

PPB GROUP BERHAD (8167-W)
INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2019

Condensed Consolidated Income Statements For The Period Ended 30 September 2019

	3rd Quarter ended		9 Months ended	
	30 September		30 September	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Revenue	1,193,847	1,136,493	3,503,068	3,364,047
Operating expenses	<u>(1,141,386)</u>	<u>(1,097,726)</u>	<u>(3,361,222)</u>	<u>(3,233,776)</u>
Operating profit	52,461	38,767	141,846	130,271
Other operating income, other gains net of losses	12,009	17,022	55,710	64,970
Share of profits less losses of associates	365,679	324,102	710,948	739,465
Share of profits of joint venture	425	1,323	1,330	3,367
Finance costs	<u>(8,807)</u>	<u>(5,791)</u>	<u>(26,813)</u>	<u>(17,109)</u>
Profit before tax	421,767	375,423	883,021	920,964
Tax expense	<u>(16,696)</u>	<u>(14,709)</u>	<u>(49,829)</u>	<u>(53,488)</u>
Profit for the period	<u>405,071</u>	<u>360,714</u>	<u>833,192</u>	<u>867,476</u>
Attributable to :				
Owners of the parent	394,182	359,773	802,606	853,757
Non-controlling interests	10,889	941	30,586	13,719
Profit for the period	<u>405,071</u>	<u>360,714</u>	<u>833,192</u>	<u>867,476</u>
Basic earnings per share (sen)	<u>27.71</u>	<u>25.29</u>	<u>56.42</u>	<u>60.01</u>

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018)

PPB GROUP BERHAD (8167-W)
Condensed Consolidated Statements Of Comprehensive Income
For The Period Ended 30 September 2019

	3rd Quarter ended		9 Months ended	
	30 September		30 September	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period	405,071	360,714	833,192	867,476
Other comprehensive income/(loss), net of tax				
<u>Items that will not be subsequently reclassified to profit or loss</u>				
Fair value losses on investment in equity instruments designated as fair value through other comprehensive income	(73,199)	(108,523)	(105,005)	(220,881)
Share of associates' other comprehensive income	(25,355)	-	(12,497)	-
<u>Items that will be subsequently reclassified to profit or loss</u>				
Exchange differences on translation of foreign operations	228,752	401,776	230,975	340,690
Share of associates' other comprehensive loss	(285,440)	(280,282)	(233,259)	(448,299)
Total comprehensive income	<u>249,829</u>	<u>373,685</u>	<u>713,406</u>	<u>538,986</u>
Attributable to :				
Owners of the parent	240,803	371,528	681,206	535,013
Non-controlling interests	9,026	2,157	32,200	3,973
Total comprehensive income	<u>249,829</u>	<u>373,685</u>	<u>713,406</u>	<u>538,986</u>

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018)

PPB GROUP BERHAD (8167-W)
Condensed Consolidated Statements Of Financial Position

	As at 30-Sep-19 RM'000	As at 31-Dec-18 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	1,272,654	1,292,431
Investment properties	258,249	243,380
Right-of-use assets	198,409	223,142
Biological assets	3,742	3,804
Goodwill	73,704	73,704
Other intangible assets	9,515	12,241
Land held for property development	100,076	101,525
Investment in associates	17,865,722	17,551,604
Investment in joint venture	50,622	57,017
Amount due from an associate	8,915	8,604
Other investments	429,184	534,069
Deferred tax assets	2,967	4,052
	<u>20,273,759</u>	<u>20,105,573</u>
Current Assets		
Inventories	814,942	892,023
Biological assets	20,763	21,980
Other intangible assets	50	50
Property development costs	15,950	13,790
Receivables	834,164	793,336
Derivative financial assets	2,494	498
Current tax assets	11,493	20,899
Cash and cash equivalents	1,518,369	1,391,164
	<u>3,218,225</u>	<u>3,133,740</u>
Assets classified as held for sale	5,084	5,350
	<u>3,223,309</u>	<u>3,139,090</u>
TOTAL ASSETS	<u><u>23,497,068</u></u>	<u><u>23,244,663</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	1,429,314	1,429,314
Reserves	19,880,497	19,610,760
Equity attributable to owners of the parent	<u>21,309,811</u>	<u>21,040,074</u>
Non-controlling interests	726,601	696,797
Total equity	<u><u>22,036,412</u></u>	<u><u>21,736,871</u></u>

PPB GROUP BERHAD (8167-W)
Condensed Consolidated Statements Of Financial Position
(continued)

	As at 30-Sep-19 RM'000	As at 31-Dec-18 RM'000
Non-current Liabilities		
Borrowings	5,538	20,857
Lease obligations	215,130	232,604
Deferred tax liabilities	92,138	86,460
	312,806	339,921
Current Liabilities		
Payables	624,347	654,167
Derivative financial liabilities	5,556	470
Borrowings	481,611	468,068
Lease obligations	27,142	32,469
Current tax liabilities	8,815	12,150
	1,147,471	1,167,324
Liabilities associated with assets classified as held for sale	379	547
	1,147,850	1,167,871
Total liabilities	1,460,656	1,507,792
TOTAL EQUITY AND LIABILITIES	23,497,068	23,244,663

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018)

Condensed Consolidated Statements Of Changes In Equity For The Period Ended 30 September 2019

	Non-distributable				Distributable	Attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000	
	Exchange translation reserve RM'000	Fair value reserve RM'000	Hedge reserve RM'000	Capital reserve RM'000	Retained earnings RM'000				
9 months ended 30 September 2019									
At 1 January 2019	1,429,314	2,883,511	68,512	(9,949)	224,442	16,444,244	21,040,074	696,797	21,736,871
Total comprehensive (loss)/income	-	(20,459)	(105,005)	1,516	2,548	802,606	681,206	32,200	713,406
Transfer of reserves	-	-	(5)	-	9,219	(9,214)	-	-	-
Dividends	-	-	-	-	-	(398,328)	(398,328)	(2,396)	(400,724)
Changes in equity interest in an associate	-	-	-	-	-	(13,141)	(13,141)	-	(13,141)
At 30 September 2019	1,429,314	2,863,052	(36,498)	(8,433)	236,209	16,826,167	21,309,811	726,601	22,036,412
9 Months ended 30 September 2018									
At 1 January 2018	1,192,215	2,981,389	292,119	17,646	202,977	16,029,662	20,716,008	676,005	21,392,013
Total comprehensive (loss)/income	-	(66,237)	(220,881)	6,171	(41,452)	857,412	535,013	3,973	538,986
Transfer of reserves	-	-	-	-	1,022	(1,022)	-	-	-
Issuance of bonus shares	237,099	-	-	-	-	(237,099)	-	-	-
Expenses for issuance of bonus shares	-	-	-	-	-	(228)	(228)	-	(228)
Dividends	-	-	-	-	-	(374,618)	(374,618)	(4,700)	(379,318)
Issue of shares to non-controlling interest	-	-	-	-	-	-	-	7,030	7,030
Acquisition of shares in a subsidiary	-	-	-	-	-	851	851	(5,852)	(5,001)
Changes in equity interest in an associate	-	-	-	-	-	(6,386)	(6,386)	-	(6,386)
At 30 September 2018	1,429,314	2,915,152	71,238	23,817	162,547	16,268,572	20,870,640	676,456	21,547,096

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018)

PPB GROUP BERHAD (8167-W)
Condensed Consolidated Statements Of Cash Flows
For The Period Ended 30 September 2019

	9 months ended 30 September	
	2019	2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	883,021	920,964
Adjustments :		
Non-cash items	(580,273)	(636,565)
Non-operating items	(22,222)	(26,611)
Operating profit before working capital changes	280,526	257,788
Working capital changes :-		
Net change in current assets	47,205	82,981
Net change in current liabilities	(146,616)	64,985
Cash generated from operations	181,115	405,754
Tax paid	(36,929)	(43,983)
Net cash generated from operating activities	144,186	361,771
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment, investment properties, biological assets and other intangible assets	(94,017)	(114,045)
Proceeds from disposal of property, plant and equipment and assets held for sale	5,145	13,834
Purchase of investments	(25)	(95,141)
Proceeds from disposal of investments	388	-
Dividends received	376,519	383,277
Income received from short-term fund placements	25,176	23,445
Interest received	6,995	10,030
Repayment from associates	542	70,807
Distribution of profit from joint venture	7,587	5,142
Other investing activities	3,647	3,408
Net cash generated from investing activities	331,957	300,757
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank borrowings	(10,673)	(275,558)
Interest paid	(19,781)	(17,036)
Dividends paid	(286,916)	(265,510)
Payment of lease obligations	(32,839)	(32,652)
Other financing activities	-	(228)
Shares issued to non-controlling interests of a subsidiary	-	7,030
Net cash used in financing activities	(350,209)	(583,954)
Net increase in cash and cash equivalents	125,934	78,574
Cash and cash equivalents brought forward	1,390,711	1,338,663
Effect of exchange rate changes	1,331	828
Cash and cash equivalents carried forward	1,517,976	1,418,065
<u>Cash and cash equivalents represented by :</u>		
Cash and bank balances	329,564	271,586
Bank deposits	150,027	244,962
Short-term fund placements	1,038,778	902,065
Bank overdrafts	(393)	(548)
	1,517,976	1,418,065

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018)

NOTES

A1. Accounting policies

The interim financial statements of the Group have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") MFRS 134 Interim Financial Reporting and Chapter 9, Part K of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").

The Group early adopted MFRS 16 Leases in the financial year ended 31 December 2018. Following the adoption of MFRS 16, the Group recognised depreciation of the right-of-use assets and interest on lease liability, instead of lease rental, in the profit or loss. The higher finance cost is attributable to the interest on lease liability.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the audited financial statements for the financial year ended 31 December 2018 except for the adoption of the following MFRS, Amendments to MFRS and Issues Committee Interpretation ("IC Interpretation") that are effective for financial periods beginning on or after 1 January 2019 :

IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 3, MFRS 11, MFRS 112 and MFRS 123	Annual Improvements to MFRS Standards 2015 - 2017 Cycle
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement

A2. Seasonality or cyclicity of interim operations

The Group's operations are not materially affected by any seasonal or cyclical factors.

A3. Exceptional or unusual items

There were no exceptional or unusual items for the financial period ended 30 September 2019.

A4. Nature and amount of changes in estimates

There were no changes in estimates of amounts reported in the previous financial year which have a material effect in the current financial period.

A5. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuances or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period.

A6. Dividends paid

A final dividend of 20 sen per share in respect of financial year ended 31 December 2018 was paid on 10 June 2019.

A7. Segmental reporting

Performance of the Group's business segments for the financial period ended 30 September 2019 is as follows :

Business segments: All figures in RM'000	<u>Grains and agribusiness</u>	<u>Consumer products</u>	<u>Film exhibition and distribution</u>	<u>Environmental engineering and utilities</u>	<u>Property</u>	<u>Investments and Other operations</u>	<u>Inter-segment elimination</u>	<u>Total</u>
REVENUE								
External revenue	2,366,153	484,240	408,647	131,070	42,599	70,359	-	3,503,068
Inter-segment sales	117,559	2,329	-	192	917	240	(121,237)	-
Total revenue	<u>2,483,712</u>	<u>486,569</u>	<u>408,647</u>	<u>131,262</u>	<u>43,516</u>	<u>70,599</u>	<u>(121,237)</u>	<u>3,503,068</u>
RESULTS								
Segment results	86,007	7,100	52,395	9,229	10,579	37,268	-	202,578
Share of profits less losses of associates	53,311	(4,634)	2,865	4,031	2,719	652,656	-	710,948
Share of profits of joint venture	-	-	-	1,330	-	-	-	1,330
Unallocated corporate expenses	-	-	-	-	-	-	-	(31,835)
Profit before tax	<u>139,318</u>	<u>2,466</u>	<u>55,260</u>	<u>14,590</u>	<u>13,298</u>	<u>689,924</u>	<u>-</u>	<u>883,021</u>

A8. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the financial period that have not been reflected in the financial statements under review.

A9. Changes in the composition of the Group

There were no material changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations for the financial period under review.

A10. Changes in contingent liabilities or contingent assets

There were no material changes in contingent assets and contingent liabilities since the end of the previous financial year.

A11. Capital and other commitments

Authorised capital and other commitments not provided for in the financial statements as at 30 September 2019 are as follows:

	RM'000
Property, plant and equipment, investment properties and biological assets	
- contracted	34,906
- not contracted	516,815
	<u>551,721</u>
Other commitments	
- contracted	301,194
	<u>301,194</u>
Total	<u><u>852,915</u></u>

A12. Significant related party transactions

Significant related party transactions during the financial period ended 30 September 2019 are as follows:

	RM'000
Transactions with associates	
- Film rental income	5,459
- Sales of goods	1,251
- Purchase of goods	25,522
	<u>32,232</u>
Transactions with a subsidiary of the ultimate holding company	
- Supervision fee income	1,329
- Sales of goods	12,657
- Purchase of goods	1,100
	<u>15,086</u>
Transactions with subsidiaries of associates	
- Purchase of goods	128,636
- Sales of goods	76,841
- Rental income	2,507
- Security and other service expenses	5,635
- Supervision fee income	1,732
- Charter hire of vessels	88,042
	<u>303,393</u>

B1. Performance analysis

Group financial performance by business segment

Business segments: All figures in RM'000	<u>Grains and agribusiness</u>	<u>Consumer products</u>	<u>Film exhibition and distribution</u>	<u>Environmental engineering and utilities</u>	<u>Property</u>	<u>Investments and Other operations</u>	<u>Inter- segment elimination</u>	<u>Total</u>
3Q2019								
REVENUE								
External revenue	808,488	153,914	134,830	60,498	14,585	21,532	-	1,193,847
Inter-segment sales	40,272	829	-	64	320	95	(41,580)	-
Total revenue	848,760	154,743	134,830	60,562	14,905	21,627	(41,580)	1,193,847
RESULTS								
Segment results	30,939	1,377	16,606	5,794	1,559	10,521	-	66,796
Share of profits less losses of associates	22,954	(1,575)	(547)	1,420	753	342,674	-	365,679
Share of profits of joint venture	-	-	-	425	-	-	-	425
Unallocated corporate expenses	-	-	-	-	-	-	-	(11,133)
Profit/(Loss) before tax	53,893	(198)	16,059	7,639	2,312	353,195	-	421,767
3Q2018								
REVENUE								
External revenue	746,812	153,396	148,957	55,982	11,663	19,683	-	1,136,493
Inter-segment sales	32,938	833	-	48	437	160	(34,416)	-
Total revenue	779,750	154,229	148,957	56,030	12,100	19,843	(34,416)	1,136,493
RESULTS								
Segment results	11,806	1,105	24,081	4,176	5,455	8,908	-	55,531
Share of profits less losses of associates	20,288	(2,043)	1,048	(4,001)	3,085	305,725	-	324,102
Share of profits of joint venture	-	-	-	1,323	-	-	-	1,323
Unallocated corporate expenses	-	-	-	-	-	-	-	(5,533)
Profit/(Loss) before tax	32,094	(938)	25,129	1,498	8,540	314,633	-	375,423
Variance								
Revenue (%)	9%	0%	-9%	8%	23%	9%	-21%	5%
Profit/(Loss) before tax (%)	68%	79%	-36%	>100%	-73%	12%	0%	12%

(Certain comparative figures have been reclassified to conform with current year presentation)

B1. Performance analysis

Group financial performance by business segment

Business segments: All figures in RM'000	Grains and agribusiness	Consumer products	Film exhibition and distribution	Environmental engineering and utilities	Property	Investments and Other operations	Inter- segment elimination	Total
<u>9M2019</u>								
REVENUE								
External revenue	2,366,153	484,240	408,647	131,070	42,599	70,359	-	3,503,068
Inter-segment sales	117,559	2,329	-	192	917	240	(121,237)	-
Total revenue	<u>2,483,712</u>	<u>486,569</u>	<u>408,647</u>	<u>131,262</u>	<u>43,516</u>	<u>70,599</u>	<u>(121,237)</u>	<u>3,503,068</u>
RESULTS								
Segment results	86,007	7,100	52,395	9,229	10,579	37,268	-	202,578
Share of profits less losses of associates	53,311	(4,634)	2,865	4,031	2,719	652,656	-	710,948
Share of profits of joint venture	-	-	-	1,330	-	-	-	1,330
Unallocated corporate expenses	-	-	-	-	-	-	-	(31,835)
Profit before tax	<u>139,318</u>	<u>2,466</u>	<u>55,260</u>	<u>14,590</u>	<u>13,298</u>	<u>689,924</u>	<u>-</u>	<u>883,021</u>
<u>9M2018</u>								
REVENUE								
External revenue	2,222,146	485,348	401,631	148,989	35,086	70,847	-	3,364,047
Inter-segment sales	96,172	2,018	-	144	1,387	427	(100,148)	-
Total revenue	<u>2,318,318</u>	<u>487,366</u>	<u>401,631</u>	<u>149,133</u>	<u>36,473</u>	<u>71,274</u>	<u>(100,148)</u>	<u>3,364,047</u>
RESULTS								
Segment results	77,975	10,644	51,185	12,446	11,877	33,181	-	197,308
Share of profits less losses of associates	53,401	(4,505)	3,259	(1,705)	6,998	682,017	-	739,465
Share of profits of joint venture	-	-	-	3,367	-	-	-	3,367
Unallocated corporate expenses	-	-	-	-	-	-	-	(19,176)
Profit before tax	<u>131,376</u>	<u>6,139</u>	<u>54,444</u>	<u>14,108</u>	<u>18,875</u>	<u>715,198</u>	<u>-</u>	<u>920,964</u>
Variance								
Revenue (%)	7%	0%	2%	-12%	19%	-1%	-21%	4%
Profit before tax (%)	6%	-60%	1%	3%	-30%	-4%	0%	-4%

(Certain comparative figures have been reclassified to conform with current year presentation)

Current quarter's performance against quarter ended 30 September 2018

The Group recorded total revenue of RM1.19 billion in 3Q2019 (3Q2018: RM1.14 billion), up 5% from a year ago. Pre-tax profit of the Group was at RM422 million, 12% higher as compared to RM375 million recorded in 3Q2018. The higher profit was mainly attributed to the stronger contribution from Wilmar International Limited ("Wilmar") as well as higher performance from the *Grains and agribusiness and Environmental engineering and utilities* segments.

For 9M2019, Group revenue increased by 4% to RM3.50 billion (9M2018: RM3.36 billion) on the back of higher revenue from the *Grains and agribusiness, Film exhibition and distribution and Property* segments.

Group pre-tax profit was lower by 4% to RM883 million in 9M2019 (9M2018: RM921 million) attributable to lower contribution from Wilmar at RM652 million (9M2018: RM682 million), partially offset by higher profits from the *Grains and agribusiness* segment.

Grains and agribusiness

Segment revenue and profit increased by 9% and 68% to RM849 million (3Q2018: RM780 million) and RM54 million (3Q2018: RM32 million) respectively. This was mainly attributable to higher flour prices.

For 9M2019, segment revenue grew by 7% to RM2.48 billion (9M2018: RM2.32 billion). Segment profit was higher by 6% to RM139 million (9M2018: RM131 million) mainly due to improved flour prices, partially offset by higher raw material costs.

Consumer products

Segment revenue for 3Q2019 and 9M2019 remained at RM155 million (3Q2018: RM154 million) and RM487 million (9M2018: RM487 million) respectively. The segment reported a lower loss of RM0.2 million (3Q2018: RM0.9 million) mainly due to higher sales of agency products. For 9M2019, segment profit was lower at RM2.5 million (9M2018: RM6 million) mainly due to higher operating costs at the bakery division.

Film exhibition and distribution

For 3Q2019, segment revenue and profit was lower by 9% to RM135 million (3Q2018: RM149 million) and RM16 million (3Q2018: RM25 million) respectively. This was mainly due to fewer strong local titles in 3Q2019.

For 9M2019, segment revenue and segment profit was at RM409 million (9M2018: RM402 million) and RM55 million (9M2018: RM54 million) respectively. Higher contribution from film distribution was offset by lower contribution from film exhibition.

Environmental engineering and utilities

For 3Q2019, segment revenue and segment profit was higher at RM61 million (3Q2018: RM56 million) and RM8 million (3Q2018: RM1 million) respectively, mainly due to progressive recognition of profit from new projects secured.

For 9M2019, segment revenue and profit was at RM131 million (9M2018: RM149 million) and RM15 million (9M2018: RM14 million) respectively.

Property

Segment revenue for 3Q2019 and 9M2019 was at RM15 million (3Q2018: RM12 million) and RM44 million (9M2018: RM36 million) respectively. Segment profit for 3Q2019 and 9M2019 was lower at RM2 million (9M2018: RM9 million) and RM13 million (9M2018: RM19 million) respectively.

Higher segment revenue for 9M2019 was mainly attributable to higher progress billings from the Megah Rise project.

Excluding a one-off gain from sale of land and building of RM5 million in 9M2019 (9M2018: RM1 million), segment profit for 9M2019 was at RM8 million (9M2018: RM18 million). The lower segment profit was due mainly to lower contribution from mall operations and lower share of profit from associate.

Investments and Other operations

Combined segment recorded a profit of RM353 million in 3Q2019 (3Q2018: RM315 million) and RM690 million for 9M2019 (9M2018: RM715 million) respectively. Profit contribution from Wilmar was higher at RM342 million for 3Q2019 (3Q2018: RM306 million). For 9M2019, contribution from Wilmar was lower by 4% at RM652 million (9M2018: RM682 million).

B2. Material changes in the quarterly results compared to the results of the preceding quarter

Group pre-tax profit was higher at RM422 million in 3Q2019 (2Q2019: RM181 million) due mainly to significant increase in profit contribution from Wilmar at RM342 million (2Q2019: RM117 million).

B3. Prospects for the current financial year

The Malaysian economy registered an average growth of 4.6% in the first three quarters of 2019. Overall, growth is expected to be within projections in 2019 and the pace sustained going into 2020. This is underpinned mainly by private sector activity, particularly household spending, which is supported by continued expansion in employment and income.

While the grain commodity and foreign exchange market continued to be volatile, and competition remained intense, the *Grains and agribusiness* segment is expected to perform satisfactorily by capitalising on its established market position and technical strength in maintaining good quality products. Performance of the *Consumer products* segment is expected to remain stable. Performance of *Film exhibition and distribution* segment will be driven by strong title releases and new cinemas opening in Klang Valley and southern regions, as well as introduction of new cinematic technology and facilities. The *Environmental engineering and utilities* segment will continue to focus on replenishing its order book and exploring new project opportunities. The *Property* segment will continue to execute its existing projects and improve yield of its existing investment properties.

For the current financial year, the Group's main business segments are expected to perform satisfactorily. Wilmar's performance will continue to contribute substantially to the overall profitability of the Group.

B4. Variance of actual profit from forecast profit

Not applicable.

B5. Profit before tax

	3rd Quarter ended 30-Sep-19 RM'000	9 months ended 30-Sep-19 RM'000
Profit before tax was stated after charging/(crediting):		
Dividend income	2,076	9,298
Net fair value loss on derivatives	(6,402)	(3,292)
Net foreign exchange (loss)/gain	(1,056)	61
Interest income and income from short-term fund placements	12,207	36,092
Allowance for doubtful debts and receivables written off	(298)	(1,701)
Depreciation and amortisation	(44,867)	(133,202)

B6. Tax expense

	3rd Quarter ended 30-Sep-19 RM'000	9 months ended 30-Sep-19 RM'000
Taxation comprises:		
Malaysian operation		
Current income tax	11,539	33,890
Deferred tax	(454)	15
	<u>11,085</u>	<u>33,905</u>
Foreign operation		
Current income tax	1,953	8,094
Deferred tax	2,685	6,698
	<u>15,723</u>	<u>48,697</u>
Underprovision in prior year:		
Current	924	1,003
Deferred Tax	49	129
	<u>16,696</u>	<u>49,829</u>

The effective tax rate is higher than the statutory tax rate due mainly to provision for withholding tax on undistributed profits of foreign associates and deferred tax asset not recognised by certain subsidiaries. Deferred tax benefit will only be recognised when it is probable that taxable profits will be available to allow deferred tax benefit to be realised.

B7. Status of corporate proposals

There were no corporate proposals announced but not completed as at 14 November 2019.

B8. Group borrowings

Total Group borrowings as at 30 September 2019 were as follows:

	Total RM'000	Secured RM'000	Unsecured RM'000
Long-term bank borrowings			
Long-term bank loans (USD)	15,498	15,498	-
Long-term bank loans (VND)	10,674	10,674	-
Hire purchase financing	278	278	-
Repayments due within the next 12 months	(20,912)	(20,912)	-
	<u>5,538</u>	<u>5,538</u>	<u>-</u>
Short-term bank borrowings			
Bills payable (IDR)	48,339	-	48,339
Short-term loans	900	-	900
Short-term loans (USD)	225,875	-	225,875
Short-term loans (IDR)	124,974	-	124,974
Short-term loans (VND)	60,218	-	60,218
Hire purchase financing	77	77	-
Current portion of long-term bank borrowings	20,835	20,835	-
	<u>481,218</u>	<u>20,912</u>	<u>460,306</u>
Bank overdrafts	393	-	393
	<u>481,611</u>	<u>20,912</u>	<u>460,699</u>

B9. Derivative financial instruments

(a) Derivative financial assets and financial liabilities

	As at 30 September 2019	
	Contract / Notional value RM'000	Fair value - Assets / Liabilities RM'000
<u>Derivative financial assets</u>		
i) Futures contracts	38,234	2,409
ii) Forward foreign currency contracts	27,842	85
Total derivative assets		2,494
<u>Derivative financial liabilities</u>		
i) Options contracts	474	227
ii) Futures contracts	126,603	5,299
iii) Forward foreign currency contracts	33,559	30
Total derivative liabilities		5,556

All contracts will mature within one year.

Futures and options contracts

The Group is exposed to market risk mainly from fluctuations in the prices of agricultural commodities, namely wheat and corn which are the key raw materials used in the Group's *Grains and agribusiness* segment. Commodity futures and options contracts are entered into with the objective to mitigate and hedge against the volatility of commodity prices. It is the policy of the Group to hedge only in contracts with corresponding underlying commodities that are used in its grains and agribusiness activities.

Forward foreign currency contracts

The Group enters into foreign currency forward contracts to minimise its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency. Under the Group's policy, foreign currency hedging is only considered for committed transactions and shall not exceed 100% of the committed amount.

There have been no significant changes since the end of the previous financial year ended 31 December 2018 in respect of the following:

- (i) the credit risk, market risk and liquidity risk associated with the derivatives;
- (ii) the cash requirements of the derivatives;
- (iii) the policies in place for mitigating or controlling the risks associated with the derivatives; and
- (iv) the related accounting policies.

(b) Fair value changes of financial instruments

The derivative financial instruments are recognised at fair value on contract dates and subsequently re-measured at fair value through profit or loss. The resulting gain or loss from the re-measurement is recognised in the income statement. Fair value changes are dependent on the market prices of derivatives as at liquidation date and end of reporting period.

For third quarter of 2019, net fair value loss on derivative financial instruments amounted to RM6 million (3Q2018: RM2 million).

For nine months of 2019, net fair value loss on derivative financial instruments amounted to RM3 million (9M2018: RM3 million).

B10. Material litigation

There was no material litigation as at 14 November 2019.

B11. Dividends

An interim dividend of 8 sen per share in respect of financial year ending 31 December 2019 was paid on 2 October 2019.

The directors do not recommend the payment of any dividend for the third quarter under review.

B12. Earnings per share

	3rd Quarter ended 30 September		9 months ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net profit for the period	394,182	359,773	802,606	853,757
Number of ordinary shares in issue ('000)	1,422,599	1,422,599	1,422,599	1,422,599
Basic earnings per share (sen)	27.71	25.29	56.42	60.01

There were no dilutive potential ordinary shares outstanding as at 30 September 2019 and 30 September 2018. As a result, there were no diluted earnings per share for the financial period ended 30 September 2019 and the previous financial period.

B13. Disclosure of audit report qualification and status of matters raised

The auditors' report for the financial year ended 31 December 2018 was not subject to any qualification.

Kuala Lumpur
21 November 2019

By Order of the Board
Mah Teck Keong
Company Secretary