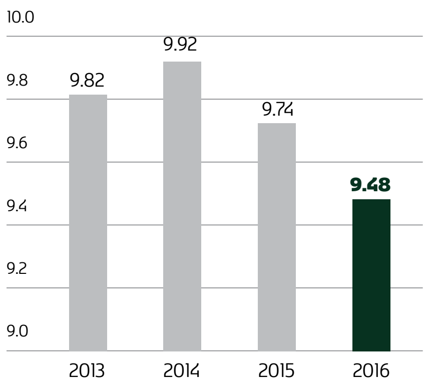
* *Water and waste water treatment performance of our Singapore operations, which is not a production facility, is not included as it is not applicable.*

Year-on-year achievements for environmental efficiency

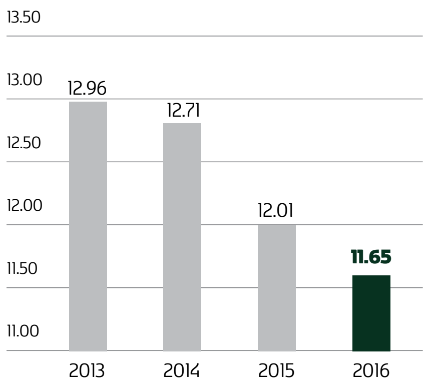
Thermal energy (Kwh/hl)



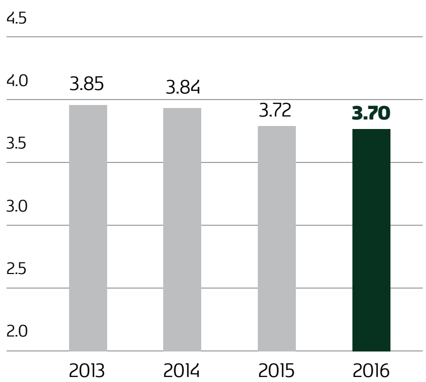
Electricity (Kwh/hl)



CO_2 emission (kg/hl)



Water consumption (hl/hl)



Our Work Culture

In line with our founder J.C. Jacobsen's mentality, we are committed towards pursuing perfection as highlighted in his 'Golden Words' that speak of dedication, orderliness and ambition.

> " In working the brewery it should be a constant purpose, regardless of immediate gain, to develop the art of making beer to the greatest possible degree of perfection so that this brewery as well as its products may ever stand out as a model and, through their example, assist in keeping beer brewing in this country at a high and honourable level. "

At Carlsberg Malaysia Group, we have put in place several initiatives to help our people achieve their full potential and consistently give their best. In addition to the standard employees benefits and compensation packages, our employees are also entitled to flexible working hours and arrangements, which include working from home and time-off for eligible employees in order to help them achieve a healthy work-life balance.

We have put in place several initiatives to ensure responsible consumption of alcohol for all our employees. We offer alternate modes of transportation and provide a personalised breathalyser for our sales and marketing employees, who are discouraged to drive after consuming alcohol. We advocate the importance of no drink-driving and the Group's stand on responsible consumption during new employee orientation.

Recognition and engagement

We continue to prioritise employee recognition and engagement activities to communicate with and unify our employees. Engaged employees are more satisfied with their work, tend to stay longer, are more productive and committed. In 2016, 35 employees of our Malaysian and Singapore operations received a promotion or an upgrade, whilst some 30 employees were re-designated and got a transfer to a new role or new department. These are part of our efforts to promote job enrichment and succession planning.

Our Malaysia operations initiated monthly town halls and continue to organise quarterly employees' get-together named SAIL'22 Hour in order to provide timely updates on the Company's strategic priorities to our employees and keep all of them engaged in our commercial activities. We also have robust employee recognition programs to recognize and reward our employees.

In 2016, sixteen employees in Malaysia received their 10-year long service award, probably the best employee recognition in the country. Each of them received a Carlsberg hop-icon gold pendant, cash voucher and an all-expenses paid trip with their spouses to Copenhagen, Denmark, the birthplace of Carlsberg.

Our Annual Dinner & Dance for our employees saw a total turnout of 550 people. We also held an Appreciation Dinner for our Sales Promoters, which registered an attendance of 400 people. Additionally, our Sports and Recreation Club activities throughout the year included Movie Nites, a Beerlympics in conjunction with the Rio 2016 Olympics, a durian fiesta and weekly and monthly sports activities.

Across the Causeway, the Annual Dinner & Dance of our Singapore organisation held at the Marina Mandarin hotel recorded a turnout of 350 employees and Sales Promoters. We also continue to organise quarterly town halls. Our Recreational Club organised several activities such as a fruits fiesta, hungry ghost festival celebration and mooncake festival celebration.

Training and development

We are committed to training and developing our employees to help them achieve their personal growth in the organisation.

In both our Malaysia and Singapore operations, we adopt the 70/20/10 learning approach, which places an emphasis on experiential learning as well as coaching and mentoring. Employee development is supported both at the Carlsberg Group and local levels where learning offerings and initiatives are devised covering leadership and functional competencies.

In 2016, our Malaysia operations conducted a total of 5,796 hours of training with 1,240 hours for employees in Production, 373 hours for Logistics employees, 3,140 hours for Sales and Marketing employees and 1,042 hours for employees in Corporate functions.

In Singapore, we spent a total of 857 hours training our staff, with 745 hours of training going towards Sales and Marketing and 112 hours for administration and support employees.

The total training and development investment made by the Group for the year in review was approximately RM400,000 for 559 employees.

EMBEDDING THE GOLDEN WORDS **INTO OUR ORGANISATION**

Respecting diversity

As of 31 December 2016, our Malaysia operations had a staff strength of 554 employees. The ratio for female employees to male employees then was 20:80 for our total workforce and 40:60 for our senior management team. On the Singaporean front, we had a total of 69 employees with a 30:70 ratio of female to male employees in our total workforce.

Our Labour & Human Rights Policy and initiatives such as recruitment, retention, training and development, as well as corporate and social activities are all implemented in a manner that does not discriminate against ethnicity, gender, age, disability or status. We employ, appoint, promote, develop and reward our employees through the principles of meritocracy and fairness.

We practiced fairness in hiring and promoting people based on job-defined criteria. We respect the diversity of gender, race and culture and are committed to ensure our working environment remains a well-balanced, inclusive and harmonious one. In Carlsberg Singapore, we adopted the guidelines on recruitment and selection set forth by the Ministry of Manpower.

To cater to the needs of our female employees, both our offices in Malaysia and Singapore have a nursing room for nursing mothers. We also have a prayer room for our Muslim employees and engage a pool of female taxi drivers in Malaysia especially for our female employees.

Health & Safety at work

People are our key asset. We strive to implement a zero-accident work culture that sees our employees thrive in a safe and secure environment.

On 26 September 2016, we reached a new milestone in our brewery's Lost Time Accident (LTA) Free Days journey, when we achieved 257 days without any LTAs in our operations. There was positive progress on the near miss accidents and safety concern reporting from all levels of employees. Once a potential workplace hazard was highlighted, we took prompt and necessary measures to mitigate the risk. This accomplishment attests to the effort that our team has put in to ensure that the safety and health of our employees remains a priority.

In 2015, the Carlsberg Group's Environmental Health and Safety (EHS) Council developed the SHAPE (Safety and Health Assessment Program Excellence) standard. The SHAPE standard serves as a continuous improvement tool for different sites to track their progress and to plan improvements in their Safety, Health and Environment programmes. The standard comprises the following areas: Management of EHS, Safety & Health, Environment and Culture & Mindset.

During the first quarter of 2016, Carlsberg Malaysia completed its first SHAPE self-assessment. Prior to this our ESH manager underwent a web training programme to familiarise himself with the SHAPE programme and completed a formal SHAPE Assessor Champion Training Programme at Lithuania

TOWARDS A **ZERO ACCIDENTS CULTURE**

Utenos brewery in June 2016. Our EHS Manager is now an accredited Lead SHAPE Assessor.

On 16 December 2016, we completed the stage 2 OHSAS 18001:2007 (Occupational Safety and Health Management System) audit by Lloyd's Register Quality Assurance (LRQA) and have been recommended for certification, under the scope of Production and Packing of Beer, Stout, Malt drink, Shandy and Cider. The results of the assessment showed that our Malaysia production plant met the requirements of the OHSAS 18001:2007 standard and satisfactorily demonstrated the implementation of its OHS management system. Both SHAPE and OHSAS 18001 have laid a solid foundation for Carlsberg Malaysia to continuously improve its operations and achieve zero accidents at our workplace.

In line with our goal of cultivating an accident-free workplace, we hosted the annual Health and Safety Day at our brewery in Shah Alam from 18 to 19 August 2016. The programme, launched at the Visitor's Lounge, featured several talks by health and safety experts who spoke on topics that ranged from having a healthy and balanced work-life to firefighting skills and having the corresponding equipment in place. There was also a safety talk conducted by our EHS Manager and a blood donation drive which saw 32 donors responding.

Other key activities conducted in 2016 were:
- Chemical Health Risk Assessment
- Hazard Identification & Risk Assessment
- Noise Prevention Program
- Monthly safety topic campaign
- Bottle pressure test on the packaging line to reduce falling bottles and breakage

4%

reduction in LTAR (lost-time accident rate)

SUPPORTING SOCIETY

Our philanthropic arm – J.C. Jacobsen Foundation

Since its inception in June 2014, the J.C. Jacobsen Foundation has been actively pursuing its vision of brewing a better and greener future. It has focused its efforts on the specific objectives of providing equal access to quality education, promoting environmental conservation through recycling and upcycling, supporting underprivileged communities (mainly people with disabilities), and protecting the ecosystem of Malaysian elephants.

As the philanthropic arm of our Malaysia operations, the J.C. Jacobsen Foundation (the Foundation) is committed to strengthening our relationships with multiple stakeholders and non-governmental and profit organisations (NGOs) so that we can make an impact together. The year in review saw us undertaking various initiatives under the ambit of the Foundation.

In conjunction with World Elephant Day on 12 August 2016, we hosted a talk on elephant conservation in collaboration with the Centre for Environment, Technology and Development Malaysia (CETDM). During the event, representatives from the Department of Wildlife and National Parks Malaysia, representatives from the WWF-Malaysia, university lecturers and researchers as well as members of other conservation organisations exchanged views and discussed the possible solutions to protect Malaysian elephants.

Through this type of stakeholder engagement, we aspire to bridge the gaps between research, conservation efforts and public awareness in order to create a platform that can address the challenges faced by elephants and their ecosystem as well as to raise public awareness on elephant conservation to help alleviate human-elephant conflicts.

In addition, the Foundation continued to pledge a cash sponsorship of RM20,000 to the National Zoological Society of Malaysia to subsidizes the upkeep and care for three elephants at the National Zoo in line with our support of elephant protection.

On the education front, the Foundation partnered with the Carlsberg Bequest in Denmark and granted a full scholarship to a promising Malaysian youth to participate in the Young Global Pioneers Talent Network's (YGP) three-week learning journey in Tanzania and Zanzibar from 31 July to 20 August 2016. Dubbed the JOURNEY, the out-of-classroom learning platform aimed to groom 20 young talents from all over the world to become responsible and global minded leaders through activities, lectures and adventures in Tanzania as well as through engaging in dialogues on global trends and challenges.

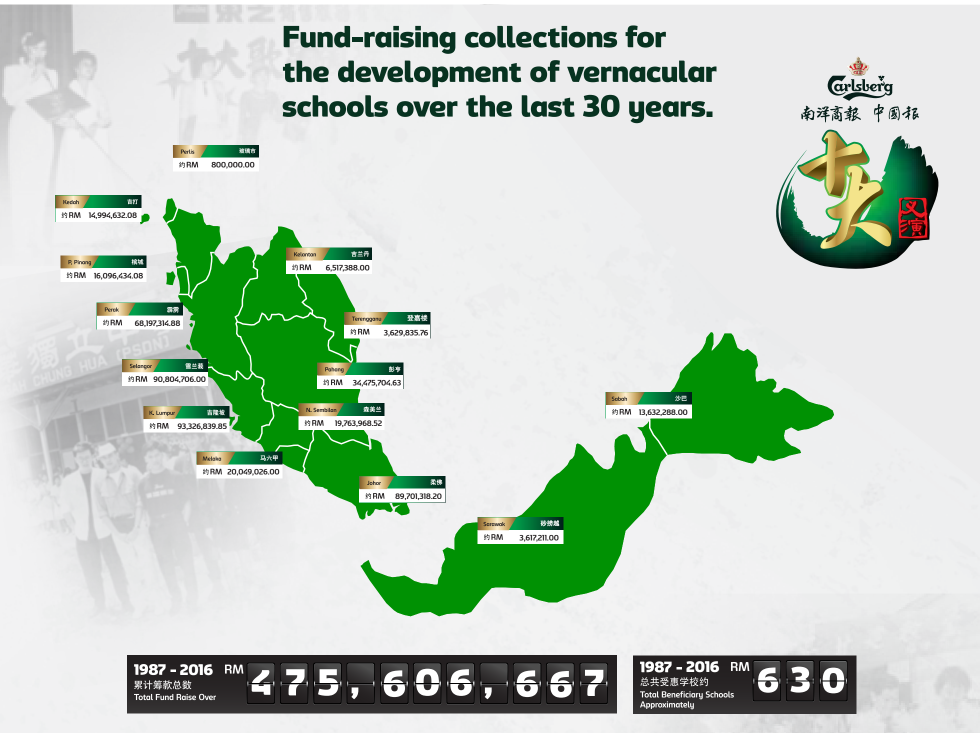
Undergraduate student, Charis Chan Wei Yenn, who stood out amongst the applicants in Malaysia was chosen to represent the Foundation at the training event. Her scholarship covered all activities in Tanzania including flights, on-ground transfers, accommodation, meals, insurances and pocket money for visa application, vaccinations and other out-of-pocket expenses. The trip served to give her a deeper understanding of the various societal roles and how this diversity is vital in a circular economy.

It is through initiatives like the JOURNEY, we hope to inspire the youth of our nation to effect change in their own capacities and communities.

J.C. JACOBSEN FOUNDATION

Carlsberg Bequest

YOUNG GLOBAL PIONEERS



Probably the Best Fund-Raising platform for education – Top Ten Charity Campaign

Year 2016 marked the 30th anniversary of our flagship community engagement project, the Top Ten Charity Campaign, which we organised in collaboration with two Chinese dailies Nanyang Siang Pau and China Press. The fund-raising platform successfully concluded its run for the year with a collection of RM17.0 million for 11 Chinese schools in Kuala Lumpur, Petaling Jaya, Malacca, Johor and Kuantan.

To date, the campaign has successfully accumulated a total of over RM475.6 million of school-building funds for over 630 Chinese schools and institutions nationwide. It continues to be the record holder of the 'Longest-running and Highest Funds raised Chinese Charity Show' in the Malaysia's Book of Records.

We further contributed to our beneficiary schools through the running of a beer-selling charity drive in which we pledged to donate RM0.50 for every quart of Carlsberg beer and Carlsberg Smooth Draught sold in selected restaurants, food courts and coffee shops. Following an overwhelming response in which 122,658 quarts of beer were sold in just few weeks, we donated RM61,329 to five beneficiary schools in Kuantan, Malacca and Permas Jaya.

15,000

consumers reached via social media and on-ground activations

800

consumers engaged via on-ground activations

350

personal mobile breathalysers given to consumers

12

employees took part as responsible drinking ambassadors

2

retailers, a hotel operator and a bar owner, participated

1

#CheersResponsibly talk was conducted for university students

Responsible drinking

In line with SAIL'22's Defend our License to Operate, we are committed to taking proactive measures to support consumers in making healthy, responsible choices by:

- Promoting moderate consumption;
- Campaigning to prevent drink driving; and
- Marketing our products responsibly.

Reflecting on Sustainable Development Goal 3.5, which is "to strengthen prevention and treatment of substance abuse, including the harmful use of alcohol", we leveraged on key marketing campaigns, at point of sales and on packaging to raise awareness of the importance of responsible drinking.

In 2016, our Malaysian operations, for the second consecutive year, pledged support towards the Global Beer Responsible Day (GBRD), an international initiative that promotes the responsible enjoyment of beer.

Being one of the 17 Carlsberg Group markets from Denmark, Sweden, Norway, Finland, UK, France, Italy, Switzerland, Poland, Bulgaria, Ukraine, Russia, Uzbekistan, Azerbaijan, China, Malaysia and Nepal, we celebrated GBRD via a four-day #CheersResponsibly activation in conjunction with a month-long Oktoberfest campaign.

We successfully reached over 15,000 people with our awareness communication and on-ground activation. We also engaged our employees as responsible drinking ambassadors to discourage drink-driving, when ones' breath alcohol content (BAC) exceeded the national legal limit of 0.08%.

Furthermore, we conducted tests on consumers' BAC and gave out personal mobile breathalysers to some 350 consumers, who pledged their support towards the cause.

ADVOCATING RESPONSIBLE DRINKING AND MARKETING

Responsible advertising and marketing

Advertising and marketing at our Malaysian operation is in full compliance with all relevant Malaysian laws, the guidelines from the Communications and Multimedia Content Forum of Malaysia, the Malaysian Code of Advertising Practice (MCAP) as well as the Carlsberg Group's Marketing Communications policy.

All Print or digital advertisements by our brands observe a high standard of social responsibility that never associates our products with the driving of any kind of vehicle and which never detracts from or conflicts with the need for the responsible and moderate consumption of alcohol.

On 27 May 2016, the Malaysian Ministry of Health gazetted the Food (Amendment) Regulations 2016 to the Food Act 1983 [Act 281]. This new regulation mandates that all alcohol product labels are to display the health warning message "MEMINUM ARAK BOLEH MEMBAHAYAKAN KESIHATAN" in the Malay language, which, when translated, means "Drinking alcohol is bad for health". Furthermore, the legal purchasing age of alcohol beverages will be increased from the age of 18 to 21.

In preparation for this new regulation, which will take effect on 1 December 2017, we have begun to revise the design of our product labelling as well as review our promotion and activation mechanics in order to ensure full compliance.

Carlsberg Singapore collaborated with the Traffic Police and Singapore Road Safety Council to present the annual Anti-Drink Drive Campaign on 1 December 2016. Aimed at creating awareness about the dangers of drink driving, many posters of the Anti-Drink Drive campaign were put up in high traffic areas reminding consumers to get home safely following the consumption of alcohol. This campaign received endorsement from the Singapore Ministry of Home Affairs and Ministry of National Development as it is in support of the government's call against drink driving.

UPHOLDING RESPONSIBLE PRACTICES

Upholding quality

The Carlsberg Malaysia Group is committed to continually improving its management systems and to implementing various quality activities to deliver superior drinking experiences for our consumers. Following the recent launch of the new ISO 9001:2015 quality management system standard, our Malaysia operations began to focus its efforts on migrating from its existing ISO 9001:2008 standard to the new standard.

As part of the transformation process, our Supply Chain's Quality Assurance (QA) team engaged key managers and team members in a host of in-house training sessions on the new standards. The training sessions educated our employees on how best to adopt a practical and efficient approach to auditing under the new system. It also highlighted the importance of leadership as the new ISO system places greater emphasis on leadership engagement, on securing alignment between the quality management system and business strategy, as well as on greater accountability.

We have empowered employees, who have participated in the ISO 9001: 2015 transition training, to conduct trainings for shop floor staff to ensure the smooth implementation of the new quality management system.

Upholding ethics and integrity

Here at Carlsberg Malaysia Group, we are dedicated to operating and conducting our business with a transparency that reflects our demand for ethics and integrity in all our dealings.

As part of our efforts to ensure that all our practices are implemented in accordance with the highest standards, we rolled out the Code of Ethics and Conduct (COEC), which was recently launched by the Carlsberg Group under the SAIL'22's Create a Winning Culture.

The COEC serves as an ethical compass that outlines, how we should treat our colleagues, customers, communities, suppliers and shareholders in a range of situations. It will help us to determine what is ethically the right and most appropriate thing to do so that we always act with integrity.

As part of our efforts to improve the whistle-blower system, we introduced a new "Speak Up" telephone line in January 2017 to encourage employees, who prefer to remain anonymous, to inform us about instances regarding breaches of the COEC and other policies or if they have a serious concern to share.

We also rolled out several other initiatives in accordance with our commitment to ethics and integrity:

- 169 employees in Malaysia and Singapore were trained on the new Code of Ethics and Conduct and completed E-Learning from November 2016 to February 2017.
- The respective departments' administrators were placed in-charge of collecting gifts received and registering donations made on behalf of the Company. In 2016, our Malaysia operations made a total cash donation of RM112,829 to the approved NGOs and people with disabilities via the J.C. Jacobsen Foundation.
- The Competition Compliance Handbook and the Competition Law - Do's and Don'ts launched by the Carlsberg Group in September 2015 was cascaded down to our Malaysia and Singapore operations in 2016 through face-to-face training sessions as well as via new employee orientation briefing activities. Employees can now download the handbook from our intranet.

TOWARDS A SUSTAINABLE FUTURE

As a responsible corporate citizen, Carlsberg Malaysia Group is committed to balancing out its good Economic performance with responsible Environmental and Social (EES) priorities.

We are focused on delivering a sustainable performance on the EES fronts and will endeavour to ensure that the concept of sustainability becomes integrated into our working culture in a more prominent manner. We are committed to embedding the sustainability agenda into our overall strategy and value-chain for the long-term as we acknowledge this is key to our purpose of 'brewing for a better today and tomorrow'.

For our commitment towards sustainability and our philanthropic efforts through the J.C. Jacobsen Foundation, Carlsberg Malaysia was recognised as the best-in-class in the alcohol industry and presented the Company of the Year (Brewery) award at the inaugural CSR Malaysia Awards 2016 on 2 June 2016. We were among 22 companies, three organisations and a foundation to be the recipients of the award.

The change from paper carton packaging to a lighter shrink wrap packaging which resulted in lower CO_2 emissions has earned Carlsberg Singapore a Distinction award at the Singapore 3R Packaging Awards 2016 in July 2016.

The Carlsberg Malaysia Group will work hard to deliver true and sustainable value as well as establish enduring ties with our diverse stakeholders so that we continue "brewing for a better today and tomorrow".

MANAGEME
TEAM

NT

from left to right

Charles Wong Guang Tzong, Gary Tan Sim Huan,
Lars Lehmann, Pearl Lai Ming Choo,
Jimmy Toh Ching Wooi, Lew Yoong Fah,
Felicia Teh Sook Ching, Piotr Zajac and Yee Chin Beng.

PROFILE OF MANAGEMENT TEAM

	Lars Lehmann Managing Director	**Yee Chin Beng** Chief Financial Officer / Company Secretary	**Gary Tan Sim Huan** Sales Director	**Charles Wong Guang Tzong** Marketing Director
Nationality / Gender / Age	Danish, Male, aged 50	Malaysian, Male, aged 41	Malaysian, Male, aged 46	Malaysian, Male, aged 47
Date of Appointment	1 July 2016	6 February 2017	17 August 2009	16 January 2017
Academic / professional qualification(s)	Master of Science, International Marketing and Bachelor of Business Administration, Copenhagen Business School	Fellowship of Association of Chartered Certified Accountants (ACCA) Member of Malaysian Institute of Accountants (MIA)	BA (Hons) Economics, University of Malaya	Bachelor of Business, International Trade, Banking & Finance, Monash University Australia
Work Experience	Mr. Lehmann has overall responsibility for the Carlsberg Malaysia Group covering our operations in Malaysia and Singapore, our investment in Lion Brewery (Ceylon) PLC in Sri Lanka as well as exports. Joined the Carlsberg Group in April 2003, Mr. Lehmann has held various senior commercial and general management positions in Western Europe and Eastern Europe as well as Carlsberg's License, Export and Duty Free company.	Mr. Yee is responsible for the finance, investor relations, legal and company secretarial as well as IT functions. Prior to joining the Company, he was the Group Financial Controller of PureCircle Limited, a company listed on the London Stock Exchange.	Mr. Tan oversees the sales and distribution functions of the duty-paid business within the Malaysia operations. Prior to joining the Company, he was the Customer Development Director of Unilever Malaysia. He has had over 20 years of experience in the Fast-Moving Consumer Goods (FMCG) business.	Mr. Wong is responsible for the brand and channel marketing, market research, market intelligence and business development functions. He brings with him over 20 years of experience in the Fast-Moving Consumer Goods (FMCG) business. He was the General Manager for Red Bull Malaysia prior to joining the Company.

Piotr Zajac Supply Chain Director	**Felicia Teh Sook Ching** Human Resources Director	**Pearl Lai Ming Choo** Corporate Communications and CSR Director	**Lew Yoong Fah** Government Affairs and Duty Free Director	**Jimmy Toh Ching Wooi** General Manager of Carlsberg Singapore Pte. Ltd.
Polish, Male, aged 43	Malaysian, Female, aged 39	Malaysian, Female, aged 36	Malaysian, Male, aged 48	Singaporean, Male, aged 40
1 February 2017	19 November 2012	1 July 2014	6 February 2017	30 November 2015
MBA, Institute of Economics in Polish Academy of Science Master of Science, Engineering Technology of Food, Academy of Agriculture Krakow, Poland	MBA, University of Nottingham B Comm (Hons), University of Western Australia	Bachelor of Social Science (Hons) Communication Studies, University Malaysia Sarawak	MBA, University of Malaya Fellowship of Association of Chartered Certified Accountants (ACCA) Member of Malaysian Institute of Accountants (MIA)	BBA (Honours), National University of Singapore
Mr. Zajac is responsible for production, logistics and procurement for both the Malaysia and Singapore operations as well as production for the export markets. Having joined the Carlsberg Group in 1997, he has held various positions on the supply chain, commercial and marketing fronts. His last position, prior to joining the Company, was as Brewery & Investment Director, Carlsberg Poland.	Ms. Teh is responsible for HR operations, talent management and organisation development for the Malaysia operations. She also oversees the human resources function of the Singapore operations. On 3 September 2014, her role was expanded to Regional Human Resources Director for Laos, Thailand and Myanmar.	Having joined the Company on 1 September 2005, Ms. Lai is responsible for external affairs, internal communications and sustainability development. She also oversees the marketing activation portfolio. On 1 June 2014, she was appointed as Executive Director of the J.C. Jacobsen Foundation, a philanthropic entity of the Company.	Having joined the company on 5 January 2010 as Chief Financial Officer, Mr. Lew has been re-designated to manage all matters relating to government affairs, duty-free and export activities as well as security for the Malaysia operations. He also represents the Company on the committee of the Confederation of Malaysian Brewers Berhad (CMBB).	Mr. Toh is responsible for the business, people and sustainability development functions of the Singapore operations. He also represents the Company to handle matters pertaining to government affairs. Prior to joining the Company, he was the Country Business Manager for the out-of-home business of Nestle Singapore.

Notes:
None of the management team have any family relationship with any director/substantial shareholder of the Group and the Company, nor any conflict of interest with the company. None of the management team have any interest in the securities of the listed issuer or its subsidiaries or hold any directorship in public companies and listed issuers. None of them have had any convictions for any offences, other than traffic offences, within the past 5 years and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROFILES OF THE DIRECTORS

Dato' Lim Say Chong
J.S.M., D.M.P.N.
Independent Non-Executive Chairman
Member of Audit Committee
Chairman of Remuneration Committee
Chairman of Nomination Committee

Nationality, Age, Gender
Malaysian, 76, Male

Date of Appointment
21 May 2003

Length of service (as of 20 March 2017)
13 years

Date of last Re-election
Re-appointment
21 April 2016

Academic / Professional Qualifications
MBA, University of British Columbia, Canada

BA (Hons) Economics, University of Malaya

Advanced Management Programme, Harvard Business School, Boston

Work Experience and Present Directorship(s)
Dato' Lim worked with the Imperial Chemical Industries (ICI) PLC's Group of Companies in Malaysia and abroad for 30 years, during which time he sat on the Board of several companies within the Group. He served as the Managing Director of the ICI (Malaysia) Group for five years and was also the Group Managing Director of Chemical Company of Malaysia Berhad from 1989 to 2004. He served in various associations, including as President of the Malaysian International Chamber of Commerce & Industry and was a Member of the National Human Resource Development Council, the Board of Directors of the Malaysian Industrial Development Authority, and the Board of Trustees of the Aged European Fund. He also served as a Council Member of the Federation of Malaysian Manufacturers and was on the Board of the ASEAN Chamber of Commerce & Industry.

Dato' Lim is an Independent Non-Executive Director of Mulpha International Berhad and a Trustee of the Ti-Ratana Welfare Society, the Malaysian Economic Association Foundation and the J.C. Jacobsen Foundation.

Lars Lehmann
Managing Director

Nationality, Age, Gender
Danish, 50, Male

Date of Appointment
1 July 2016

Length of service (as of 20 March 2017)
8 months

Date of last Re-election
N/A

Academic / Professional Qualifications
Master of Science, International Marketing, Copenhagen Business School

Bachelor of Business Administration, Copenhagen Business School

Work Experience and Present Directorship(s)
Mr. Lars Lehmann is responsible for the South-East Asia sub-region comprising Malaysia and Singapore and oversees Carlsberg's investment in Sri Lanka.

He has been with the Carlsberg Group since 2003 and has undertaken various senior positions in the area of sales, marketing and general management for the Western and Eastern Europe markets as well as the export businesses. Prior to his appointment, Mr. Lehmann was the Regional CEO, Western Europe Challenger Markets from October 2012 overseeing 11 European markets like Germany, Italy, Greece, Bulgaria, Serbia, Croatia, Portugal, Estonia, Latvia, Lithuania and Carlsberg ExLiD (Export, License and Duty Free). Before joining the Carlsberg Group, he was with Unilever Denmark for eight (8) years in sales and marketing.

Mr. Lehmann is currently the Chairman of Carlsberg Singapore Pte. Ltd. He is also on the Board of Carlsberg Marketing Sdn. Bhd., a wholly owned subsidiary of Carlsberg Brewery Malaysia Berhad, the Malaysian Danish Business Council and Maybev Pte. Ltd., a 51% owned subsidiary by Carlsberg Singapore Pte. Ltd., Lion Brewery (Ceylon) PLC and Ceylon Beverage Holdings PLC. He is also a Trustee of the J.C. Jacobsen Foundation.

Chew Hoy Ping
Independent Non-Executive Director
Chairman of Audit Committee
Member of Remuneration Committee
Member of Nomination Committee

Nationality, Age, Gender
Malaysian, 59, Male

Date of Appointment
23 May 2014

Length of service (as of 20 March 2017)
2 years

Date of last Re-election
Re-election
23 April 2015

Academic / Professional Qualifications
Member of the Malaysian Institute of Accountants

Member of the Malaysian Institute of Certified Public Accountants

Work Experience and Present Directorship(s)
Mr. Chew Hoy Ping, began his career at Messrs PricewaterhouseCoopers (PwC) in 1976, serving in various capacities for almost 30 years, and was admitted as a partner of the firm in 1990. Whilst at PwC, he covered a wide range of professional service areas including business advisory, corporate finance and recovery. He held several leadership roles in PwC including that of Asia Pacific Chairman of Financial Advisory Services and was the Malaysian firm's Risk Management & Independence Leader, its Deputy Chairman of the Governance Board and a member of its Country Management Team. Mr. Chew was seconded to PwC's Houston, Texas office (1982-1984) for overseas work experience and personal development, and later to Bank Negara Malaysia (1986-1988). Upon retiring from PwC, he became the Chief Financial Officer for Southern Bank Berhad (now known as CIMB) from 2005 to the middle of 2006.

Mr. Chew is currently an Independent Non-Executive Director of Mulpha International Berhad (MIB) and Mudajaya Group Berhad (MSC) where he is also the Chairman of their respective Audit Committees. He is also a Trustee on the J.C. Jacobsen Foundation.

Graham James Fewkes
Non-Executive Director

Nationality, Age, Gender
British, 49, Male

Date of Appointment
Re-appointed to the Board on 26 February 2016

Length of service (as of 20 March 2017)
1 year

Date of last Re-election
Re-election
21 April 2016

Academic / Professional Qualifications
BA (Hons) History, University of York, United Kingdom

Work Experience and Present Directorship(s)
Mr. Graham Fewkes was previously a Board member of the Company from 12 March 2009 to 23 May 2014.

Mr. Fewkes is currently the Executive Vice President, Asia of Carlsberg Breweries A/S with management responsibility for the Group's Asia and Africa operations.

Mr. Fewkes has worked in a range of commercial and senior management roles for international companies such as Grand Metropolitan PLC, Fosters Group and Scottish and Newcastle PLC, where he served as Commercial Director in the BBH joint venture in Russia and Eastern European markets. He joined the Carlsberg Group in October 2008 and has recently returned to Asia after serving as the Carlsberg Group's Global Chief Commercial Officer, based in Copenhagen. He also sits on the Board of several private companies within the Carlsberg Group.

Roland Arthur Lawrence
Non-Executive Director
Member of Audit Committee

Nationality, Age, Gender
Australian, 58, Male

Date of Appointment
28 August 2012

Length of service (as of 20 March 2017)
4 years

Date of last Re-election
Re-election
23 April 2015

Academic / Professional Qualifications
Fellow Certified Practicing Accountant (FCPA) in Australia

Master of Enterprise, Melbourne University

Postgraduate Diploma, Business, Deakin University, Australia

BA (Hons), National University of Singapore

Work Experience and Present Directorship(s)
Mr. Lawrence is currently the Vice President Finance, Asia of Carlsberg Breweries A/S. He also holds directorships in Carlsberg India Pvt. Ltd., Lao Brewery Co. Ltd. (Laos), Myanmar Carlsberg Co. Ltd. and Gorkha Brewery (P) Ltd.

He was the SVP and CFO Walmart (China) between 2008 and 2011 in China. In Australia, he worked mainly for the Coles Myer Group. His roles included being the General Manager, Group Planning & Finance, Coles Group and General Manager, Finance, Coles Supermarkets.

Olivier Dubost
Non-Executive Director

Nationality, Age, Gender
French, 43, Male

Date of Appointment
28 November 2016

Length of service (as of 20 March 2017)
3 months

Date of last Re-election
N/A

Academic / Professional Qualifications
MBA, ESCP, Management Business School of Paris

Work Experience and Present Directorship(s)
Mr. Dubost is at present the Carlsberg Group's Vice-President Commercial in charge of Sales and Marketing of the Asia Region.

Mr. Dubost joined the Carlsberg Group in 2011 and from 2011 to April 2016 held the position of Vice President of Marketing at Brasseries Kronenbourg in France, a company owned by the Group.

He began his career undertaking various marketing functions within Henkel France and then with the LVMH Group in London. He then went on to join Colgate Palmolive in 1998 where over a 13-year span he gained invaluable experience on the local, regional and HQ commercial (France, Europe, Spain & Portugal) fronts working in the Bodycare, Household Care and Oral Care categories. From 2008, Mr. Dubost was also the Marketing Director for the Palmolive Europe - Innovation Centre for Oral Hygiene.

Other information on directors:

- *Each director does not have any family relationships with any directors and/or major shareholders of the Company.*
- *Each director does not have any conflict of interest with the Company.*
- *Each director does not have any convictions for offences within the past five years.*
- *Details of the Directors' attendance at Board meetings are set out in the Statement on Corporate Governance on pages 64 to 76 of this Annual Report.*

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors is fully committed to ensuring that the highest standards of corporate governance including accountability and transparency are practised by the Company and throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

To this end, the Board continues to implement the recommendations of the Malaysian Code on Corporate Governance 2012 ("Code"), which sets out the principles and best practices on structures and processes that companies may use in their operations towards achieving the optimal governance framework.

The ensuing paragraphs describe the extent of how the Group has applied and complied with the principles and best practices of the Code for the financial year ended 31 December 2016.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear functions reserved for the Board and those delegated to Management

The Board leads and has effective controls over the Group whereby collective decision and/or close monitoring are conducted on issues relating to strategy, performance, resources, standards of conduct and financial matters. The matters reserved for the collective decision of the Board are listed in the Appendix A of the Board Charter which is available on the corporate website - www.carlsbergmalaysia.com.my.

The Managing Director oversees the day-to-day management and running of the Group and the implementation of the Board's decisions and policies. The Board has oversight on matters delegated to the Management whereby updates are reported at least on a quarterly basis. The Group adopts a Chart of Authority approved by the Board which the Management has to adhere to in carrying out its day-to-day functions.

1.2 Clear roles and responsibilities

The roles and responsibilities of the Board as set out in the Board Charter are clear and distinct from that of the Managing Director. The Board also facilitates its principal responsibilities which include reviewing and adopting a strategic plan, overseeing the conduct of business, risk management, succession planning, developing and implementing investor relations and reviewing internal controls. The Board has delegated specific responsibilities to the following committees ("Committees"):-

i. Audit Committee
ii. Nomination Committee
iii. Remuneration Committee

The powers delegated to the Committees are set out in the Terms of Reference of each of the Committees as approved by the Board and set out in the Appendices B, C and D of the Board Charter.

The Board is updated on the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls on a quarterly basis. Ongoing reviews are performed throughout the year on quarterly basis to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. Such continuous review processes are conducted by the Group's independent and sufficiently resourced internal audit function as well as the Company's management team. The findings of the internal audit function are regularly reported to the Audit Committee. Please refer to the Statement on Internal Control and Risk Management for further information on pages 77 to 79.

1.3 Code of Conduct & Compliance

The Group adopts the newly launched 'Code of Ethics and Conduct' (the "COEC") which applies to the management, employees and contract workers of the Carlsberg Group. The COEC is an ethical compass, addresses the most relevant ethical issues that an employee can face in his or her daily work life. The COEC has 14 key areas: Compliance with laws and company policies • Anti-corruption and anti-bribery laws • Trade sanctions and export control laws • Competition laws • Data protection and privacy laws • Responsible drinking • Conflicts of interest • Insider trading and handling of inside information • Protection and proper use of corporate assets • Confidential and proprietary information • Work environment • Gifts, meals and entertainment • Political activities and donations • Accuracy of books, records and public reports. The COEC will be reviewed periodically.

Carlsberg embraces an 'open-door' culture and all employees are encouraged to talk to their managers, or managers' manager, if they believe there has been a breach of the COEC. If they do not feel comfortable doing this, they can talk to their HR business partner, or reach out directly to the Chief Compliance Officer via SpeakUp@Carlsberg.com. Besides the above-mentioned channels, the Group has introduced a new integrated phone and web system for employees to report compliance issues called the 'Speak Up' system via a secured web link or telephone line 1-800-88-4307 with designated access code, hosted by an external provider. A Carlsberg employee can make an initial report in his or her own language contact via the SpeakUp Line (phone or web) and the report is transcripted and translated into English by the external provider before it is assigned to a Carlsberg Group Compliance officer for review and follow up.

1.4 Business Sustainability and Environmental, Social and Governance

The Group's CSR Report was first published in year 2012 for the public and annually till year 2015. The reports are available on the corporate website: www.carlsbergmalaysia.com.my. The CSR Reports serve to inform and update stakeholders and other interested parties on the progress of the Group's CSR initiatives and commitments on focus areas such as governance structure, stakeholder engagement, marketplace, community, workplace and environment. Since 2016, the details of the Group's Business Sustainability and Environmental, Social and Governance (ESG) objectives are detailed out in Sustainability Statement. For current reporting year, please refer to the Sustainability Statement on pages 38 to 57.

STATEMENT ON CORPORATE GOVERNANCE

1.5 Access to information and advice

All Directors have access to the advice and services of the Company Secretary as well as to all information within the Group. There is also a formal procedure sanctioned by the Board of Directors, whether as a full board or in their individual capacity, to take independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group's expense.

All Directors are furnished with a comprehensive Board File including the meeting agenda usually two (2) weeks before each Board meeting. Sufficient time is given to enable the Directors to solicit further explanations and/or information, where necessary, so that deliberations at the meeting are focused and constructive.

The Board File includes, amongst others, sales and marketing development and strategies, financial results and forecasts, status of major projects, minutes of meetings of the Board and of the Audit Committee and other major operational, financial, compliance and legal issues. In addition, there is a schedule of matters reserved specifically for the Board's decision.

A secured online portal has recently been created to allow directors online access to Board file, updates and other relevant documents. This portal enables sharing of updated information and documents with the directors and amongst the directors themselves.

1.6 Qualified and competent Company Secretaries

The role of the Company Secretary is currently held by the Chief Financial Officer and since year 2013, an Assistant Secretary was appointed to jointly carry out the responsibilities in providing support to the Board as follows:-

(a) Ensure compliance of listing and related statutory obligations as well as updates on regulatory requirements, codes, guidance and relevant legislation;
(b) Ensure adherence to board policies and procedures, rules, relevant laws and best practices on corporate governance;
(c) Attend Board, Committees and General Meetings, and ensure the proper recording of minutes as well as follow-up on matters arising;
(d) Ensure proper upkeep of statutory registers and records and maintain a secured retrieval system which stores meeting papers and minutes of meetings; and
(e) Assist the Chairperson in the preparation for and conduct of meetings; in terms of policies and procedures, and updates on regulatory requirements, codes, guidance and relevant legislation.

Both Company Secretaries have the requisite credentials, and are qualified to act as company secretary under Section 235(2) of the Companies Act 2016.

The Group also engages the services of Tricor Corporate Services Sdn. Bhd, an external consultant, on corporate secretarial matters and compliance to provide additional advice on issues pertaining to compliance and Corporate Governance.

1.7 Board Charter

The Board Charter was adopted by the Board on 27 August 2013. Any subsequent amendment to the Charter can only be approved by the Board. Apart from setting out the roles and responsibilities of the Board, the Board Charter also outlines the membership guidelines, procedures for Board Meetings, Directors' remuneration, and investor relations and shareholder communication.

The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is available on the corporate website - www.carlsbergmalaysia.com.my.

2. STRENGTHEN COMPOSITION

2.1 Nominating Committee

The Nomination Committee which is charged with the responsibility of, amongst others, recommending the appointment of new Directors to the Board, was established on 1 October 2001 and comprises all of whom are Independent Non-Executive Directors. The current members are:

- Dato' Lim Say Chong (Independent Non-Executive Director) - Chairman
- Chew Hoy Ping (Independent Non-Executive Director) - Member

The Terms of Reference of the Nomination Committee is set out in the Appendix C of the Board Charter and is available on the corporate website - www.carlsbergmalaysia.com.my.

2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

The Nominating Committee's key responsibilities are:

- Reviewing the Board composition and recommending new nominees to the Board as well as Board committees and the appointment and resignation of Chief Financial Officer for the Board's consideration.

- Assessing the effectiveness of the Board, Board Committees and the contribution of each Director (including the Independent Non-Executive Directors and Managing Director) and Chief Financial Officer every year, taking into consideration the required mix of skills, knowledge, expertise and experience and other requisite qualities including core competencies contributed by Non-Executive Directors. All assessments and evaluation e.g. made via peer assessment and self assessment are documented for proper records.

The Company has an induction and education programme for new Board members, which includes a visit to the Company's brewery and discussions with the Managing Director, Department Heads and Key Section Heads to better understand the operations, business and policies of the Group, which will allow new Board members to contribute effectively from the outset of their appointment. The relevant sections of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), particularly in relation to their responsibilities as Directors, are also conveyed to them.

STATEMENT ON CORPORATE GOVERNANCE

The Board is supportive of gender diversity in the Board composition. Miss Jessica Alice Jacqueline Spence was appointed as the first female director on 27 May 2014. However due to increasing demands from her regional and global responsibilities within the Carlsberg Group, Miss Spence had to resigned from the Board on 25 August 2015. The Board through the Nomination Committee will consider the gender diversity as part of its future selection.

2.3 Remuneration policy and procedure

The objective of the Group's remuneration policy is to attract and retain the Directors required to lead and control the Group effectively. In the case of Executive Directors, the components of the remuneration package are linked to corporate and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities.

The Remuneration Committee, which was established on 18 August 2001, comprises exclusively of Independent Non-Executive Directors. The current members are:

- Dato' Lim Say Chong (Independent Non-Executive Director) - Chairman
- Chew Hoy Ping (Independent Non-Executive Director) - Member

The Remuneration Committee evaluates the remuneration packages of senior management executives and recommends for the Board's approval, the framework of executive remuneration of the Executive Directors' remuneration package.

a. Directors' Fees

Non-Executive Directors' fees are determined by the Board as a whole with the Director concerned abstaining from deliberations and voting on decisions in respect of his fee.

For the current remuneration policy, the remuneration payable to Non-Executive Directors in respect of Directors' fees are paid to Independent Non-Executive Directors only and also includes fees for Audit Committee Chairman and Audit Committee members of the Company, who are Independent Non-Executive Directors. The remuneration for Non-Executive Directors, who are Non-Independent and are representatives of the Carlsberg Group in Denmark, are not paid by the Company but are paid by the Carlsberg Group. Please refer to the tables below in item 2.3(b) for the details of remuneration.

The remuneration payable in respect of Directors' fees for 2016 is categorised as follows:

Remuneration for Directors' fees	Amount (RM) per annum:
Fee for Chairman of the Company	90,000
Fee for each Independent Non-Executive Director	55,000
Fee for Audit Committee Chairman	15,000
Fee for each Independent Non-Executive Director who is a member of the Audit Committee	8,000

The Directors' fees are subject to the approval of shareholders of the Company.

b. Details of Remuneration

The aggregate remuneration of the Directors of the Company is as follows:

Total Remuneration:	2016 Executive Directors RM'000	2016 Non-Executive Directors RM'000	2015 Executive Directors RM'000	2015 Non-Executive Directors RM'000
Fees	–	168	–	168
Gratuity	–	–	–	–
Retirement benefits-defined contribution plan	197	–	116	–
Benefits-in-kind	333	–	397	–
Other emoluments	3,492	–	2,636	–
TOTAL	4,022*	168**	3,149	168

* An overlap headcount of outgoing and incoming Managing Directors in July 2016.
** Remuneration payable for Independent Non-Executive Directors only (a total of 2).

The number of Directors of the Company whose total remuneration fell within the respective ranges tabulated below is as follows:

Range of Remuneration (RM):	Number of Directors 2016 Executive Directors	2016 Non-Executive Directors	2015 Executive Directors	2015 Non-Executive Directors
50,000 or less	–	4	–	3
50,001 - 100,000	–	2	–	2
1,800,001 - 1,850,000	1	–	–	–
2,150,001 - 2,200,000	1	–	–	–
3,100,001 - 3,150,000	–	–	1	–
TOTAL	2*	6**	1	5**

* An overlap headcount of outgoing and incoming Managing Directors in July 2016.
** Remuneration payable for Independent Non-Executive Directors only (a total of 2).

STATEMENT ON CORPORATE GOVERNANCE

3. REINFORCE INDEPENDENCE

3.1 Assessment of Independence

The Board undertakes an annual assessment of Independent Directors and is satisfied that they continue to bring independent and objective judgement to board deliberations. A self-assessment is also carried out by the Independent Directors once every year.

The Chairman, Dato' Lim Say Chong who was re-appointed at the last AGM will hold office until the conclusion of this forthcoming AGM and is eligible for re-appointment. The Board recommends and supports the proposed re-appointment of Dato' Lim Say Chong.

3.2 Tenure of Independent Director

Dato' Lim Say Chong has served the Board as an Independent Non-Executive Director and Chairman of the Company for a cumulative term of nearly fourteen (14) years. The Board has recommended him to continue to act as an Independent Non-Executive Chairman based on the following justifications:-

(a) He has fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements, and thus, he would be able to function as a check and balance, bring an element of objectivity to the Board;

(b) He has vast experience in a diverse range of businesses and therefore would be able to provide constructive opinion; he exercises independent judgement and has the ability to act in the best interest of the Company;

(c) He has devoted sufficient time and attention to his professional obligations for informed and balanced decision making; and

(d) He has continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director and Chairman of the Company and carried out his professional duties in the best interest of the Company and shareholders.

3.3 Shareholders' approval for re-appointment as Independent Non-Executive Director after a tenure of nine years

The Shareholders' approval was obtained at the 46th AGM for Dato' Lim Say Chong to continue to serve the Board. The Board will seek shareholders' approval again at the upcoming 47th AGM.

3.4 Chairman and Managing Director

The roles and responsibilities of the Chairman and Managing Director are made clearly distinct to further enhance the existing balance of power and authority.

The Chairman holds a Non-Executive position and is primarily responsible for matters pertaining to the Board and the overall conduct of the Group. The Managing Director oversees the day to day management and running of the Group and the implementation of the Board's decisions and policies.

3.5 Composition of the Board

Currently, the Board had six (6) members, comprising five (5) Non-Executive Directors and one (1) Managing Director. Out of the five (5) Non-Executive Directors, two (2) were Independent Directors, namely Dato' Lim Say Chong who is the Chairman and Mr. Chew Hoy Ping.

The Independent Directors represent 33.3% of the Board.

4. FOSTER COMMITMENT

4.1 Commitment expectations

The Board intends to meet at least four (4) times a year, with additional meetings convened where necessary. Minutes of Board meetings are duly recorded by the Company Secretary. During the financial year ended 31 December 2016, a total of four (4) Board meetings were held as follows:

(i) Friday, 26 February 2016
(ii) Tuesday, 17 May 2016
(iii) Tuesday, 23 August 2016
(iv) Monday, 28 November 2016

In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, Board approvals are obtained via circular resolutions which are supported with information necessary for an informed decision. To facilitate Directors' planning and time management, an annual meeting calendar is prepared and given to Directors before the beginning of each new financial year.

The following is the record of attendance of the Board Members:-

	Directors	No. of meetings attended
1.	**Dato' Lim Say Chong** (Independent Non-Executive Chairman)	4/4
2.	**Graham James Fewkes** (Non-Executive Director)	3/4
3.	**Roland Arthur Lawrence** (Non-Executive Director)	4/4
4.	**Chew Hoy Ping** (Independent Non-Executive Director)	4/4
5.	**Henrik Juel Andersen** (Managing Director) - *Resigned on 1.7.2016*	2/2
6.	**Christopher John Warmoth** (Non-Executive Director) - *Resigned on 28.11.2016*	-/3
7.	**Lars Lehmann** (Managing Director) - *Appointed on 1.7.2016*	2/2
8.	**Olivier Dubost** (Non-Executive Director) - *Appointed on 28.11.2016*	1/1

STATEMENT ON CORPORATE GOVERNANCE

The following is the record of attendance for Board Committees Meetings:-

	Directors	Audit Committee	Nomination Committee	Remuneration Committee
1	Chew Hoy Ping	4/4	1/1	1/1
2	Dato' Lim Say Chong	4/4	1/1	1/1
3	Roland Lawrence Arthur	4/4	–	–

The Board is satisfied with the time commitment given by the Directors. All of the directors do not hold more than 5 directorships as required under paragraph 15.06 of the Listing Requirements. If any director wishes to accept a new directorship, the Chairman will be informed beforehand together with indication of time that will be spent on new appointment.

4.2 Training

All existing Directors have attended the Mandatory Accreditation Programme (MAP) as required by the Listing Requirements. During the course of the year, they have also attended other training programmes for directors and seminars on areas such as financial reporting standards, performance reviews, tax and accounting conferences that include the following:

Name Of Director	Training Programmes Attended
Dato' Lim Say Chong	Expectations on PLCs and Directors in Disclosure & Compliance Requirements under the Listing Requirements, Bursatra on 24 November 2016.
Lars Lehmann	1. Mandatory Accreditation Programme (MAP), Bursatra on 3 & 4 August 2016. 2. Carlsberg Leadership Team Meeting IMD Programme, IMD Business School, Lausanne, Switzerland on 19-21 September 2016. 3. Asia CEO Conference, Vientiane, Laos on 6 & 7 December 2016. 4. Carlsberg Leadership Team Meeting, Copenhagen on 20 December 2016.
Graham James Fewkes	1. Carlsberg Leadership Team Meeting IMD Programme, IMD Business School, Lausanne, Switzerland on 21-23 February 2016. 2. Carlsberg Leadership Team Meeting IMD Programme, IMD Business School, Lausanne, Switzerland on 19-21 September 2016. 3. Asia CEO Conference, Vientiane, Laos on 6 & 7 December 2016. 4. Carlsberg Leadership Team Meeting, Copenhagen on 20 December 2016.
Roland Arthur Lawrence	1. Carlsberg Leadership Team Meeting IMD Programme - IMD Business School, Lausanne, Switzerland on 21-23 March 2016. 2. Carlsberg Leadership Team Meeting IMD Programme - IMD Business School, Lausanne, Switzerland on 19-21 September 2016. 3. Asia CEO Conference, Vientiane, Laos on 6 & 7 December 2016. 4. Carlsberg Leadership Team Meeting, Copenhagen on 20 December 2016.

Name Of Director	Training Programmes Attended
Chew Hoy Ping	1. Audit Committee Conference 2016, Malaysian Institute of Accountants on 29 March 2016. 2. Sustainability Reporting - KPMG Breakfast Roundtable on 26 April 2016. 3. Audit Committee Workshops C: Related Party Transactions & Conflict of Interest Situations and D: Oversight of Internal Audit Function, Malaysian Institute of Accountants on 15 June 2016. 4. Audit Committee Workshops E: Understanding Complex Financial Reporting under MFRS/IFRS and F: Statement on Risk Management & Internal Control, Malaysian Institute of Accountants on 13 July 2016. 5. Disclosure & Compliance Requirements Under the Listing Requirements, Bursatra on 24 October 2016.
Olivier Dubost	1. Carlsberg Leadership Team Meeting IMD Programme, IMD Business School, Lausanne, Switzerland on 19-21 September 2016. 2. Asia CEO Conference, Vientiane, Laos on 6 & 7 December 2016.

For new Directors, induction programmes are also carried out to provide them with in-depth knowledge of the Group's business and strategies. Training for Directors will continue so as to ensure that they are kept up-to-date on developments in relevant laws and business practices and to discharge their duties effectively.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable financial reporting standards

In presenting the annual financial statements and quarterly announcement of results to shareholders, the Board takes responsibility in conveying a balanced and understandable assessment of the Group's position and prospects. The Audit Committee ensures that the Company's Financial Statements comply with applicable financial reporting standards.

A statement by Directors of their responsibilities in preparing the financial statements is set out on page 83 of this Annual Report.

5.2 Assessment of external auditors

The scope of the external auditors is ascertained by the Audit Committee, with a twice-a-year meeting held between the Audit Committee and the external auditors. Further information is found in the Audit Committee Report at pages 80 to 82.

STATEMENT ON CORPORATE GOVERNANCE

6. RECOGNISE AND MANAGE RISKS

6.1 Sound risk management framework

The Board of Directors has always placed significant emphasis on sound internal controls which are necessary to safeguard the Group's assets and shareholders' investment. To this end, the Board affirms its overall responsibility for the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls. However, it should be noted that such system, by its nature, manages but not eliminates risks and therefore can provide only reasonable and not absolute assurance against material misstatement, loss or fraud.

Ongoing reviews are performed throughout the year to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. Such continuous review processes are conducted by the Group's independent and sufficiently resourced internal audit function as well as the Company's management team.

6.2 Internal audit function

The Group has an established internal audit function led by the Head of Internal Audit who reports directly to the Audit Committee at least on a quarterly basis. Further details of the Group's internal control system and framework is found in the Statement on Internal Control and Risk Management and Audit Committee Report.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure

The Board recognises the importance of an effective communication channel between the Board, shareholders and general public, and at the same time, full compliance with the disclosure requirements as set out in the Listing Requirements. The annual reports, press releases, quarterly results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.

The Managing Director is the designated spokeperson for all matters related to the Group and dedicated personnel are tasked to prepare and verify material information for timely disclosure upon approval by the Board. All sensitive and confidential information, material or otherwise is restricted to only selected personnel who are bound by confidentiality obligations under the Group's policy.

An annual review is conducted and deliberated by the Board to ensure due compliance with the disclosure requirements are met.

7.2 Using information technology for effective dissemination

The Group maintains a website at www.carlsbergmalaysia.com.my for shareholders and the public to access information on, amongst others, the Group's background and products, financial performance, frequently-asked questions (FAQs), annual reports and updates on its various sponsorships and promotions. The website also post all press releases made by the Group together with latest news on the Group and the industry.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder Participation at General Meetings

The AGM represents the principal forum for dialogue and interaction with shareholders. At every meeting, the Board sets out the progress and performance of the Group since the last meeting held. Shareholders are encouraged to participate in the subsequent Question & Answer session wherein the Directors, Company Secretary, Heads of Department as well as the Group's external auditors are available to respond to the queries raised. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholder.

Each item of special business included in the notice of meeting will be accompanied by a full explanation on the effects of a proposed resolution.

The notices of AGM are despatched to shareholders at least 28 days before the AGM, to allow shareholders additional time to go through the Annual Report and make the necessary attendance and voting arrangements.

During the year, the Managing Director and/or key management personnel also hold discussions with the press and analysts when necessary, to provide information on the Group's strategy, performance and major developments. A press briefing is also held after each AGM.

8.2 Poll Voting

During the last AGM, the shareholders were briefed on their rights to demand for a poll in accordance with Article 56 of the Constitution of the Company. The substantive resolutions to be put to a vote were identified to the shareholders at the commencement of the AGM and the shareholders are encouraged to put substantive resolutions to a vote by poll. For the forthcoming AGM, all resolutions shall be voted by poll.

8.3 Communications and Engagements with Shareholders

Throughout the year, shareholders can at any time seek clarification or raise queries through the corporate website, by email or phone to the Corporate Affairs department. Written communications are attended to within 48 hours from day of receipt.

Before the commencement of AGM, the Directors and Management will join the shareholders together with a dedicated team of employees to assist the shareholders on the queries they may have. After the Chairman's address, the Managing Director will give a presentation which includes details on the performance, key developments and financial results for the reporting year and comments on outlook for the following year. The Chairman will share the Company's responses to questions posed by the Minority Shareholder Watchdog Group before engaging the shareholders on a Questions & Answers session. The Board is satisfied with the current programme at AGM and there have been no major contentious issues noted with shareholders/investors.

STATEMENT ON CORPORATE GOVERNANCE

OTHER INFORMATION

Utilisation of Proceeds

There were no proceeds raised from any corporate proposal during the financial year ended 31 December 2016.

Non-audit fees

The non-audit fees paid to external auditors, KPMG PLT by the Group during the financial year ended 31 December 2016 amounted to RM81,100. This amount was incurred in respect of the following services:

1. Fees paid for the advisory services on Customs related matters;
2. Fees paid for the advisory services on Transfer Pricing services;
3. Fees paid for the advisory services on new excise duty structure; and
4. Fees paid for the advisory services on review of Intra-Group services.

STATEMENT OF COMPLIANCE

The Board shall continue to strive for high standards of corporate governance throughout the Group. The Board is of the view that apart from the noted departures, the Company has satisfactory complied with the principles and recommendations of the Code.

This Statement was approved by the Board on 21 February 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RESPONSIBILITY

The Board is committed to the continuous improvement of internal controls and risk management practices within the Group to meet its business objectives. The Board affirms its overall responsibility for the effectiveness of the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of these systems to safeguard shareholders' investment, customers' interest and the Group's assets. In addition, the Managing Director and Chief Financial Officer have assured the Board that the systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group. However, such systems, by their nature, can only provide reasonable, and not absolute, assurance against material misstatement, loss and fraud. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives of the Group.

RISK MANAGEMENT FRAMEWORK

The Group has in place an ongoing process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives. This process is regularly reviewed by the Board and is in accordance with the "Statement on Risk Management & Internal Control: Guidance for Directors of Public Listed Issuers". The key elements of the Group's Risk Management Framework are described below:-

- **Structure**

  The Group adapts a decentralised approach to risk management, whereby all employees take ownership and accountability for risks at their respective levels. The process of risk management and treatment is the responsibilities of the Heads of Department.

  A working group, the Risk Management Working Committee ("RMWC"), provides risk management support to Management for the Group as a whole. The role of the RMWC includes reporting, on a quarterly basis, of the status of risk mitigation actions, new risks identified and risks that have changed characteristics together with corresponding controls. The RMWC comprising key persons from all departments, submits its reports to both the Management and the Audit Committee on a quarterly basis. The Audit Committee reports to the Board on any significant changes in the business and external environment which affect key risks.

  In 2016, the RMWC met 4 times wherein discussions were on the key risks faced by the Group and the status of the action plans taken.

- **Risk Assessment**

  The Group maintains a database of risks specific to the Group together with their corresponding controls, which are categorised as follows:-

  - Strategic, which are risks that affect the overall direction of the business.
  - Operational, which are risks that impact the delivery of the Group's products and services.
  - Financial, which are risks associated with financial processes and reporting.
  - Compliance, which are risks associated in relation to legal, statutory and corporate governance.

- **Risk Management Process**

  Potential risks were identified by the respective business functions based on relevant knowledge & expertise, publicly available information and advices from subject matter experts. The potential risks were then raised for discussion and deliberation by the RMWC during the quarterly meetings. In the event a risk was adopted, the risk owner would be responsible to provide periodic updates in term of risk mitigating activities and the corresponding results. During the year, the risk register was monitored and reviewed by Internal Audit Department.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROL SYSTEM

The key elements of the Group's internal control system are described below:-

- **Control Environment**

  The importance of a proper control environment is communicated throughout the organisation. Focus is directed towards the quality and abilities of the Group's employees with continuing education and training to enhance the skills of employees and reinforce qualities of professionalism and integrity. Such training also includes internal briefings and external seminars for selected employees relating to areas of risk management, leadership, selling skills and employee management.

- **Control Structure**

  The Board and Management have established an organisational structure with clearly defined lines of accountability and delegated authority. This includes well-defined responsibilities of Board committees and various management levels, including authorisation levels for all aspects of the business.

The key elements of the Group's control structure are as follows:

i. Management

- Management has introduced well-established standard operating procedures that cover all key aspects of the Group's various business processes. These policies and procedures deal with, amongst others, control issues for financial accounting and reporting, treasury management, asset security, information technology, health and safety, etc. The procedures are subject to regular reviews to cater for process changes, changing risks or further improvements.
- Aside from the standard operating procedures, changes in internal control procedures, if any, are also communicated via circulars and internal memos. Such circulars and memos are properly authorised by the relevant members of senior management.
- Visits by the head office personnel to sales depots with the objective of ensuring the operational activities are conducted and complied with the Group's established standard operating procedures.
- Meetings with the Heads of sections/sales areas which allows the members of the sections/sales areas to communicate with, and provide feedback to and from, Management in respect of compliance/monitoring with sales performance, expense spending and other key business matters.

ii. Internal Audit

The Group has an Internal Audit Department ("IAD") which carries out its functions and provides the Audit Committee and the Board with the assurance on the adequacy and integrity of the system of internal controls. The IAD is solely responsible for planning, implementing and reporting the audits for the Group. For this purpose, each year, the IAD:

- Prepares a detailed Annual Audit Plan in consultation with the Managing Director for submission to the Audit Committee for approval;
- Carries out all activities to conduct the audits in accordance with the audit plan;
- Shares its finding with the auditee upon completion of each audit; and
- Submits quarterly reports to the Audit Committee.

The Audit Committee Report set out on pages 80 to 82 of this Annual Report contains further details on the principal responsibilities and activities of the IAD in 2016.

iii. Audit Committee

The Audit Committee, on behalf of the Board, reviews on a quarterly basis the measures undertaken on internal control issues identified by the RMWC, internal auditors, external auditors and Management. During the year, 26 reports were issued by IAD to the Audit Committee for their review.

The Audit Committee Report set out on pages 80 to 82 of this Annual Report contains further details on the activities undertaken by the Audit Committee in 2016.

iv. Board

The Board holds regular discussions with the Audit Committee and Management and considers their reports on matters relating to internal controls and deliberates on their recommendations for implementation.

- **Reporting and Information**

  Strategic plans are prepared by Management and form the basis for detailed annual budgets. The detailed budgets are prepared by business operating units and reviewed and approved by Management, the Board and the holding company.

  The monitoring of results against budget is conducted every month, with major variances followed up and management action taken, where necessary. The budget is updated every quarter for any changes in the business, financial and operating environment.

  Weekly meetings attended by Management, led by the Managing Director, are held to discuss the various aspects of the business, financial and operational performance of the Group. Key matters affecting the Group are brought to the attention of the Audit Committee by the Managing Director, Chief Financial Officer or Head of Internal Audit and are reported to the Board on a regular basis. Management also ensures that it has the knowledge of key market information in respect of the Group's products and takes pro-active measures, as appropriate, in the best interests of the Group.

- **Monitoring and Review**

  There are processes for monitoring the system of internal controls and reporting any significant weaknesses together with details of corrective action.

  The system is reviewed on an ongoing basis by the Board (through the Audit Committee), Management, Finance Department and IAD. Responsibility for monitoring compliance with policies, procedures and guidelines rests principally with the IAD, which reports directly to the Audit Committee as described above. Heads of Department are also actively involved in continually improving the control processes within their respective departments.

REVIEW OF ADEQUACY OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board has reviewed and believes that the systems of internal controls are considered appropriate to business operations, and that the risks taken are at an acceptable level within the context of the business environment of the Group.

During the year, additional internal controls were implemented for certain risk identified. There was no significant weaknesses noted which resulted in material loss.

This Statement on Risk Management and Internal Control does not deal with the associated company as the Group does not have management control over its operations.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2016, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

AUDIT COMMITTEE REPORT

MEMBERSHIP AND MEETINGS

The Audit Committee held four (4) meetings during the financial year ended 31 December 2016. The members of the Audit Committee and the record of their attendance are as follows: -

Membership	No. of meetings attended
Chew Hoy Ping *Independent Non-Executive Director - Chairman*	4/4
Dato' Lim Say Chong *Independent Non-Executive Director - Member*	4/4
Roland Arthur Lawrence *Non-Independent Non-Executive Director - Member*	4/4

The Managing Director, Chief Financial Officer and Head of Internal Audit attended the meetings for the purpose of briefing the Audit Committee on the activities involving their areas of responsibilities. The Audit Committee was also briefed by the external auditors on the findings of the external audit.

The external auditors were present at three (3) Audit Committee meetings during the financial year. At these meetings, the Audit Committee also held separate sessions with the external auditors without the executive board members present whereby the Audit Committee was briefed by the external auditors on their audit findings and any other observations they may have had during the audit process.

TERMS OF REFERENCE

Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the terms of reference of Audit Committee are detailed in the Board Charter, which is regularly reviewed for update and relevance. The Board Charter can be found at www.carlsbergmalaysia.com.my. The Committee is tasked with the following primary roles and responsibilities:

- Report to the Board on the results of the monitoring activities in relation to accounting & reporting practices, which include the work performed and audit issues raised by the external auditors.
- Ensure the independence of the external auditors and assess their performance during the year.
- Review the quarterly and yearly financial statements and results prior to approval by the Board.
- Review the risk management framework and activities that include risk identification & analysis, risk updates and risk mitigating action plans put in place and the relevant outcomes. The scope of such activities encompasses financial, operational, compliance and strategic risks.
- Ensure the independence of the Internal Audit function (appointment & appraisal of senior staff, development of audit plans and management of deficiencies reported).
- Assist the Board in reviewing the overall internal control framework put in place by Management and the effectiveness of the relevant control procedures in the Group's operating environment.
- Maintain unrestricted access to all levels of whistleblowing information with regard to potential corruption, fraud and employee misconducts.

SUMMARY OF WORK PERFORMED BY AUDIT COMMITTEE

The main activities undertaken by the Audit Committee during the financial year ended 31 December 2016 were as follows:-

- Reviewed the external auditors' scope of work, audit risks & focus areas, materiality thresholds, audit methodology, key milestones and other relevant matters. The Audit Committee also conducted separate one-to-one sessions with the external auditors without the presence of Management. In addition, the Chairman and members of the Audit Committee periodically held informal discussions with the external auditors to ensure audit issues are addressed on a timely basis.

- Reviewed the results of the external audit, the audit report and the Management representation letter, including Management's response. Further to that, the Audit Committee also scrutinised potential key audit matters raised by the external auditors and ensured that adequate work had been done to support the audit conclusions and overall impact on the financial statements. Two key audit matters vetted by the Audit Committee (as mentioned in the Independent Auditors' Report on page 153 to 157 for details) were:

    i. The accounting for trade discounts and volume rebates accruals as part of revenue recognition as this involved a diverse range of rebates. As noted by the external auditors, Management accrues the trade discounts and volume rebates based on the estimated volume to be achieved multiplied with the agreed rates with the customers.
    ii. The contingent liabilities relating to two bills of demand dated 17 September 2014 received from Selangor State Customs for additional excise duties and sales taxes amounting to RM56,343,291.

    On the Audit Committee's part, trade discounts and volume rebates are regularly reviewed as part of the financial reports presented by Management at each quarterly meeting. The area of trade discounts and volume rebates are also part of the Internal Audit work plan and thus routinely reported to the Audit Committee on the results of work done. The contingent liabilities pertainting to the two bills of demand from Selangor State Customs as noted are also regularly discussed at the Audit Committee and Board meetings.

- Assessed the performance, competency and professionalism demonstrated by the external auditors during the year. Obtained the assurance on independence from the external auditors and recommended the audit fees payable to the Board for approval.

- Considered and assessed the independence and objectivity of the external auditors during the year and also prior to engaging the external auditors for non-audit related services. The non-audit fees paid to the external auditors in 2016 amounted to RM81,100.

- Reviewed Internal Audit reports, recommendations and Management's response. Discussed actions taken with Management to improve the internal controls system based on findings identified by Internal Audit. The Chairman of Audit Committee also conducted quarterly one-to-one sessions with the Head of Internal Audit to discuss the operations of the Internal Audit function as well as other relevant matters.

- Reviewed the Risk Management Framework and reports summarising the findings from work performed on the identification and assessment of enterprise-wide key risks.

- Reviewed the audited financial statements of the Company and the Group prior to the submission to the Board for its approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable accounting standards approved by Malaysian Accounting Standards Board ("MASB").

- Reviewed the quarterly unaudited financial results and Bursa announcements before recommending them for the Board's approval. The review and discussions were conducted with the Managing Director and the Chief Financial Officer.

AUDIT COMMITTEE REPORT

- Throughout the financial year, the Chairman of the Audit Committee also held frequent discussions with the Chief Financial Officer relating to any potential material issues affecting financial reporting and disclosure. This included the Company's compliance with the Listing Requirements, MASB and other relevant legal and regulatory requirements.

- Reviewed pertinent issues of the Group which have a significant impact on the results of the Group including enhancement and investment in existing products, cost rationalisation measures and human resource development.

- Reviewed the significant related party transactions entered into by the Group.

- Reviewed the Group's compliance with the provisions set out under the Malaysian Code on Corporate Governance for the purpose of the Corporate Governance Statement pursuant to the Listing Requirements.

SUMMARY OF WORK PERFORMED BY INTERNAL AUDIT FUNCTION

The internal audit activities are undertaken by the Internal Audit Department ("IAD"). The Head of IAD reports directly to the Audit Committee. The department's role is to carry out independent and systematic reviews of the Company's system of internal controls so as to provide reasonable assurance that such system continues to operate effectively and efficiently. IAD also works collaboratively with the Risk Management Working Committee ("RMWC") to review the risk management processes of the Group.

Throughout the year, IAD performed the followings:

- Performed reviews based on the approved annual audit plan, in which focus areas were derived from the results of risk assessment conducted on the business plan, financial statements and operational processes. Apart from such risk based approach, the internal control principles as advocated by the Committee of Sponsoring Organisations of the Treadway Commission, commonly known as COSO framework was also observed where applicable in the execution of internal audit reviews.

- Identified auditable areas and performed reviews based on the risk levels assessed. Consideration was also given to any concerns shared by Management. The areas that were audited comprised trade & commercial, financial, manufacturing, compliance and information system related activities.

- Carried out special reviews and investigations whenever necessary and reported to the Audit Committee the outcomes of such engagements. Presented the necessary information and outcomes to the Audit Committee with regards to any case of whistleblowing.

- Reviewed the Group's state of compliance with established principles & practices, as well as the relevant statutory requirements.

- Assessed the internal controls put in place by Management to safeguard the Group's assets & inventory and verified their satisfactory operation in the course of executing the Internal Audit plan.

- Collaborated with Management to promote the culture of practising good internal controls and governance to attain optimal business efficiency and process effectiveness.

- Identified business areas that necessitated process improvements and put forward recommendations to minimise financial wastage and to prevent fraud. Closely monitored the timeliness and effectiveness of the implementation of corrective actions by Management in addressing reported audit observations.

The total cost incurred by the IAD in relation to its operation during the financial year ended 31 December 2016 amounted to MYR678,000.

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

In the course of preparing the annual financial statements for the Group and the Company, the Directors are collectively responsible for ensuring that these financial statements are drawn up in accordance with the requirements of the applicable Approved Accounting Standards in Malaysia, the provisions of the Companies Act, 1965 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

It is the responsibility of the Directors to ensure that financial statements for each financial year present a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements for the financial year ended 31 December 2016, the Directors have applied appropriate and relevant accounting policies consistently and in accordance with applicable accounting standards and made judgements and estimates that are reasonable and fair.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept which enable the preparation of the financial statements with reasonable accuracy.

DIRECTORS' REPORT

for the year ended 31 December 2016

The Board of Directors has pleasure in submitting the Company's report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	204,978	253,209
Non-controlling interests	5,687	–
	210,665	253,209

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review.

DIVIDENDS

Since the end of the previous financial year, the Company paid:

i) a final and special dividend of 67.0 sen per RM0.50 ordinary share totalling RM204.9 million in respect of the financial year ended 31 December 2015 on 20 May 2016; and

ii) an interim dividend of 5.0 sen per RM0.50 ordinary share totalling RM15.3 million in respect of the financial year ended 31 December 2016 on 7 October 2016.

The final and special dividend recommended by the Directors in respect of the financial year ended 31 December 2016 is 67.0 sen per RM0.50 ordinary share totalling RM204.9 million.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Dato' Lim Say Chong
Roland Arthur Lawrence
Chew Hoy Ping
Graham James Fewkes
Lars Lehmann (appointed on 1 July 2016)
Olivier Dubost (appointed on 28 November 2016)
Henrik Juel Andersen (resigned on 1 July 2016)
Christopher John Warmoth (resigned on 28 November 2016)

DIRECTORS' INTERESTS IN SHARES

The interest and deemed interest in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interest of the daughter of a Director who is not a Director of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
Deemed interest in the Company				
Dato' Lim Say Chong*	52,000	–	–	52,000

* Lim Ju Ean @ Lindsey Lim Ju Ean is the daughter of Dato' Lim Say Chong. In accordance with Section 59(11)(c) of the Companies Act 2016, the interests of Lim Ju Ean @ Lindsey Lim Ju Ean in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) shall be treated as the interests of Dato' Lim Say Chong.

	Number of options over ordinary shares of DKK20 each			
	As of appointment date	Granted	Exercised	At 31.12.2016
Interest in the holding company				
Carlsberg A/S				
Lars Lehmann	1,200	–	–	1,200

None of the other Directors holding office at 31 December 2016 had any interest in the shares and options over shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

for the year ended 31 December 2016

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the holding company's Employees' Share Option Scheme ("ESOS").

ISSUE OF SHARES

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts; and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent; or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (CONTINUED)

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), retire and are not seeking re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....	....
Lars Lehmann	**Chew Hoy Ping**
Managing Director	**Director**

Shah Alam

16 March 2017

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Assets					
Property, plant and equipment	3	172,287	162,243	155,236	146,129
Intangible assets	4	4,344	5,214	651	1,217
Investments in subsidiaries	5	–	–	391,572	391,572
Investment in an associate	6	73,074	80,165	25,164	25,164
Deferred tax assets	7	3,087	3,402	–	–
Total non-current assets		252,792	251,024	572,623	564,082
Inventories	8	96,283	78,173	24,204	29,169
Receivables, deposits and prepayments	9	270,065	285,134	48,219	14,878
Current tax assets		6,112	6,466	6,112	6,466
Cash and cash equivalents	10	36,270	40,968	1,896	19,807
Total current assets		408,730	410,741	80,431	70,320
Total assets		661,522	661,765	653,054	634,402
Equity					
Share capital	11	154,039	154,039	154,039	154,039
Reserves	11	167,650	181,536	387,374	354,033
Total equity attributable to equity holders of the Company		321,689	335,575	541,413	508,072
Non-controlling interests		8,358	7,013	–	–
Total equity		330,047	342,588	541,413	508,072
Liabilities					
Deferred tax liabilities	7	15,201	13,563	15,018	13,296
Payables and accruals	12	1,698	–	1,496	–
Total non-current liabilities		16,899	13,563	16,514	13,296
Payables and accruals	12	252,121	250,722	95,127	113,034
Current tax liabilities		29,016	23,386	–	–
Loans and borrowings	13	33,439	31,506	–	–
Total current liabilities		314,576	305,614	95,127	113,034
Total liabilities		331,475	319,177	111,641	126,330
Total equity and liabilities		661,522	661,765	653,054	634,402

The notes on pages 96 to 151 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Revenue		**1,679,494**	1,659,945	**792,485**	741,748
Cost of sales		**(1,082,292)**	(1,052,551)	**(755,053)**	(693,960)
Gross profit		**597,202**	607,394	**37,432**	47,788
Other income		**8,135**	11,046	**6,183**	18,761
Sales and distribution expenses		**(252,186)**	(269,575)	**(129)**	–
Administrative expenses		**(55,540)**	(50,426)	**(22,850)**	(15,980)
Other expenses		**(3,555)**	(25,311)	**(3,866)**	(16,435)
Results from operating activities		**294,056**	273,128	**16,770**	34,134
Investment income		**–**	–	**244,877**	290,534
Finance income		**1,910**	1,199	**325**	727
Finance costs		**(7,067)**	(6,834)	**(2,438)**	(1,707)
Operating profit	14	**288,899**	267,493	**259,534**	323,688
Share of (loss)/profit of equity-accounted associate, net of tax		**(5,056)**	16,139	**–**	–
Profit before tax		**283,843**	283,632	**259,534**	323,688
Tax expense	15	**(73,178)**	(63,394)	**(6,325)**	(4,672)
Profit for the year		**210,665**	220,238	**253,209**	319,016
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		**928**	15,208	**–**	–
Total comprehensive income for the year		**211,593**	235,446	**253,209**	319,016
Profit attributable to:					
Owners of the Company		**204,978**	215,913	**253,209**	319,016
Non-controlling interests		**5,687**	4,325	**–**	–
Profit for the year		**210,665**	220,238	**253,209**	319,016
Total comprehensive income attributable to:					
Owners of the Company		**205,906**	231,121	**253,209**	319,016
Non-controlling interests		**5,687**	4,325	**–**	–
Total comprehensive income for the year		**211,593**	235,446	**253,209**	319,016
Basic earnings per ordinary share (sen)	17	**67.04**	70.62		

The notes on pages 96 to 151 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

Group	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Exchange reserve RM'000	Capital reserve RM'000	Share option reserve RM'000	Put option reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		/--- Attributable to owners of the Company									---/		
		/--- Non-distributable							---/	Distributable			
At 1 January 2015		154,039	(12,043)	7,367	4,379	3,931	760	(10,591)	(780)	165,093	312,155	18,966	331,121
Other comprehensive income:													
- Foreign currency translation differences for foreign operations		–	–	–	15,208	–	–	–	–	–	15,208	–	15,208
Profit for the year		–	–	–	–	–	–	–	–	215,913	215,913	4,325	220,238
Total comprehensive income for the year		–	–	–	15,208	–	–	–	–	215,913	231,121	4,325	235,446
Dividends to owners of the Company	18	–	–	–	–	–	–	–	–	(217,081)	(217,081)	–	(217,081)
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(2,516)	(2,516)
Disposal of non-controlling interests		–	–	–	–	–	–	–	–	–	–	(13,762)	(13,762)
Others		–	–	–	–	–	(1,211)	–	–	–	(1,211)	–	(1,211)
Total transactions with owners of the Company		–	–	–	–	–	(1,211)	–	–	(217,081)	(218,292)	(16,278)	(234,570)
Derecognition of put option		–	–	–	–	–	–	10,591	–	–	10,591	–	10,591
At 31 December 2015		154,039	(12,043)	7,367	19,587	3,931	(451)	–	(780)	163,925	335,575	7,013	342,588

		/---------- Attributable to owners of the Company									----------/
		/---------- Non-distributable					----------/	Distributable			
Group	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Exchange reserve RM'000	Capital reserve RM'000	Share option reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 31 December 2015/ 1 January 2016		154,039	(12,043)	7,367	19,587	3,931	(451)	(780)	163,925	335,575	7,013	342,588
Other comprehensive income:												
- Foreign currency translation differences for foreign operations		–	–	–	928	–	–	–	–	928	–	928
Profit for the year		–	–	–	–	–	–	–	204,978	204,978	5,687	210,665
Total comprehensive income for the year		–	–	–	928	–	–	–	204,978	205,906	5,687	211,593
Dividends to owners of the Company	18	–	–	–	–	–	–	–	(220,139)	(220,139)	–	(220,139)
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	(4,342)	(4,342)
Others		–	–	–	–	–	347	–	–	347	–	347
Total transactions with owners of the Company		–	–	–	–	–	347	–	(220,139)	(219,792)	(4,342)	(224,134)
At 31 December 2016		154,039	(12,043)	7,367	20,515	3,931	(104)	(780)	148,764	321,689	8,358	330,047

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

Company	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Share option reserve RM'000	Put option reserve RM'000	Retained earnings RM'000	Total equity RM'000
		/---- Non-distributable				----/	Distributable	
At 1 January 2015		154,039	(12,043)	7,367	578	(10,591)	257,436	396,786
Profit/Total comprehensive income for the year		–	–	–	–	–	319,016	319,016
Dividends to owners of the Company	18	–	–	–	–	–	(217,081)	(217,081)
Others		–	–	–	(1,240)	–	–	(1,240)
Total transactions with owners of the Company		–	–	–	(1,240)	–	(217,081)	(218,321)
Derecognition of put option		–	–	–	–	10,591	–	10,591
At 31 December 2015/ 1 January 2016		**154,039**	**(12,043)**	**7,367**	**(662)**	**–**	**359,371**	**508,072**
Profit/Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**253,209**	**253,209**
Dividends to owners of the Company	18	**–**	**–**	**–**	**–**	**–**	**(220,139)**	**(220,139)**
Others		**–**	**–**	**–**	**271**	**–**	**–**	**271**
Total transactions with owners of the Company		**–**	**–**	**–**	**271**	**–**	**(220,139)**	**(219,868)**
At 31 December 2016		**154,039**	**(12,043)**	**7,367**	**(391)**	**–**	**392,441**	**541,413**

The notes on pages 96 to 151 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash flows from operating activities					
Profit before tax		283,843	283,632	259,534	323,688
Adjustments for:					
Allowance for inventories write down	8	300	3,491	300	300
Amortisation of intangible assets	4	1,581	1,795	820	877
Depreciation of property, plant and equipment	3	32,123	31,044	25,700	22,444
Dividend income from an associate		–	–	(1,478)	(2,237)
Dividend income from subsidiaries		–	–	(243,399)	(288,297)
Finance costs		7,067	6,834	2,438	1,707
Finance income		(1,910)	(1,199)	(325)	(727)
Finished goods written off	8	1,871	1,770	72	69
Gain on disposal of property, plant and equipment		(288)	(469)	(14)	(13)
Intangible asset written off		–	24	–	–
Loss/(Gain) on disposal of subsidiary		–	12,611	–	(17,400)
Loss/(Gain) on unrealised foreign exchange		561	(1,951)	1,211	(542)
Others		545	288	635	258
Property, plant and equipment written off		–	68	–	–
(Reversal of)/Impairment loss on receivables		(172)	598	–	–
Share of loss/(profit) of equity-accounted associate, net of tax		5,056	(16,139)	–	–
Operating profit before changes in working capital		330,577	322,397	45,494	40,127
Changes in working capital:					
Inventories		(20,281)	(39,170)	4,593	(2,037)
Receivables, deposits and prepayments		15,240	(44,402)	(29,503)	2,970
Payables and accruals		3,098	49,534	(17,500)	(73,982)
Cash generated from/(used in) operations		328,634	288,359	3,084	(32,922)
Tax paid		(65,241)	(65,125)	(8,216)	(11,279)
Net cash generated from/(used in) operating activities		263,393	223,234	(5,132)	(44,201)

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(42,739)	(41,036)	(35,296)	(37,158)
Acquisition of intangible assets	4	(705)	(1,294)	(254)	(514)
Dividends received from subsidiaries		–	–	243,399	288,297
Dividends received from an associate		1,478	2,237	1,478	2,237
Interest received		1,910	1,199	325	727
Proceeds from disposal of property, plant and equipment		901	939	503	14
Proceeds from disposal of subsidiary, net of cash and cash equivalents disposed of		–	708	–	19,500
Subscription of shares in an associate company		–	(405)	–	(405)
Net cash (used in)/generated from investing activities		(39,155)	(37,652)	210,155	272,698
Cash flows from financing activities					
Dividends paid to owners of the Company	18	(220,139)	(217,081)	(220,139)	(217,081)
Dividends paid to owners of the non-controlling interests		(4,342)	(2,516)	–	–
Interest paid		(7,067)	(6,834)	(2,438)	(1,707)
Reimbursement to ultimate holding company for share options granted to employees of the Group		(198)	(1,498)	(198)	(1,498)
Net repayment of short-term borrowings		(862)	(12,348)	–	(22,056)
Net cash used in financing activities		(232,608)	(240,277)	(222,775)	(242,342)
Net decrease in cash and cash equivalents		(8,370)	(54,695)	(17,752)	(13,845)
Effect of exchange rate fluctuations on cash held		877	9,028	(159)	587
Cash and cash equivalents at 1 January		39,812	85,479	19,807	33,065
Cash and cash equivalents at 31 December		32,319	39,812	1,896	19,807

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits with licensed banks	10	1,200	1,200	1,200	1,200
Cash and bank balances	10	35,070	39,768	696	18,607
		36,270	40,968	1,896	19,807
Bank overdraft	13	(3,951)	(1,156)	–	–
		32,319	39,812	1,896	19,807

NOTES TO THE FINANCIAL STATEMENTS

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 of the Company as at and for the financial year ended 31 December 2016 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 2016 do not include other entities.

The Company is principally engaged in the production of beer, stout, 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 16 March 2017.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017;

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018; and

- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts,* MFRS 118, *Revenue,* IC Interpretation 13, *Customer Loyalty Programmes,* IC Interpretation 15, *Agreements for Construction of Real Estate,* IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services.*

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases,* IC Interpretation 4, *Determining whether an Arrangement contains a Lease,* IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed in the following notes:

- Note 4 – Intangible assets
- Note 24 – Contingent liabilities

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

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.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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.

(iv) Acquisitions from entities under common control

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. 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 profit or loss and other 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) 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, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(i) Foreign currency transactions (continued)

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.

(ii) 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 exchange rates at the dates of the transactions.

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.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(i)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability 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.

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

• Leasehold land	90 - 999 years
• Buildings	15 - 50 years
• Renovation	15 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.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets (continued)

(i) Finance lease (continued)

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

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

(ii) Operating lease

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

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

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(iv) Amortisation

Goodwill with indefinite useful lives are 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 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.

(g) 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.

(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.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with Note 2(c)(ii).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment

(i) Financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) 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 and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units 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 cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, 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 cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued)

(ii) Other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) 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 (treasury shares)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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 has 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 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 has no further payment obligations.

(iii) Share-based payment transactions

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

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

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer to those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(l) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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 capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax (continued)

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.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(p) Earnings per ordinary share

The Group presents basic 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(s) Fair value measurement

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

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

3. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Freehold land RM'000	Buildings RM'000	Renovation RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Cost									
At 1 January 2015	10,571	19,097	58,289	641	366,754	23,236	52,112	4,406	535,106
Additions	–	–	1,416	–	27,231	398	856	11,135	41,036
Disposals	–	–	–	–	(980)	(2,172)	(260)	–	(3,412)
Written off	–	–	–	–	(9,834)	–	(49)	–	(9,883)
Transfers	–	–	293	–	3,493	–	–	(4,372)	(586)
Disposal of a subsidiary	–	–	–	(156)	(768)	(3,296)	(710)	–	(4,930)
Effect of movements in exchange rates	–	–	–	1	663	–	480	–	1,144
At 31 December 2015/ 1 January 2016	**10,571**	**19,097**	**59,998**	**486**	**386,559**	**18,166**	**52,429**	**11,169**	**558,475**
Additions	**–**	**–**	**1,029**	**6**	**36,086**	**4,201**	**1,234**	**183**	**42,739**
Disposals	**–**	**–**	**–**	**–**	**(804)**	**(1,175)**	**–**	**–**	**(1,979)**
Written off	**–**	**–**	**–**	**–**	**(59)**	**–**	**(1,064)**	**–**	**(1,123)**
Transfers	**–**	**–**	**–**	**–**	**10,552**	**–**	**–**	**(10,552)**	**–**
Reclassification	**–**	**–**	**–**	**–**	**22,285**	**–**	**(22,285)**	**–**	**–**
Effect of movements in exchange rates	**–**	**–**	**–**	**–**	**117**	**–**	**95**	**–**	**212**
At 31 December 2016	**10,571**	**19,097**	**61,027**	**492**	**454,736**	**21,192**	**30,409**	**800**	**598,324**

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Leasehold land RM'000	Freehold land RM'000	Buildings RM'000	Renovation RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Depreciation										
At 1 January 2015		3,261	–	27,569	173	294,067	13,396	42,297	–	380,763
Depreciation for the year	14	122	–	1,716	42	23,449	3,722	1,993	–	31,044
Disposals		–	–	–	–	(977)	(1,705)	(260)	–	(2,942)
Written off		–	–	–	–	(9,778)	–	(37)	–	(9,815)
Disposal of a subsidiary		–	–	(5)	(4)	(393)	(2,232)	(724)	–	(3,358)
Effect of movements in exchange rates		–	–	–	1	335	–	204	–	540
At 31 December 2015/ 1 January 2016		**3,383**	**–**	**29,280**	**212**	**306,703**	**13,181**	**43,473**	**–**	**396,232**
Depreciation for the year	14	**122**	**–**	**1,805**	**42**	**26,505**	**2,314**	**1,335**	**–**	**32,123**
Disposals		**–**	**–**	**–**	**–**	**(315)**	**(1,051)**	**–**	**–**	**(1,366)**
Written off		**–**	**–**	**–**	**–**	**(59)**	**–**	**(1,064)**	**–**	**(1,123)**
Reclassification		**–**	**–**	**–**	**–**	**16,600**	**–**	**(16,600)**	**–**	**–**
Effect of movements in exchange rates		**–**	**–**	**–**	**–**	**105**	**–**	**66**	**–**	**171**
At 31 December 2016		**3,505**	**–**	**31,085**	**254**	**349,539**	**14,444**	**27,210**	**–**	**426,037**
Carrying amounts										
At 1 January 2015		7,310	19,097	30,720	468	72,687	9,840	9,815	4,406	154,343
At 31 December 2015/ 1 January 2016		**7,188**	**19,097**	**30,718**	**274**	**79,856**	**4,985**	**8,956**	**11,169**	**162,243**
At 31 December 2016		**7,066**	**19,097**	**29,942**	**238**	**105,197**	**6,748**	**3,199**	**800**	**172,287**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold land RM'000	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Cost								
At 1 January 2015	10,399	18,952	57,104	361,597	1,443	17,977	4,405	471,877
Additions	–	–	1,416	24,306	–	301	11,135	37,158
Disposals	–	–	–	–	(41)	(48)	–	(89)
Transfers	–	–	293	3,493	(146)	–	(4,372)	(732)
At 31 December 2015/ 1 January 2016	**10,399**	**18,952**	**58,813**	**389,396**	**1,256**	**18,230**	**11,168**	**508,214**
Additions	**–**	**–**	**1,029**	**33,471**	**–**	**613**	**183**	**35,296**
Disposals	**–**	**–**	**–**	**(804)**	**(60)**	**–**	**–**	**(864)**
Written off	**–**	**–**	**–**	**(59)**	**–**	**(941)**	**–**	**(1,000)**
Transfers	**–**	**–**	**–**	**10,552**	**–**	**–**	**(10,552)**	**–**
Transfer from subsidiary	**–**	**–**	**–**	**–**	**60**	**–**	**–**	**60**
At 31 December 2016	**10,399**	**18,952**	**59,842**	**432,556**	**1,256**	**17,902**	**799**	**541,706**

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Note	Leasehold land RM'000	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and office equipment RM'000	Assets in-progress RM'000	Total RM'000
Depreciation									
At 1 January 2015		3,179	–	27,147	291,962	551	17,036	–	339,875
Depreciation for the year	14	118	–	1,664	19,909	240	513	–	22,444
Disposals		–	–	–	–	(41)	(47)	–	(88)
Written off		–	–	–	–	(146)	–	–	(146)
At 31 December 2015/ 1 January 2016		3,297	–	28,811	311,871	604	17,502	–	362,085
Depreciation for the year	14	118	–	1,756	23,103	240	483	–	25,700
Disposals		–	–	–	(315)	(60)	–	–	(375)
Written off		–	–	–	(59)	–	(941)	–	(1,000)
Transfer from subsidiary		–	–	–	–	60	–	–	60
At 31 December 2016		3,415	–	30,567	334,600	844	17,044	–	386,470
Carrying amounts									
At 1 January 2015		7,220	18,952	29,957	69,635	892	941	4,405	132,002
At 31 December 2015/ 1 January 2016		7,102	18,952	30,002	77,525	652	728	11,168	146,129
At 31 December 2016		6,984	18,952	29,275	97,956	412	858	799	155,236

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Leasehold land

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

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Unexpired lease period less than 50 years	**82**	86	**–**	–
Unexpired lease period more than 50 years	**6,984**	7,102	**6,984**	7,102
	7,066	7,188	**6,984**	7,102

4. INTANGIBLE ASSETS

Group	Goodwill RM'000	Computer software RM'000	Total RM'000
Cost			
At 1 January 2015	7,634	18,841	26,475
Acquisition	–	1,294	1,294
Written off	–	(24)	(24)
Transfer	–	586	586
Disposal of a subsidiary	(5,000)	(536)	(5,536)
Effect of movements in exchange rates	–	292	292
At 31 December 2015/1 January 2016	**2,634**	**20,453**	**23,087**
Acquisition	**–**	**705**	**705**
Written off	**–**	**(579)**	**(579)**
Effect of movements in exchange rates	**–**	**57**	**57**
At 31 December 2016	**2,634**	**20,636**	**23,270**

NOTES TO THE FINANCIAL STATEMENTS

4. INTANGIBLE ASSETS (CONTINUED)

Group	Note	Goodwill RM'000	Computer software RM'000	Total RM'000
Amortisation				
At 1 January 2015		–	16,466	16,466
Amortisation for the year	14	–	1,795	1,795
Disposal of a subsidiary		–	(529)	(529)
Effect of movements in exchange rates		–	141	141
At 31 December 2015/1 January 2016		**–**	**17,873**	**17,873**
Amortisation for the year	14	**–**	**1,581**	**1,581**
Written off		**–**	**(579)**	**(579)**
Effect of movements in exchange rates		**–**	**51**	**51**
At 31 December 2016		**–**	**18,926**	**18,926**
Carrying amounts				
At 1 January 2015		7,634	2,375	10,009
At 31 December 2015/1 January 2016		**2,634**	**2,580**	**5,214**
At 31 December 2016		**2,634**	**1,710**	**4,344**

4. INTANGIBLE ASSETS (CONTINUED)

Company	Note	Computer software RM'000
Cost		
At 1 January 2015		10,026
Additions		514
Transfer		586
At 31 December 2015/1 January 2016		**11,126**
Additions		**254**
Written off		**(161)**
Transfer to subsidiary		**(436)**
At 31 December 2016		**10,783**
Amortisation		
At 1 January 2015		9,032
Amortisation for the year	14	877
At 31 December 2015/1 January 2016		**9,909**
Amortisation for the year	14	**820**
Written off		**(161)**
Transfer to subsidiary		**(436)**
At 31 December 2016		**10,132**
Carrying amounts		
At 1 January 2015		994
At 31 December 2015/1 January 2016		**1,217**
At 31 December 2016		**651**

NOTES TO THE FINANCIAL STATEMENTS

4. INTANGIBLE ASSETS (CONTINUED)

4.1 Impairment testing for cash-generating units 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	
	2016 RM'000	2015 RM'000
Subsidiary		
MayBev Pte. Ltd.	**2,634**	2,634

The recoverable amount of the cash-generating units ("CGU") - MayBev Pte. Ltd. was based on its value-in-use calculations. The recoverable amount for the CGU was higher than the aggregate carrying amount of the identifiable net assets and goodwill allocated and hence, no impairment loss was recognised during the year.

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

- Projected EBITDA are expected to approximate the annual net cash flow.
- EBITDA was projected for 5 years and discounted at 9% (2015 : 9%).

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares - at cost	**391,572**	391,572

5. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are the subsidiaries of the Group:

Name of company	Principal activities	Country of incorporation	Effective ownership interest 2016 %	2015 %
Carlsberg Marketing Sdn. Bhd.	Marketing and distribution of beer, stout, cider, shandy and non-alcoholic beverages	Malaysia	**100**	100
Euro Distributors Sdn. Bhd.	Dormant	Malaysia	**100**	100
Carlsberg Singapore Pte. Ltd. #	Importation and marketing of beer and liquor products	Singapore	**100**	100
MayBev Pte. Ltd. ^	Importation and marketing of beer and liquor products	Singapore	**51**	51

\# *Audited by a member firm of KPMG International.*
^ *Audited by a non-KPMG firm.*

6. INVESTMENT IN AN ASSOCIATE

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Quoted shares, outside Malaysia	**25,164**	25,164	**25,164**	25,164
Share of post-acquisition reserves	**47,910**	55,001	**–**	–
	73,074	80,165	**25,164**	25,164
Market value				
Quoted shares, outside Malaysia	**278,944**	378,108	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT IN AN ASSOCIATE (CONTINUED)

Name of company	Principal activities	Country of incorporation	Effective ownership interest 2016 %	Effective ownership interest 2015 %
Lion Brewery (Ceylon) PLC	Manufacturing, marketing and distribution of beer, stout, cider, shandy and non-alcoholic beverages	Sri Lanka	**25.00**	25.00

Summary financial information on associate:

	2016 RM'000	2015 RM'000
Revenue (100%)	**904,210**	482,679
(Loss)/Profit after taxation (100%)	**(20,222)**	64,635
Total assets (100%)	**883,878**	818,933
Total liabilities (100%)	**692,238**	598,928

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

7. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2016 RM'000	Assets 2015 RM'000	Liabilities 2016 RM'000	Liabilities 2015 RM'000	Net 2016 RM'000	Net 2015 RM'000
Property, plant and equipment	–	–	(18,447)	(16,236)	(18,447)	(16,236)
Others	6,333	6,075	–	–	6,333	6,075
Tax assets/(liabilities)	6,333	6,075	(18,447)	(16,236)	(12,114)	(10,161)
Set off of tax	(3,246)	(2,673)	3,246	2,673	–	–
Net tax assets/(liabilities)	3,087	3,402	(15,201)	(13,563)	(12,114)	(10,161)
Company						
Property, plant and equipment	–	–	(17,261)	(15,102)	(17,261)	(15,102)
Others	2,243	1,806	–	–	2,243	1,806
Tax assets/(liabilities)	2,243	1,806	(17,261)	(15,102)	(15,018)	(13,296)
Set off of tax	(2,243)	(1,806)	2,243	1,806	–	–
Net tax liabilities	–	–	(15,018)	(13,296)	(15,018)	(13,296)

Movement in temporary differences during the year:

Group	At 1.1.2015 RM'000	Recognised in profit or loss (Note 15) RM'000	Disposal of subsidiary RM'000	At 1.1.2016 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31.12.2016 RM'000
Property, plant and equipment	(19,319)	2,875	208	(16,236)	(2,211)	(18,447)
Others	5,779	1,287	(991)	6,075	258	6,333
	(13,540)	4,162	(783)	(10,161)	(1,953)	(12,114)
Company						
Property, plant and equipment	(17,239)	2,137	–	(15,102)	(2,159)	(17,261)
Others	1,624	182	–	1,806	437	2,243
	(15,615)	2,319	–	(13,296)	(1,722)	(15,018)

NOTES TO THE FINANCIAL STATEMENTS

8. INVENTORIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Finished goods	**81,361**	59,401	**9,477**	10,623
Work-in-progress	**3,438**	3,862	**3,438**	3,862
Raw, packaging and other materials	**6,882**	11,114	**6,838**	11,023
Spare parts for machinery	**4,602**	3,796	**4,451**	3,661
	96,283	78,173	**24,204**	29,169
Recognised in profit or loss:				
Allowance for inventories written down	**300**	3,491	**300**	300
Finished goods written off	**1,871**	1,770	**72**	69

9. RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current					
Trade					
Trade receivables	20.4	**186,056**	204,137	**–**	–
Allowance for impairment loss	20.4	**(2,168)**	(3,471)	**–**	–
		183,888	200,666	**–**	–
Amount due from related companies	9.1	**10,530**	12,075	**–**	–
Amount due from a subsidiary	9.1	**–**	–	**25,309**	–
Amount due from immediate holding company	9.1	**1,120**	228	**1,039**	–
		195,538	212,969	**26,348**	–

9. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Non-trade					
Amount due from subsidiaries	9.1	**–**	–	**212**	55
Amount due from related companies	9.1	**502**	257	**502**	256
Other receivables		**13,347**	11,756	**2,692**	2,237
Deposits		**21,828**	14,658	**18,397**	12,113
Prepayments	9.2	**38,850**	45,494	**68**	217
		74,527	72,165	**21,871**	14,878
		270,065	285,134	**48,219**	14,878

9.1 Amounts due from immediate holding company, subsidiaries and related companies

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

9.2 Prepayments

Prepayments comprise of upfront cash payment to sales outlets which are amortised over the duration of the contracts entered with these outlets.

10. CASH AND CASH EQUIVALENTS

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Deposits with licensed banks	**1,200**	1,200	**1,200**	1,200
Cash and bank balances	**35,070**	39,768	**696**	18,607
	36,270	40,968	**1,896**	19,807

NOTES TO THE FINANCIAL STATEMENTS

11. SHARE CAPITAL AND RESERVES

Share capital

	Group and Company			
	Amount 2016 RM'000	Number of shares 2016 '000	Amount 2015 RM'000	Number of shares 2015 '000
Authorised:				
Ordinary shares of RM0.50 each	**300,000**	**600,000**	300,000	600,000
Issued and fully paid:				
Ordinary shares of RM0.50 each	**154,039**	**308,078**	154,039	308,078

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 regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group and the Company (see Note 11.4), all rights are suspended until those shares are reissued.

Reserves

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-distributable reserves:					
Share premium		**7,367**	7,367	**7,367**	7,367
Other reserves:					
Capital reserve	11.1	**3,931**	3,931	**–**	–
Exchange reserve	11.2	**20,515**	19,587	**–**	–
Share option reserve	11.3	**(104)**	(451)	**(391)**	(662)
Treasury shares	11.4	**(12,043)**	(12,043)	**(12,043)**	(12,043)
Others		**(780)**	(780)	**–**	–
		18,886	17,611	**(5,067)**	(5,338)
Distributable reserves:					
Retained earnings		**148,764**	163,925	**392,441**	359,371
		167,650	181,536	**387,374**	354,033

11. SHARE CAPITAL AND RESERVES (CONTINUED)

11.1 Capital reserve

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

11.2 Exchange reserve

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

11.3 Share option reserve

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

11.4 Treasury shares

In 1999 via a resolution passed in a general meeting, the Company repurchased 2,330,000* of its issued share capital from the open market. The aggregate consideration paid for the repurchased shares was RM12,043,000, representing an average price of RM5.17* per ordinary share. The shares repurchased are being held as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965.

No further shares were repurchased during the financial year ended 31 December 2016 and none of the previously repurchased shares were reissued, distributed as share dividends, resold or cancelled.

* After adjusting for the share split exercise in 2005.

NOTES TO THE FINANCIAL STATEMENTS

12. PAYABLES AND ACCRUALS

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Non-current					
Accrued expenses		1,698	–	1,496	–
Current					
Trade					
Trade payables		167,410	149,438	62,315	46,855
Amount due to immediate holding company	12.1	2,215	7,307	–	4,598
Amount due to subsidiary	12.1	–	–	–	10,222
Amount due to related companies	12.1	7,420	35,343	1,334	12,165
		177,045	192,088	63,649	73,840
Non-trade					
Other payables		32,106	19,415	5,811	3,722
Accrued expenses		25,309	22,553	15,424	12,413
Amount due to ultimate holding company	12.2	2,743	2,509	2,743	2,509
Amount due to immediate holding company	12.2	744	–	593	–
Amount due to subsidiary	12.2	–	–	–	13,435
Amount due to related companies	12.2	14,174	14,157	6,907	7,115
		75,076	58,634	31,478	39,194
		252,121	250,722	95,127	113,034
		253,819	250,722	96,623	113,034

12.1 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 subjected to credit terms of 90 days.

12.2 Amounts due to ultimate holding company, immediate holding company, subsidiary and related companies

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

13. LOANS AND BORROWINGS

	Group 2016 RM'000	Group 2015 RM'000
Current-unsecured		
Bank overdraft	3,951	1,156
Revolving credits	29,488	30,350
	33,439	31,506

The short term bank loan and revolving credits of the Group are subjected to interests ranging from 1.12% to 2.13% (2015: 1.44% to 1.49%) per annum.

14. OPERATING PROFIT

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Operating profit is arrived at after charging:				
Allowance for inventories written down	300	3,491	300	300
Amortisation of intangible assets	1,581	1,795	820	877
Auditors' remuneration:				
- Audit services	437	370	72	68
Depreciation of property, plant and equipment	32,123	31,044	25,700	22,444
Finished goods written off	1,871	1,770	72	69
Impairment loss on receivables	665	990	–	–
Intangible asset written off	–	24	–	–
Loss on disposal of subsidiary	–	12,611	–	–
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	9,513	9,328	2,576	2,611
- Contributions to other defined contribution plan	698	673	274	260
- Wages, salaries and others	86,478	81,516	34,509	28,167
Property, plant and equipment written off	–	68	–	–
Rental of land and buildings	7,994	7,497	2,003	2,335
Realised foreign exchange loss	127	10,510	503	12,714
Unrealised foreign exchange loss	561	–	1,211	–

NOTES TO THE FINANCIAL STATEMENTS

14. OPERATING PROFIT (CONTINUED)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
and after crediting:				
Dividend income from unquoted subsidiaries	–	–	243,399	288,297
Dividend income from a foreign quoted associate	–	–	1,478	2,237
Finance income	1,910	1,199	325	727
Gain on disposal of property, plant and equipment	288	469	14	13
Gain on disposal of subsidiary	–	–	–	17,400
Recovery of upfront payments	3,207	3,587	–	–
Rental income from subsidiary	–	–	780	790
Reversal of impairment loss on receivables	837	392	–	–
Unrealised foreign exchange gain	–	1,951	–	542

15. TAX EXPENSE

Recognised in profit or loss

Major components of tax expense include:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current tax expense				
Malaysian				
- current year	48,140	47,605	5,225	7,301
- under/(over) provision in prior years	5,211	2,173	(622)	(310)
Overseas				
- current year	17,874	17,911	–	–
- over provision in prior year	–	(133)	–	–
	71,225	67,556	4,603	6,991
Deferred tax expense				
Origination and reversal of temporary differences	(494)	(4,625)	(97)	(2,832)
Under provision in prior year	2,447	463	1,819	513
Total deferred tax	1,953	(4,162)	1,722	(2,319)
Total tax expense	73,178	63,394	6,325	4,672

15. TAX EXPENSE (CONTINUED)

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Reconciliation of tax expense				
Profit before tax	**283,843**	283,632	**259,534**	323,688
Share of loss/(profit) of equity-accounted associate, net of tax	**5,056**	(16,139)	**–**	–
Profit before tax excluding share of loss/(profit) after tax of equity-accounted associate	**288,899**	267,493	**259,534**	323,688
Tax at Malaysian tax rate of 24% (2015: 25%)	**69,336**	66,873	**62,288**	80,922
Effect of tax in foreign jurisdiction	**(6,615)**	(8,456)	**–**	–
Non-taxable income	**(845)**	(950)	**(58,842)**	(77,165)
Non-deductible expenses	**3,434**	6,055	**1,682**	1,267
Double deduction on permitted expenses	**(542)**	(2,944)	**–**	–
Other items	**752**	726	**–**	–
Effect in changes in tax rate*	**–**	(413)	**–**	(555)
	65,520	60,891	**5,128**	4,469
Under provision in prior years	**7,658**	2,503	**1,197**	203
Total tax expense	**73,178**	63,394	**6,325**	4,672

* Effective from Year of Assessment 2016 onwards, the applicable tax rate will be reduced by 1% from 25% to 24%.

NOTES TO THE FINANCIAL STATEMENTS

16. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors:				
- Fees	168	168	168	168
- Remuneration	1,542	1,673	1,542	1,673
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	980	1,201	980	1,201
	2,690	3,042	2,690	3,042
- Post-employment benefits	197	116	197	116
- Share-based payments	1,303	159	1,303	159
	4,190	3,317	4,190	3,317
Other key management personnel:				
- Short-term employee benefits	10,128	10,224	2,262	2,555
- Post-employment benefits	198	433	163	71
- Share-based payments	672	154	329	90
- Termination benefits	656	–	–	–
	11,654	10,811	2,754	2,716
	15,844	14,128	6,944	6,033

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

17. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2016 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

Profit attributable to ordinary shareholders

	Group	
	2016 RM'000	2015 RM'000
Profit for the year attributable to shareholders	204,978	215,913

17. EARNINGS PER ORDINARY SHARE (CONTINUED)

Weighted average number of ordinary shares

	Group 2016 '000	Group 2015 '000
Issued ordinary shares as at 1 January/31 December	**308,078**	308,078
Effect of treasury shares held	**(2,330)**	(2,330)
	305,748	305,748
Basic earnings per ordinary share (sen)	**67.04**	70.62

18. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2016			
First interim 2016 ordinary	**5.0**	**15,287**	**7 October 2016**
Final & special 2015 ordinary	**67.0**	**204,852**	**20 May 2016**
Total amount		**220,139**	
2015			
First interim 2015 ordinary	5.0	15,287	9 October 2015
Final & special 2014 ordinary	66.0	201,794	20 May 2015
Total amount		217,081	

After the reporting period, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial report upon approval by the shareholders.

	Sen per RM0.50 share	Total amount RM'000
2016		
Final and special ordinary	**67.0**	**204,852**

NOTES TO THE FINANCIAL STATEMENTS

19. OPERATING SEGMENTS

The Group has three reportable 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 reportable 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 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. Hence no disclosure is made.

	Malaysia RM'000	Singapore RM'000	Others RM'000	Total RM'000
2016				
Segment profit	195,553	98,408	–	293,961
Included in the measure of segment profit are:				
Revenue from external customers	1,096,377	583,117	–	1,679,494
Inter-segment revenue	73,401	–	–	73,401
Depreciation and amortisation	31,494	2,210	–	33,704

19. OPERATING SEGMENTS (CONTINUED)

Segment assets, liabilities and capital expenditures (continued)

	Malaysia RM'000	Singapore RM'000	Others RM'000	Total RM'000
2016				
Not included in the measure of segment profit but provided to Managing Director:				
Finance costs	**(6,515)**	**(552)**	**–**	**(7,067)**
Finance income	**1,910**	**–**	**–**	**1,910**
Income tax expense	**(55,388)**	**(17,790)**	**–**	**(73,178)**
Share of loss of equity-accounted associate, net of tax	**–**	**–**	**(5,056)**	**(5,056)**
2015				
Segment profit	165,352	107,548	–	272,900
Included in the measure of segment profit are:				
Revenue from external customers	1,114,542	545,403	–	1,659,945
Inter-segment revenue	70,696	–	–	70,696
Depreciation and amortisation	30,549	2,290	–	32,839
Not included in the measure of segment profit but provided to Managing Director:				
Finance costs	(5,780)	(1,054)	–	(6,834)
Finance income	1,199	–	–	1,199
Income tax expense	(45,330)	(18,064)	–	(63,394)
Share of profit of equity-accounted associate, net of tax	–	–	16,139	16,139

NOTES TO THE FINANCIAL STATEMENTS

19. OPERATING SEGMENTS (CONTINUED)

Reconciliations of segment profit or loss

	2016 RM'000	2015 RM'000
Profit		
Total segment profit	293,961	272,900
Inter-segment elimination	95	228
Finance costs	(7,067)	(6,834)
Finance income	1,910	1,199
Share of (loss)/profit of equity-accounted associate, net of tax	(5,056)	16,139
Consolidated profit before tax	283,843	283,632

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investments in associates) and deferred tax assets.

	Revenue		Non-current assets	
Geographical location	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	1,027,924	1,064,395	169,861	162,103
Singapore	583,117	545,403	6,770	5,354
Other countries	68,453	50,147	–	–
	1,679,494	1,659,945	176,631	167,457

Major customers

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

20. FINANCIAL INSTRUMENTS

20.1 Categories of financial instruments

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

(a) Loans and receivables ("L&R"); and
(b) Other financial liabilities measured at amortised cost ("OL").

	Group		Company	
	Carrying amount RM'000	L&R/ (OL) RM'000	Carrying amount RM'000	L&R/ (OL) RM'000
2016				
Financial assets				
Receivables and deposits	**231,215**	**231,215**	**48,151**	**48,151**
Cash and cash equivalents	**36,270**	**36,270**	**1,896**	**1,896**
	267,485	**267,485**	**50,047**	**50,047**
Financial liabilities				
Loans and borrowings	**(33,439)**	**(33,439)**	**–**	**–**
Payables and accruals	**(253,819)**	**(253,819)**	**(96,623)**	**(96,623)**
	(287,258)	**(287,258)**	**(96,623)**	**(96,623)**
2015				
Financial assets				
Receivables and deposits	239,640	239,640	14,661	14,661
Cash and cash equivalents	40,968	40,968	19,807	19,807
	280,608	280,608	34,468	34,468
Financial liabilities				
Loans and borrowings	(31,506)	(31,506)	–	–
Payables and accruals	(250,722)	(250,722)	(113,034)	(113,034)
	(282,228)	(282,228)	(113,034)	(113,034)

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.2 Net gains and losses arising from financial instruments

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans and receivables	**5,738**	6,613	**204**	1,317
Financial liabilities measured at amortised cost	**(8,089)**	(7,307)	**(3,527)**	(1,754)

20.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

20.4 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, placements and cash maintained with financial institutions. The Company's exposure to credit risk arises principally from loans, trade advances to subsidiaries, placements and cash maintained with financial institutions.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are required to be performed on new customers requiring credit. The Group normally requires collateral from its customers.

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.4 Credit risk (continued)

Receivables (continued)

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

	2016 RM'000	2015 RM'000
Malaysia	**87,604**	93,551
Singapore	**96,284**	107,115
	183,888	200,666

Impairment losses

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

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2016			
Not past due	**147,784**	**–**	**147,784**
Past due 1 - 30 days	**27,373**	**–**	**27,373**
Past due 31 - 60 days	**5,739**	**–**	**5,739**
Past due 61 - 90 days	**609**	**–**	**609**
Past due more than 90 days	**4,551**	**(2,168)**	**2,383**
	186,056	**(2,168)**	**183,888**
2015			
Not past due	143,390	–	143,390
Past due 1 - 30 days	38,941	–	38,941
Past due 31 - 60 days	11,834	–	11,834
Past due 61 - 90 days	4,225	–	4,225
Past due more than 90 days	5,747	(3,471)	2,276
	204,137	(3,471)	200,666

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.4 Credit risk (continued)

Receivables (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2016 RM'000	2015 RM'000
At 1 January	**(3,471)**	(4,310)
Impairment loss recognised	**(665)**	(990)
Impairment loss reversed	**837**	392
Impairment loss written off	**1,131**	41
Disposal of subsidiary	**–**	1,396
At 31 December	**(2,168)**	(3,471)

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

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to subsidiaries and related companies. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk and credit quality

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.

Impairment losses

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.4 Credit risk (continued)

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 and credit quality

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.

Impairment losses

As at the end of the reporting period, there was no indication that cash and cash equivalents were not recoverable.

20.5 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
Group				
2016				
Payables and accruals	253,819	–	253,819	252,121
Loans and borrowings	33,439	1.12 – 2.13	33,469	33,469
	287,258		287,288	285,590

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.5 Liquidity risk (continued)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000
Group				
2015				
Payables and accruals	250,722	–	250,722	250,722
Loans and borrowings	31,506	1.44 - 1.49	31,543	31,543
	282,228		282,265	282,265
Company				
2016				
Payables and accruals	**96,623**	**–**	**96,623**	**95,127**
2015				
Payables and accruals	113,034	–	113,034	113,034

20.6 Market risk

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

20.6.1 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 Danish Krone ("DKK").

Risk management objectives, policies and processes for managing the risk

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.6 Market risk (continued)

20.6.1 Currency risk (continued)

Exposure to foreign currency risk

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

	Denominated in			
	USD RM'000	SGD RM'000	EUR RM'000	DKK RM'000
Group				
2016				
Trade receivables	**7,945**	**88,903**	**–**	**–**
Cash and cash equivalents	**9,283**	**13,943**	**–**	**–**
Trade payables	**(12,125)**	**(6,463)**	**(1,616)**	**–**
Intercompany balances	**(3,148)**	**5,498**	**(3,119)**	**(4,108)**
Loans and borrowings	**–**	**(33,439)**	**–**	**–**
Net exposure	**1,955**	**68,442**	**(4,735)**	**(4,108)**
2015				
Trade receivables	33,863	83,567	–	–
Cash and cash equivalents	5,108	27,237	–	–
Trade payables	(4,218)	(12,887)	(1,051)	161
Intercompany balances	(25,538)	(2,713)	(3,994)	(4,019)
Loans and borrowings	–	(26,953)	–	–
Net exposure	9,215	68,251	(5,045)	(3,858)
Company				
2016				
Cash and cash equivalents	**369**	**15**	**–**	**–**
Trade payables	**(11,865)**	**–**	**(1,616)**	**–**
Intercompany balances	**(5,191)**	**212**	**(1,381)**	**(4,100)**
Net exposure	**(16,687)**	**227**	**(2,997)**	**(4,100)**
2015				
Cash and cash equivalents	4,727	16,135	–	–
Trade payables	(4,137)	(4)	(936)	–
Intercompany balances	(12,235)	–	(1,782)	(3,779)
Net exposure	(11,645)	16,131	(2,718)	(3,779)

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.6 Market risk (continued)

20.6.1 Currency risk (continued)

Currency risk sensitivity analysis

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

A 10% (2015: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased/(decreased) pre-tax profit or loss by the amount shown below. This analysis is based on foreign currency exchange rate variances that 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	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
USD	**(196)**	(922)	**1,669**	1,165
SGD	**(6,844)**	(6,825)	**(23)**	1,613
EUR	**474**	505	**300**	(272)
DKK	**411**	386	**410**	378
	(6,155)	(6,856)	**2,356**	2,884

A 10% weakening of the Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

20.6.2 Interest rate risk

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.6 Market risk (continued)

20.6.2 Interest rate risk (continued)

Risk management objectives, policies and processes for managing the risk

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

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate instruments				
Deposits with licensed banks	**1,200**	1,200	**1,200**	1,200
Floating rate instruments				
Bank overdraft	**(3,951)**	(1,156)	**–**	–
Revolving credits	**(29,488)**	(30,350)	**–**	–

Interest rate risk sensitivity analysis

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

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

20.7 Fair value of financial instruments

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

The fair value of the loan to subsidiary of the Company approximates its carrying value.

NOTES TO THE FINANCIAL STATEMENTS

21. 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. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with regulatory requirements.

22. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Less than one year	**2,317**	3,084	**274**	402
Between one and five years	**5,399**	912	**361**	31
	7,716	3,996	**635**	433

The Group and the Company lease a number of sales offices under operating leases. The leases typically run for a period of two (2) years, with an option to renew the lease after the date of expiration. None of the leases includes contingent rentals.

23. CAPITAL COMMITMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Capital expenditure commitments				
Plant and equipment				
Authorised and contracted for	**766**	1,542	**766**	1,542

24. CONTINGENT LIABILITIES

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

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

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

25. 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 holding company and its related corporations, its subsidiaries (see Note 5), an associate (see Note 6), Directors and key management personnel.

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

Details of the related party transactions (other than key management personnel remuneration disclosed in Note 16 to the financial statements) with the Group are as follows:

NOTES TO THE FINANCIAL STATEMENTS

25. RELATED PARTIES (CONTINUED)

	Transaction value for year ended 31 December			
	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Immediate holding company				
Purchases of materials and products	184	1,091	184	386
Purchases of services	6,335	5,040	6,302	5,480
Royalties payable	33,057	28,429	6,156	5,105
Related companies				
Management fees payable	5,433	4,539	3,892	3,370
Purchases of materials and products	40,915	73,197	2,758	27,208
Purchases of services	2,820	4,698	2,273	3,227
Sale of goods and services	58,943	49,496	–	–
Others	7,813	2,721	19	–
Companies deemed related to certain directors of a subsidiary				
Sale of goods and services	–	1,881	–	–
Purchases of materials and products	–	183	–	–
Rental of premises	–	49	–	–

	Transaction value for year ended 31 December	
	Company	
	2016 RM'000	2015 RM'000
Subsidiaries		
Sale of goods and services	774,037	734,355
Management fee received	11,500	11,500
Rental income	780	790
Dividend income	243,398	288,297

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 9 and 12.

26. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	**491,084**	505,967	**404,599**	374,625
- unrealised	**(8,603)**	(10,603)	**(12,158)**	(15,254)
	482,481	495,364	**392,441**	359,371
Total share of retained earnings of associate:				
- realised	**64,538**	59,216	**–**	–
- unrealised	**(25,858)**	(17,781)	**–**	–
	521,161	536,799	**392,441**	359,371
Less: Consolidation adjustments	**(372,397)**	(372,874)	**–**	–
Total retained earnings	**148,764**	163,925	**392,441**	359,371

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 88 to 150 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 26 on page 151 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Lars Lehmann
Managing Director

....

Chew Hoy Ping
Director

Shah Alam

16 March 2017

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Lew Yoong Fah**, the officer primarily responsible for the financial management of Carlsberg Brewery Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 88 to 151 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Lew Yoong Fah, I/C No: 680724-05-5165, at Kuala Lumpur on 16 March 2017.

....

Lew Yoong Fah

Before me:

INDEPENDENT AUDITORS' REPORT

to the members of Carlsberg Brewery Malaysia Berhad
(Company No. 9210-K)
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Carlsberg Brewery Malaysia Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and notes to the financial statements including a summary of significant accounting policies, as set out on pages 88 to 150.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

to the members of Carlsberg Brewery Malaysia Berhad
(Company No. 9210-K)
(Incorporated in Malaysia)

Revenue recognition – accruals for trade discounts and volume rebates

Refer to Note 2(m)(i) – Significant accounting policies – Revenue and other income.

The key audit matter

Revenue from sale of goods are presented net of trade discounts and volume rebates.

It is a significant area that our audit focuses on because it requires us to exercise judgement in evaluating management's estimation of the quantum of trade discounts and volume rebates due to the diverse range of rebates given. The management accrues the trade discounts and volume rebates based on estimated volume to be achieved multiply with the agreed rate with the customers.

How the matter was addressed in our audit

Our audit procedures included, amongst others:

- Evaluated controls relating to management's process for determining the value of trade discounts and volume rebates;
- Developed an expectation of the current year balance based on our view of the key factors and relationship between revenue and trade discounts and volume rebates, including consideration of historical data and compare the expectation against the actual trade discounts and volume rebates;
- Agreed discounts and rebates data to agreements with customers; and
- Evaluated the adequacy of the financial statements disclosure in accordance with the accounting standards.

Contingent liability and legal proceedings

Refer to Note 2(r)(i) – Significant accounting policies – Contingent liabilities and Note 24 – Contingent liabilities.

The key audit matter

On 19 September 2014, the Company received two bills of demand both dated 17 September 2014 from the Selangor State Director of Royal Malaysian Customs ("State Customs") for additional excise duty and sales tax (including related penalties) amounting to RM56,343,291 for period 1 July 2011 to 14 January 2014.

Directors are disputing the basis of the additional quantum raised and is currently appealing to the State Customs.

It is a significant area that our audit focuses on because the amount involved is significant and the application of accounting standards to determine the amount, if any, to be provided for such disputed liability is inherently subjective.

How the matter was addressed in our audit

Our audit procedures included, amongst others:

- Discussed with Directors and read the legal opinion obtained from the appointed solicitor on the demand from the State Customs;
- Involved our tax specialist in assessing the appropriateness of the tax position as stated in the legal opinion;
- Obtained confirmation of the status of the legal case from the appointed solicitor; and
- Considered the appropriateness of disclosures in the financial statements in accordance with the accounting standards.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

to the members of Carlsberg Brewery Malaysia Berhad
(Company No. 9210-K)
(Incorporated in Malaysia)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a. In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b. We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements, being accounts that have been included in the consolidated accounts.

c. We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d. The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comments made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 26 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Adrian Lee Lye Wang
Approval Number: 2679/11/17(J)
Chartered Accountant

Petaling Jaya, Selangor

16 March 2017

CARLSBERG MALAYSIA'S SALES OFFICES

Alor Setar
c/o Chuan Leong Trading (Kedah) S/B,
No. 59, Jalan Utara 4,
Kawasan Perusahaan Mergong
Barrage, Jalan Lencong Barat,
05050 Alor Setar, Kedah.
Tel : 04-734 3712
Fax : 04-734 3712

Butterworth
No. 6, Lengkok Kikik 1,
Taman Inderawasih,
13600 Prai, Butterworth.
Tel : 04-390 3077 / 390 5231
Fax : 04-399 1488

Ipoh
c/o Core Synergy Trading Sdn. Bhd.
Lot 3898, Off Jalan Lahat,
31500 Lahat, Perak.
Tel : 05-321 9204 / 321 9344
Fax : 05-321 1571

Mentakab
c/o Lit Tat Trading Sdn. Bhd.
PT 13030B Jalan Industri 4,
Taman Industri Park,
28400 Mentakab, Pahang.
Tel : 09-2783710
Fax : 09-2783161

Kuantan
No. 25, Jalan IM14/3,
Kawasan Perindustrian Ringan,
Indera Mahkota,
25200 Kuantan, Pahang.
Tel : 09-573 0135 / 573 0136
Fax : 09-573 0136

Shah Alam
Lot 22, Jalan Pengapit 15/19,
Seksyen 15,
40200 Shah Alam, Selangor.
Tel : 03-5522 6688
Fax : 03-5510 1135

Seremban
No. 394, Taman AST,
Jalan Labu,
70200 Seremban, Negeri Sembilan.
Tel : 06-762 0319 / 762 9102
Fax : 06-764 3895

Malacca
No. 23-23A, Jalan Malinja 1,
Taman Malinja, Bukit Baru,
75150 Malacca.
Tel : 06-282 7709 / 284 1530
Fax : 06-282 7930

Johor Bahru
No. 41G, 41-01 & 41-02,
Jalan Austin Perdana 2/22,
Taman Mount Austin,
81100 Johor Bahru, Johor.
Tel : 07-355 5078 / 354 0485 / 354 6079
Fax : 07-354 6092

Batu Pahat
No. 38, Jalan Tukas 2,
Taman Soga,
83000 Batu Pahat, Johor.
Tel : 07-433 2463
Fax : 07-433 2464

Kota Kinabalu
No. 34 Towering Industrial Estate,
Mile 4 1/2, Jalan Penampang,
P.O.Box 13435,
88838 Kota Kinabalu, Sabah.
Tel : 088-715 091 / 715 019
Fax : 088-717 480

Tawau
c/o DHN (KK) Sdn. Bhd.
No. 1906 Jalan Damai,
P.O. Box NO. 60527
91015 Tawau, Sabah.
Tel : 089-761 043
Fax : 089-761 049

Sandakan
c/o Bondestiny Sdn. Bhd.
Lot D-2, CL 075410454, Batu 8.5,
Jalan Kampung Melayu,
90007 Sandakan, Sabah.
Tel : 089-673 836
Fax : 089-673 837

Kuching
No. 287, Section 9, KTLD,
Ground & 1st Floor,
Lorong Rubber 9 Off Rubber Road,
93400, Kuching, Sarawak.
Tel : 082-425 319 / 425 320
Fax : 082-421 660

Miri
Lot 1415, Ground Floor & 1st Floor,
Lorong 5, Jalan Krokop,
P.O. Box 1301,
98009 Miri, Sarawak.
Tel : 085-417 821 / 427 821
Fax : 085-437 821

Sibu
c/o Ee Chung Han Co. Sdn. Bhd.
Lot 1248-1249 Lorong Sukun 18,
Off Jalan Teng Kung Suk,
Upper Lanang,
96007 Sibu, Sarawak.
Tel : 084-213 389 / 213 398
Fax : 084-213 323

Bintulu
c/o Yew Lik Marketing Company
Lot 1957, Swee Joo Jetty,
Kampung Baru, P.O.Box 269,
97000 Bintulu, Sarawak.
Tel : 086-331 136
Fax : 086-338 923

PARTICULARS OF GROUP PROPERTIES

The Properties included in land and buildings as at 31 December 2016 (Note 3 to the Financial Statements) and their net book values are indicated below:-

Address	Description	Area (Acres)	Existing Use	Land Tenure	Approx. Age of Building (Years)	Net Book Value RM'000	Date of Acquisition Or Revaluation
55, Persiaran Selangor, Section 15, 40200 Shah Alam, Selangor.	Land and Building	20	Brewery and Offices	Leasehold expiring 23.2.2070	46	28,785	31/3/81 (revaluation)
No. 34, Towering Industrial Estate, Mile 4 1/2, Jalan Penampang, P.O. Box 13435, 88838 Kota Kinabalu, Sabah.	Land and Building	0.06	Office and Warehouse	Leasehold expiring 31.12.2037	37	320	28/3/95 (acquisition)
No. 394, Taman AST, Jalan Labu, 70200 Seremban, Negeri Sembilan.	Land and Building	0.04	Office and Warehouse	Freehold	22	305	23/12/96 (acquisition)
Lot 22, Jalan Pengapit 15/19, Seksyen 15, 40200 Shah Alam, Selangor.	Land and Building	1.81	Factory and Office	Leasehold expiring 23.2.2082	26	7,576	12/03/96 (acquisition)
No. 25, Jalan IM14/3, Kawasan Perindustrian Ringan, Indera Mahkota, 25200 Kuantan, Pahang.	Land and Building	0.05	Office and Warehouse	Leasehold expiring 29.3.2097	19	167	17/12/97 (acquisition)
No. EMR 3099, Lot No. 9 & No. EMR 3100, Lot No. 10, No. GM 76, Lot No. 35 & No. GM 77, Lot No. 36, In the Village of Batu Tiga / Mukim of Damansara, District of Petaling, Selangor.	Land	6.41	Factory	Freehold	–	15,953	24/7/98 (acquisition)
Lot 1071, Mukim Damansara, District of Petaling, Selangor.	Land	1.30	Factory	Freehold	–	2,999	18/9/03 (acquisition)
						56,105	

ANALYSIS OF SHAREHOLDINGS

as at 13 February 2017

Issued Share Capital	: RM154,039,000 comprising 308,078,000 Ordinary Shares
No. of Treasury Shares held by the Company	: 2,330,000
Class of Shares	: Ordinary Shares
Voting Rights	: One Vote Per Ordinary Share

Size of holdings	No. of shareholders	% of shareholders	No. of shares	% of shares
Less than 100	816	6.60	7,123	0.00
100 - 1,000	4,939	39.95	3,457,229	1.13
1,001 - 10,000	5,101	41.27	19,694,832	6.44
10,001 - 100,000	1,318	10.66	40,430,082	13.23
100,001 - 15,287,399*	187	1.51	86,226,234	28.20
15,287,400 and above**	1	0.01	155,932,500	51.00
Total	**12,362**	**100.00**	**305,748,000**	**100.00**

* Less than 5% of issued shares
** 5% and above of issued shares

THIRTY LARGEST SHAREHOLDERS

	Name	No. of shares	% of shares
1.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Carlsberg Breweries A/S	155,932,500	51.000
2.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	9,085,320	2.972
3.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	4,022,000	1.315
4.	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN For J.P. Morgan Bank Luxembourg S.A. (2)	3,309,000	1.082
5.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt AN For AIA Bhd.	2,421,400	0.792
6.	Cartaban Nominees (Tempatan) Sdn. Bhd. PAMB For Prulink Equity Fund	1,888,400	0.618
7.	Yeoh Saik Khoo Sendirian Berhad	1,719,800	0.562
8.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt AN For State Street Bank & Trust Company (West Clt Od67)	1,666,200	0.545
9.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN For Citibank New York (Norges Bank 12)	1,532,300	0.501

	Name	No. of shares	% of shares
10.	Tai Tak Estates Sdn. Bhd.	1,500,000	0.491
11.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. Exempt AN For UOB Kay Hian Pte. Ltd. (A/C Clients)	1,485,740	0.486
12.	Cartaban Nominees (Asing) Sdn. Bhd. SSBT Fund Mmgn For Mawer Global Small Cap Fund	1,447,000	0.473
13.	UOBM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Wong Yoke Fong @ Wong Nyok Fing (6110553745-T232)	1,400,000	0.458
14.	CIMSEC Nominees (Asing) Sdn. Bhd. Exempt AN For CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)	1,277,953	0.418
15.	Tokio Marine Life Insurance Malaysia Bhd. As Beneficial Owner (PF)	1,219,800	0.400
16.	UOBM Nominees (Asing) Sdn. Bhd. Banque De Luxembourg For Bl Emerging Markets	1,200,000	0.392
17.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY For DFA Emerging Markets Small Cap Series	1,145,600	0.375
18.	HSBC Nominees (Asing) Sdn. Bhd. NTGS LDN For Verdipapirfondet ODIN Emerging Markets	1,120,937	0.367
19.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc.	1,120,800	0.367
20.	Ho Han Seng	1,070,000	0.350
21.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN For Citibank New York (Norges Bank 9)	1,062,400	0.347
22.	Key Development Sdn. Berhad	1,038,000	0.339
23.	Hong Leong Assurance Berhad As Beneficial Owner (Life PAR)	1,028,200	0.336
24.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Exempt AN For Deutsche Bank AG London (Prime Brokerage)	1,023,700	0.335
25.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Mak Tian Meng (JRC)	1,000,000	0.327
26.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. SSBT Fund W4B0 For Wasatch International Opportunities Fund	962,475	0.315
27.	Cartaban Nominees (Tempatan) Sdn. Bhd. PAMB For Prulink Equity Income Fund	850,000	0.278
28.	Amanahraya Trustees Berhad Public Equity Fund	845,100	0.276
29.	Gan Teng Siew Realty Sdn. Berhad	845,000	0.276
30.	AMSEC Nominees (Asing) Sdn. Bhd. KGI Securities (Singapore) Pte. Ltd. For Chong Chew Lim @ Chong Ah Kau (214028)	803,300	0.263
	Total	205,022,925	67.056

ANALYSIS OF SHAREHOLDINGS

as at 13 February 2017

SUBSTANTIAL SHAREHOLDER

	Name	Direct interest No. of shares	Direct interest % of shares
1.	Carlsberg Breweries A/S	155,932,500	51

DIRECTORS' INTERESTS

	Name	Direct No. of shares	Direct % of shares	Indirect No. of shares	Indirect % of shares
1	Dato' Lim Say Chong	–	–	52,000#	0.02

Deemed interested by virtue of shares held by his daughter.

None of the other Directors holding office as at 13 February 2017 had any interest in shares whether direct or indirect in the Company.

MATERIAL CONTRACTS

The particulars of material contracts of the Group with its related parties, subsisting as at 31 December 2016 or entered into since the end of the previous financial year 2015, are as follows:-

1. A call option agreement between CBMB and Carlsberg A/S **("CAS")** dated 18 November 1996, allowing CAS to acquire CBMB's interest in Lion Brewery Ceylon Limited, 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 CBMB.

   CAS is the holding company of Carlsberg Breweries A/S **("CBAS")**, which in turn is the holding company and major shareholder of CBMB.

LIST OF RECURRENT RELATED PARTY TRANSACTIONS

The breakdown of the aggregate value of the recurrent related party transactions entered into by the Group pursuant to the shareholders' mandate obtained during the 46th AGM held on 21 April 2016 is as follows:

Transacting Parties	Interested Related Parties	Nature of Transaction	[(2)] Actual Value Transacted (22 April 2016 – 28 February 2017 (RM' million)
CBAS and the Group	LL, GJF, RAL, OD and CBAS	Purchase of raw materials (hops, yeasts, aroma etc.) and related services from CBAS	5.7
CBAS and the Group	LL, GJF, RAL, OD and CBAS	Royalties payable to CBAS for inter alia, the exclusive use of trademark licences and supply of technical and commercial assistance	32.1
DMG and the Group	LL, GJF, RAL, OD and CBAS	Purchase of raw materials (malts) from DMG	0.6
CBS and the Group	LL, GJF, RAL, OD and CBAS	Purchase of IT services from CBS	0.0
CSCAG and the Group	LL, GJF, RAL, OD and CBAS	Purchase of materials and services (A&P items) from CSCAG	2.2
BK and the Group	LL, GJF, RAL, OD and CBAS	Purchase of beverage products from BK	0.0
CVBL and the Group	LL, GJF, RAL, OD and CBAS	Purchase of beverage products from CVBL	35.4
CHKL and the Group	LL, GJF, RAL, OD and CBAS	Sale and supply of goods to CHKL	44.6
CTT and the Group	LL, GJF, RAL, OD and CBAS	Sale and supply of goods to CTT	1.2
CBDCL and the Group	LL, GJF, RAL, OD and CBAS	Sale and supply of goods to CBDCL	2.7
CBHKL and the Group	LL, GJF, RAL, OD and CBAS	Provision of administrative support services from CBHKL	12.7
CCDOO and the Group	LL, GJF, RAL, OD and CBAS	Purchase of beverage products from CCDOO	1.6
LAO and the Group	LL, GJF, RAL, OD and CBAS	Sale and supply of goods to LAO	0.5
LBCL and the Group	LL, GJF, RAL, OD and CBAS	Sale and supply of goods to LBCL	9.2
CSCAL and the Group	LL, GJF, RAL, OD and CBAS	Purchase of beverage products from CSCAL	0.0
CSCAL and the Group	LL, GJF, RAL, OD and CBAS	Provision of administrative support services from CSCAL	1.9
CBGL and the Group	LL, GJF, RAL, OD and CBAS	Sale and supply of goods to CGBL	0.0

LIST OF RECURRENT RELATED PARTY TRANSACTIONS

Notes:

(1) The above actual value of the recurrent related party transactions is for the period 22 April 2016 to 28 February 2017.

(2) The nature of relationship with the above Related Parties is as follows as at 28 February 2017:

(i) CBAS is the holding company and Major Shareholder of the Company, holding an equity interest of 51.0% in the Company. The Company in turn holds 100% interest in both CMSB and CSPL.

(ii) GJF, RAL and OD, who are Non-Executive Directors of the Company, are the Executive Vice-President, Asia of CBAS, Vice President Finance, Asia of CBAS and Vice-President Commercial, Asia of CBAS respectively. LL is the Managing Director of the Company. All the four (4) Directors namely, GJF, RAL, OD and LL are nominees/ representatives of CBAS and do not hold any shares in CBAS or the Company.

(iii) BK, CBDCL, CBGL, CBHKL, CBS, CCDOO, CHKL, CSCAG, CSCAL, CTT, CVBL, DMG and LAO are subsidiaries of CBAS and do not hold any direct equity interest in the Company.

(iv) CBAS holds 49.6% equity interest in CTT.

(v) The Company holds 25% equity interest in LBCL.

Abbreviations:

BK	-	Brasseries Kronenbourg SAS
CBAS	-	Carlsberg Breweries A/S
CBDCL	-	CB Distribution Co. Ltd.
CBGL	-	Carlsberg Brewery (Guangdong) Ltd.
CBHKL		Carlsberg Brewery Hong Kong Ltd.
CBS	-	Carlsberg Business Solution
CCDOO	-	Carlsberg Croatia D.O.O
CHKL	-	Carlsberg Hong Kong Ltd.
CMSB	-	Carlsberg Marketing Sdn. Bhd.
CSCAG	-	Carlsberg Supply Company AG
CSCAL	-	Carlsberg Supply Co. Asia Ltd.
CSPL	-	Carlsberg Singapore Pte. Ltd.
CTT	-	Carlsberg Taiwan Trading
CVBL	-	Carlsberg Vietnam Breweries Limited
DMG	-	Danish Malting Group A/S
GJF	-	Graham James Fewkes
Group	-	Company and its wholly-owned subsidiaries, namely Carlsberg Marketing Sdn. Bhd., Euro Distributors Sdn. Bhd. and Carlsberg Singapore Pte. Ltd.
LAO	-	Lao Brewery Co. Ltd.
LBCL	-	Lion Brewery (Ceylon) PLC
LL		Lars Lehmann
OD	-	Olivier Dubost
RAL	-	Roland Arthur Lawrence

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Seventh (47^{th}) Annual General Meeting of the Company will be held at Sime Darby Convention Centre, Ballroom 1 & 2, First Floor, 1A, Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 20 April 2017 at 11.00 a.m. for the following purposes:

AGENDA:

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' and Auditors' reports thereon. **Ordinary Resolution 1**

2. To approve the payment of a Final and Special Single Tier Dividend of 67 sen per ordinary share in respect of the financial year ended 31 December 2016. **Ordinary Resolution 2**

3. To approve the payment of Directors' fees of RM168,000 for the financial year ended 31 December 2016. **Ordinary Resolution 3**

4. To appoint Auditors and to authorise the Directors to fix their remuneration.

   Special Notice pursuant to Sections 280(2)(b)(ii) and 322 of the Companies Act 2016, a copy of which is set out and marked "Annexure A", has been received by the Company to propose the following Ordinary Resolution:

   "THAT Messrs PricewaterhouseCoopers, be hereby appointed as Auditors of the Company in place of the outgoing Auditors, Messrs KPMG PLT, to hold office until the conclusion of the next Annual General Meeting and that authority be hereby given to the Directors of the Company to determine their remuneration." **Ordinary Resolution 4**

Special Business

5. To consider, and if thought fit, to pass the following Resolutions:-

   RE-ELECTION OF DIRECTORS

   (a) THAT Chew Hoy Ping, who retires pursuant to Article 92(a) of the Constitution of the Company, be and is hereby re-elected as Director of the Company. **Ordinary Resolution 5**
   (b) THAT Lars Lehmann, who retires pursuant to Article 92(e) of the Constitution of the Company, be and is hereby re-elected as Director of the Company. **Ordinary Resolution 6**
   (c) THAT Olivier Dubost, who retires pursuant to Article 92(e) of the Constitution of the Company, be and is hereby re-elected as Director of the Company. **Ordinary Resolution 7**

NOTICE OF ANNUAL GENERAL MEETING

6. To consider, and if thought fit, to pass the following Resolution:-

RE-APPOINTMENT OF DIRECTOR

THAT Dato' Lim Say Chong, be and is hereby re-appointed as Director of the Company. **Ordinary Resolution 8**

To consider, and if thought fit, to pass the following Resolutions, with or without modifications, as Ordinary Resolutions of the Company:

7. **AUTHORITY FOR DIRECTORS TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **Ordinary Resolution 9**

"**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016, the Directors of the Company be and are hereby authorised to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares alloted pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company after the approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting."

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **Ordinary Resolution 10**

"**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiary companies ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related party as set out in Section 2.3(a) of the Circular to Shareholders dated 20 March 2017 ("the Related Party") provided that such transactions are:-

(a) necessary for the day-to-day operations;
(b) undertaken in the ordinary course of business and at arm's length basis and on normal commercial terms which are not more favourable to the Related Party than those generally available to the public; and
(c) are not prejudicial to the minority shareholders of the Company.

("the Shareholders' Mandate")

THAT such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which the Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed; or
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by shareholders in a general meeting,

whichever is the earliest;

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

9. **PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **Ordinary Resolution 11**

"**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiary companies ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related party as set out in Section 2.3(b) of the Circular to Shareholders dated 20 March 2017 ("the Related Party") provided that such transactions and/or arrangements are:-

(a) necessary for the day-to-day operations;
(b) undertaken in the ordinary course of business and at arm's length basis and on normal commercial terms which are not more favourable to the Related Party than those generally available to the public; and
(c) are not prejudicial to the minority shareholders of the Company.

("the Shareholders' Mandate")

THAT such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which the Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed; or
(b) the expiration of the period within the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting;

NOTICE OF ANNUAL GENERAL MEETING

whichever is the earliest;

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

10. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE CHAIRMAN** **Ordinary Resolution 12**

"**THAT** subject to the passing of Ordinary Resolution 8, authority be and is hereby given to Dato' Lim Say Chong who has served as an Independent Non-Executive Director and Chairman of the Company for a cumulative term of more than nine years, to continue to serve as an Independent Non-Executive Director of the Company."

11. To consider any other business of which due notice shall be given in accordance with the Companies Act 2016 and the Constitution of the Company.

NOTICE OF DIVIDEND PAYMENT AND CLOSURE OF REGISTER

NOTICE IS HEREBY GIVEN THAT, subject to the approval of the shareholders at the Forty-Seventh (47th) Annual General Meeting to be held on Thursday, 20 April 2017, a Final and Special Single Tier Dividend of 67 sen per ordinary share in respect of the financial year ended 31 December 2016 will be payable on 19 May 2017 to shareholders registered in the Register of Members and Record of Depositors at the close of business on 5 May 2017.

A depositor shall qualify for entitlement to the dividends only in respect of:

(a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 5 May 2017 in respect of transfers;
(b) Shares deposited into the Depositor's securities account before 12.30 p.m. on 2 May 2017 (in respect of shares which are exempted from mandatory deposit); and
(c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Yee Chin Beng (MIA 16894)
Lu Kee Chee (LS 0009744)
Secretaries

Shah Alam
20 March 2017

Notes:

1. *A Member entitled to attend and vote at the meeting is entitled to appoint* ***ONE*** *person as his proxy to attend and vote in his stead at the meeting. A proxy need not be a Member of the Company.*

2. *If a Member having appointed a proxy to attend a general meeting attends such meeting in person, the appointment of such proxy shall be null and void in respect of such meeting and his proxy shall not be entitled to attend such meeting.*

3. *Where a Member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it shall be entitled to appoint at least one proxy in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*

4. *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

5. *Where the Proxy Form is executed by a corporation, it must be either under its Seal or under the hand of an officer or attorney duly authorised.*

6. *The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*

7. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 50(9)(a) of the Constitution of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 14 April 2017 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.*

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON SPECIAL BUSINESS

(i) Ordinary Resolutions 5 to 7 – Re-election of Directors

The business on re-election of Directors that is to be transacted at the Annual General Meeting is deemed special pursuant to Article 51 of the Constitution of the Company.

(ii) Ordinary Resolution 8 – Re-appointment of Director

Dato' Lim Say Chong who will hold office until the conclusion of this Annual General Meeting, has offered himself for re-appointment as Director at the 47th Annual General Meeting.

(iii) Ordinary Resolution 9 – Authority for Directors to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016

This resolution is proposed pursuant to Sections 75 and 76 of the Companies Act 2016, and if passed, will give the Directors of the Company, from the date of the above Annual General Meeting ("AGM"), authority to allot shares in the Company up to and not exceeding in total ten per cent (10%) of the total number of issued shares of the Company for such purposes as the Directors deem fit and in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier.

This mandate is a renewal of the last mandate granted to the Directors at the Forty-Sixth (46th) Annual General Meeting held on 21 April 2016 and which will lapse at the conclusion of the Forty-Seventh (47th) Annual General Meeting.

As at the date of this Notice, no new shares in the Company were issued pursuant to the last mandate.

The renewal of this mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, working capital and/or acquisitions.

(iv) Ordinary Resolution 10 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")

The detailed text on Ordinary Resolution 10 on the Proposed Renewal of Shareholders' Mandate is included in the Circular to Shareholders dated 20 March 2017 which is enclosed together with the Annual Report.

(v) Ordinary Resolution 11 – Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed New Shareholders' Mandate")

The detailed text on Ordinary Resolution 11 on the Proposed New Shareholders' Mandate is included in the Circular to Shareholders dated 20 March 2017 which is enclosed together with the Annual Report.

(vi) Ordinary Resolution 12 – Continuing in Office as Independent Non-Executive Chairman

Dato' Lim Say Chong has served the Board as an Independent Non-Executive Director and Chairman of the Company for a cumulative term of nearly fourteen (14) years. The Board has recommended him to continue to act as an Independent Non-Executive Chairman based on the following justifications:-

a. He has fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as a check and balance, bring an element of objectivity to the Board;

b. He has vast experience in a diverse range of businesses and therefore would be able to provide constructive opinion; he exercises independent judgement and has the ability to act in the best interest of the Company;

c. He has devoted sufficient time and attention to his professional obligations for informed and balanced decision making; and

d. He has continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director and Chairman of the Company and carried out his professional duties in the best interest of the Company and shareholders.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Authority For Directors To Allot Shares Pursuant To Sections 75 and 76 of the Companies Act 2016

Kindly refer to item (iii) of Explanatory Notes On Special Business at page 170.

ANNEXURE A

Carlsberg Group

Carlsberg Breweries A/S 100 Ny Carlsberg Vej
1799 Copenhagen V
Denmark

Tel +45 3327 3300
+45 3327 3301
Fax +45 3327 4700

10 March 2017

The Board of Directors
Carlsberg Brewery Malaysia Berhad ("CBMB")
No. 55, Persiaran Selangor, Section 15
40200 Shah Alam,
Selangor Darul Ehsan

Dear Sirs,

SPECIAL NOTICE - NOMINATION OF AUDITORS

We, being a shareholder of CBMB hereby give notice pursuant to Sections 280(2)(b)(ii) and 322 of the Companies Act 2016, of our intention to nominate Messrs PricewaterhouseCoopers for appointment as Auditors of CBMB, subject to their consent to act, to replace the outgoing Auditors, Messrs KPMG PLT and to propose the following Ordinary Resolution to be tabled at the forthcoming 47th Annual General Meeting of CBMB.

THAT Messrs PricewaterhouseCoopers, be hereby appointed as Auditors of the Company in place of the outgoing Auditors, Messrs KPMG PLT, to hold office until the conclusion of the next Annual General Meeting and that authority be hereby given to the Directors of the Company to determine their remuneration.

Yours faithfully,
CARLSBERG BREWERIES A/S

....
Monica Gregers Smith, Company secretary

Monica Gregers Smith
Attorney-at-Law
Carlsberg Breweries A/S
Ny Carlsberg Vej 100
DK-1799 Copenhagen V

NO. OF SHARES HELD	
CDS ACCOUNT NO.	

CARLSBERG BREWERY MALAYSIA BERHAD
(Company No. 9210-K)
(Incorporated in Malaysia)

FORM OF PROXY

I/We, ____ I.C./Passport/Company No. ______________________________

of ____

being a member of the abovenamed Company, hereby appoint ____

I.C./Passport No. ____ of ____

OR failing him/her _______________________________________ I.C./Passport No. _______________________________

of ____

OR the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Forty-Seventh (47th) Annual General Meeting of the Company to be held at Sime Darby Convention Centre, Ballroom 1 & 2, First Floor, 1A, Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 20 April 2017 at 11.00 a.m., and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below (if no indication is given, the proxy will vote as he thinks fit or abstain from voting):

RESOLUTION	AGENDA	FOR	AGAINST
Ordinary Resolution 1	Receipt of the Directors' and Auditors' Reports and Audited Financial Statements for the financial year ended 31 December 2016.		
Ordinary Resolution 2	Payment of a Final and Special Single Tier Dividend.		
Ordinary Resolution 3	Approval of Directors' fees of RM168,000 for the financial year ended 31 December 2016.		
Ordinary Resolution 4	Appointment of Messrs PricewaterhouseCoopers as Auditors in place of the outgoing Auditors, Messrs KPMG PLT, and to authorise the Directors to determine their remuneration.		
Ordinary Resolution 5	Re-election of Chew Hoy Ping as Director.		
Ordinary Resolution 6	Re-election of Lars Lehmann as Director.		
Ordinary Resolution 7	Re-election of Olivier Dubost as Director.		
Ordinary Resolution 8	Re-appointment of Dato' Lim Say Chong as Director.		
Ordinary Resolution 9	Authority for Directors to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
Ordinary Resolution 10	Proposed renewal of shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature.		
Ordinary Resolution 11	Proposed new shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature.		
Ordinary Resolution 12	Continuing in office for Dato' Lim Say Chong as an Independent Non-Executive Chairman.		

Please indicate with a tick (√) how you wish your vote to be cast in respect of each resolution above.

As witness my/our hand this ____________________ day of ____2017.

Signed by the said ____

Notes:

1. *A member entitled to attend and vote at the meeting is entitled to appoint ONE person as his proxy to attend and vote in his stead at the meeting. A proxy need not be a member of the Company.*
2. *If a member having appointed a proxy to attend a general meeting attends such meeting in person, the appointment of such proxy shall be null and void in respect of such meeting and his proxy shall not be entitled to attend such meeting.*
3. *Where a Member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it shall be entitled to appoint at least one proxy in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *Where the Proxy Form is executed by a corporation, it must be either under its Seal or under the hand of an officer or attorney duly authorised.*
6. *The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*
7. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 50(9)(a) of the Company's Constitution and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 14 April 2017 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.*

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SHARE REGISTRAR

CARLSBERG BREWERY MALAYSIA BERHAD (9210-K)

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

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CORPORATE INFORMATION

DIRECTORS

Dato' Lim Say Chong
J.S.M.,D.M.P.N.
Chairman

Lars Lehmann
Managing Director

Graham James Fewkes
Non-Executive Director

Roland Arthur Lawrence
Non-Executive Director

Olivier Dubost
Non-Executive Director

Chew Hoy Ping
Independent Non-Executive Director

COMPANY SECRETARY

Yee Chin Beng
(MIA No. 16894)

Lu Kee Chee
(LS 0009744)

AUDITORS

KPMG PLT
Chartered Accountants
Level 10, KPMG Tower,
8, First Avenue, Bandar Utama,
47800 Petaling Jaya,
Selangor Darul Ehsan.
Tel : +603 7721 3388
Fax : +603 7721 3399

PRINCIPAL BANKERS

Citibank Berhad
(Company No. 297089-M)

Public Bank Berhad
(Company No. 6463-H)

Deutsche Bank (Malaysia) Berhad
(312552-W)

BNP Paribas Malaysia Berhad
(918091-T)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

No. 55, Persiaran Selangor,
Section 15,
40200 Shah Alam,
Selangor Darul Ehsan.
Tel : +603 5522 6688
Fax : +603 5519 1931
Email : MYSMCorpAffairs@carlsberg.asia
Website : www.carlsbergmalaysia.com.my

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.
(Company No. 11324-H)
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur.
Tel : +603 2783 9299
Fax : +603 2783 9222

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

Carlsberg Brewery Malaysia Berhad (9210-K)
No. 55, Persiaran Selangor, Section 15
40200 Shah Alam, Selangor Darul Ehsan, Malaysia

Tel : +603 5522 6688 Fax : +603 5519 1931
www.carlsbergmalaysia.com.my