

PPB GROUP BERHAD (8167-W)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 31 DECEMBER 2019

Unaudited Condensed Consolidated Income Statements For The Financial Year Ended
31 December 2019

	4th Quarter ended 31 December		12 Months ended 31 December	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	1,180,708	1,164,213	4,683,776	4,528,260
Operating expenses	(1,113,998)	(1,113,286)	(4,475,220)	(4,347,061)
Operating profit	66,710	50,927	208,556	181,199
Other operating income, other gains net of losses	6,522	31,781	62,232	96,751
Share of profits less losses of associates	328,666	180,457	1,039,614	919,922
Share of (losses)/profits of joint venture	(6,290)	337	(4,960)	3,704
Finance costs	(7,001)	(16,784)	(33,814)	(33,893)
Profit before tax	388,607	246,718	1,271,628	1,167,683
Tax expense	(22,537)	(11,242)	(72,366)	(64,732)
Profit for the period/year	<u>366,070</u>	<u>235,476</u>	<u>1,199,262</u>	<u>1,102,951</u>
Attributable to :				
Owners of the parent	349,945	221,340	1,152,551	1,075,096
Non-controlling interests	16,125	14,136	46,711	27,855
Profit for the period/year	<u>366,070</u>	<u>235,476</u>	<u>1,199,262</u>	<u>1,102,951</u>
Basic earnings per share (sen)	<u>24.60</u>	<u>15.56</u>	<u>81.02</u>	<u>75.57</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)

**Unaudited Condensed Consolidated Statements Of Comprehensive Income
For The Financial Year Ended 31 December 2019**

	4th Quarter ended 31 December		12 Months ended 31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period/year	366,070	235,476	1,199,262	1,102,951
Other comprehensive income/(loss), net of tax				
<u>Items that will not be subsequently reclassified to profit or loss</u>				
Fair value gain/(loss) on investment in equity instruments designated as fair value through other comprehensive income	5,208	(2,726)	(99,797)	(223,607)
Share of associates' other comprehensive (loss)/income	(13,035)	7,356	(25,532)	7,356
Gain on disposal of equity instruments at fair value through other comprehensive income	6,487	-	6,487	-
<u>Items that will be subsequently reclassified to profit or loss</u>				
Exchange differences on translation of foreign operations	(402,303)	(4,117)	(171,328)	336,574
Share of associates' other comprehensive income/(loss)	168,245	(18,276)	(65,014)	(466,575)
Total comprehensive income	<u>130,672</u>	<u>217,713</u>	<u>844,078</u>	<u>756,699</u>
Attributable to :				
Owners of the parent	112,307	205,340	793,513	740,353
Non-controlling interests	18,365	12,373	50,565	16,346
Total comprehensive income	<u>130,672</u>	<u>217,713</u>	<u>844,078</u>	<u>756,699</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)
Unaudited Condensed Consolidated Statements Of Financial Position

	As at 31-Dec-19 RM'000	As at 31-Dec-18 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	1,337,417	1,297,512
Investment properties	265,770	243,649
Right-of-use assets	245,769	223,142
Biological assets	3,042	3,804
Goodwill	73,704	73,704
Other intangible assets	9,177	12,241
Land held for property development	100,178	101,525
Investment in associates	17,960,226	17,551,604
Investment in joint venture	43,308	57,017
Receivables	10,600	8,604
Other investments	405,179	534,069
Deferred tax assets	342	4,052
	<u>20,454,712</u>	<u>20,110,923</u>
Current Assets		
Inventories	802,513	892,023
Biological assets	16,767	21,980
Other intangible assets	25	50
Property development costs	18,881	13,790
Receivables	801,805	793,336
Derivative financial assets	128	498
Current tax assets	9,921	20,899
Cash and cash equivalents	1,500,909	1,391,164
	<u>3,150,949</u>	<u>3,133,740</u>
TOTAL ASSETS	<u><u>23,605,661</u></u>	<u><u>23,244,663</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	1,429,314	1,429,314
Reserves	20,005,945	19,610,760
Equity attributable to owners of the parent	<u>21,435,259</u>	<u>21,040,074</u>
Non-controlling interests	721,436	696,797
Total equity	<u><u>22,156,695</u></u>	<u><u>21,736,871</u></u>

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

	As at 31-Dec-19 RM'000	As at 31-Dec-18 RM'000
Non-current Liabilities		
Borrowings	4,096	20,857
Lease obligations	257,316	232,604
Deferred tax liabilities	102,191	86,853
	363,603	340,314
Current Liabilities		
Payables	669,190	654,321
Derivative financial liabilities	17,339	470
Borrowings	357,075	468,068
Lease obligations	33,740	32,469
Current tax liabilities	8,019	12,150
	1,085,363	1,167,478
Total liabilities	1,448,966	1,507,792
TOTAL EQUITY AND LIABILITIES	23,605,661	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)

Unaudited Condensed Consolidated Statements Of Changes In Equity For The Financial Year Ended 31 December 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				
12 months ended 31 December 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	-	(229,622)	(93,685)	(35,359)	(749)	1,152,928	793,513	50,565	844,078
Transfer of reserves	-	-	-	-	18,827	(18,827)	-	-	-
Dividends	-	-	-	-	-	(398,328)	(398,328)	(25,926)	(424,254)
At 31 December 2019	1,429,314	2,653,889	(25,173)	(45,308)	242,520	17,180,017	21,435,259	721,436	22,156,695
12 months ended 31 December 2018									
At 1 January 2018	1,192,215	2,982,165	292,119	19,014	202,977	15,991,602	20,680,092	675,863	21,355,955
Total comprehensive (loss)/income	-	(98,654)	(223,607)	(28,963)	16,481	1,075,096	740,353	16,346	756,699
Transfer of reserves	-	-	-	-	4,984	(4,984)	-	-	-
Issuance of bonus shares	237,099	-	-	-	-	(237,099)	-	-	-
Expenses for issuance of bonus shares	-	-	-	-	-	(228)	(228)	-	(228)
Dividends	-	-	-	-	-	(374,618)	(374,618)	(19,395)	(394,013)
Issue of shares to non-controlling interest	-	-	-	-	-	-	-	29,857	29,857
Acquisition of shares in a subsidiary	-	-	-	-	-	874	874	(5,874)	(5,000)
Changes in equity interest in an associate	-	-	-	-	-	(6,399)	(6,399)	-	(6,399)
At 31 December 2018	1,429,314	2,883,511	68,512	(9,949)	224,442	16,444,244	21,040,074	696,797	21,736,871

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

**Unaudited Condensed Consolidated Statements Of Cash Flows
For The Financial Year Ended 31 December 2019**

	12 months ended 31 December	
	2019	2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,271,628	1,167,683
Adjustments :		
Non-cash items	(856,897)	(755,253)
Non-operating items	(26,009)	(22,307)
Operating profit before working capital changes	<u>388,722</u>	<u>390,123</u>
Working capital changes :-		
Net change in current assets	97,510	(97,560)
Net change in current liabilities	(38,820)	245,269
Cash generated from operations	<u>447,412</u>	<u>537,832</u>
Tax paid	(46,438)	(58,289)
Net cash generated from operating activities	400,974	479,543
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment, investment properties, biological assets and other intangible assets	(142,640)	(150,622)
Proceeds from disposal of property, plant and equipment	5,266	4,475
Purchase of investments	-	(140,201)
Proceeds from disposal of investment	35,536	7,205
Dividends received	382,169	390,183
Income received from short-term fund placements	34,946	30,372
Interest received	9,266	14,614
Repayment from associates	496	130,677
Distribution of profit from joint venture	7,555	6,403
Other investing activities	-	135
Net cash generated from investing activities	332,594	293,241
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(133,285)	(291,384)
Interest paid	(23,814)	(23,488)
Dividends paid	(424,254)	(394,013)
Payment of lease obligations	(42,470)	(43,618)
Proceeds from issue of shares by a subsidiary	-	29,857
Other financing activities	-	(227)
Net cash used in financing activities	(623,823)	(722,873)
Net increase in cash and cash equivalents	109,745	49,911
Cash and cash equivalents brought forward	1,390,711	1,338,663
Effect of exchange rate changes	114	2,137
Cash and cash equivalents carried forward	1,500,570	1,390,711
Cash and cash equivalents represented by :		
Cash and bank balances	180,967	193,760
Bank deposits	174,977	281,455
Short-term fund placements	1,144,965	915,949
Bank overdrafts	(339)	(453)
	<u>1,500,570</u>	<u>1,390,711</u>

(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 year ended 31 December 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 year.

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 year.

A6. Dividends paid

During the financial year ended 31 December 2019, a final dividend of 20 sen per share in respect of financial year ended 31 December 2018 was paid on 10 June 2019, and an interim dividend of 8 sen per share in respect of financial year ended 31 December 2019 was paid on 2 October 2019.

A7. Segmental reporting

Performance of the Group's business segments for the financial year ended 31 December 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	3,153,532	624,197	556,127	194,569	63,298	92,053	-	4,683,776
Inter-segment sales	150,615	3,243	-	270	1,337	319	(155,784)	-
Total revenue	<u>3,304,147</u>	<u>627,440</u>	<u>556,127</u>	<u>194,839</u>	<u>64,635</u>	<u>92,372</u>	<u>(155,784)</u>	<u>4,683,776</u>
RESULTS								
Segment results	135,204	6,377	65,287	11,310	13,491	48,655	-	280,324
Share of profits less losses of associates	77,806	(5,730)	1,551	4,922	400	960,665	-	1,039,614
Share of losses of joint venture	-	-	-	(4,960)	-	-	-	(4,960)
Unallocated corporate expenses	-	-	-	-	-	-	-	(43,350)
Profit before tax	<u>213,010</u>	<u>647</u>	<u>66,838</u>	<u>11,272</u>	<u>13,891</u>	<u>1,009,320</u>	<u>-</u>	<u>1,271,628</u>

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

There were no material events subsequent to the end of the financial year 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 year ended 31 December 2019.

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 31 December 2019 are as follows:

	RM'000
Property, plant and equipment, investment properties and biological assets	
- contracted	17,989
- not contracted	446,150
	<u>464,139</u>
Other commitments	
- contracted	393,951
	<u>393,951</u>
Total	<u><u>858,090</u></u>

A12. Significant related party transactions

Significant related party transactions during the financial year ended 31 December 2019 are as follows:

	RM'000
Transactions with associates	
- Film rental income	5,807
- Sales of goods	1,670
- Interest income	1,162
- Purchase of goods	36,742
	<u>45,381</u>
Transactions with subsidiaries of the ultimate holding company	
- Supervision fee income	2,211
- Sales of goods	25,108
- Purchase of goods	1,100
	<u>28,419</u>
Transactions with subsidiaries of associates	
- Purchase of goods	195,069
- Sales of goods	108,662
- Rental income	3,333
- Security and other service expenses	7,973
- Supervision fee income	2,954
- Freight cost	131,642
	<u>449,633</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>
4Q2019								
REVENUE								
External revenue	787,379	139,957	147,480	63,499	20,699	21,694	-	1,180,708
Inter-segment sales	33,056	914	-	78	420	79	(34,547)	-
Total revenue	820,435	140,871	147,480	63,577	21,119	21,773	(34,547)	1,180,708
RESULTS								
Segment results	49,197	(723)	12,892	2,081	2,912	11,387	-	77,746
Share of profits less losses of associates	24,495	(1,096)	(1,314)	891	(2,319)	308,009	-	328,666
Share of losses of joint venture	-	-	-	(6,290)	-	-	-	(6,290)
Unallocated corporate expenses	-	-	-	-	-	-	-	(11,515)
Profit/(Loss) before tax	73,692	(1,819)	11,578	(3,318)	593	319,396	-	388,607
4Q2018								
REVENUE								
External revenue	767,479	152,373	143,808	55,710	19,625	25,218	-	1,164,213
Inter-segment sales	60,168	828	-	48	436	114	(61,594)	-
Total revenue	827,647	153,201	143,808	55,758	20,061	25,332	(61,594)	1,164,213
RESULTS								
Segment results	32,492	3,711	14,649	4,882	4,029	12,432	-	72,195
Share of profits less losses of associates	18,686	(2,762)	(1,919)	1,589	9,183	155,680	-	180,457
Share of profits of joint venture	-	-	-	337	-	-	-	337
Unallocated corporate expenses	-	-	-	-	-	-	-	(6,271)
Profit before tax	51,178	949	12,730	6,808	13,212	168,112	-	246,718
Variance								
Revenue (%)	-1%	-8%	3%	14%	5%	-14%	44%	1%
Profit/(Loss) before tax (%)	44%	->100%	-9%	->100%	-96%	90%	0%	58%

(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
FY2019								
REVENUE								
External revenue	3,153,532	624,197	556,127	194,569	63,298	92,053	-	4,683,776
Inter-segment sales	150,615	3,243	-	270	1,337	319	(155,784)	-
Total revenue	<u>3,304,147</u>	<u>627,440</u>	<u>556,127</u>	<u>194,839</u>	<u>64,635</u>	<u>92,372</u>	<u>(155,784)</u>	<u>4,683,776</u>
RESULTS								
Segment results	135,204	6,377	65,287	11,310	13,491	48,655	-	280,324
Share of profits less losses of associates	77,806	(5,730)	1,551	4,922	400	960,665	-	1,039,614
Share of losses of joint venture	-	-	-	(4,960)	-	-	-	(4,960)
Unallocated corporate expenses	-	-	-	-	-	-	-	(43,350)
Profit before tax	<u>213,010</u>	<u>647</u>	<u>66,838</u>	<u>11,272</u>	<u>13,891</u>	<u>1,009,320</u>	<u>-</u>	<u>1,271,628</u>
FY2018								
REVENUE								
External revenue	2,989,625	637,721	545,439	204,699	54,711	96,065	-	4,528,260
Inter-segment sales	156,340	2,846	-	192	1,823	541	(161,742)	-
Total revenue	<u>3,145,965</u>	<u>640,567</u>	<u>545,439</u>	<u>204,891</u>	<u>56,534</u>	<u>96,606</u>	<u>(161,742)</u>	<u>4,528,260</u>
RESULTS								
Segment results	110,467	14,355	65,834	17,328	15,906	45,614	-	269,504
Share of profits less losses of associates	72,087	(7,267)	1,340	(116)	16,181	837,697	-	919,922
Share of profits of joint venture	-	-	-	3,704	-	-	-	3,704
Unallocated corporate expenses	-	-	-	-	-	-	-	(25,447)
Profit before tax	<u>182,554</u>	<u>7,088</u>	<u>67,174</u>	<u>20,916</u>	<u>32,087</u>	<u>883,311</u>	<u>-</u>	<u>1,167,683</u>
Variance								
Revenue (%)	5%	-2%	2%	-5%	14%	-4%	4%	3%
Profit before tax (%)	17%	-91%	0%	-46%	-57%	14%	0%	9%

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

Group performance review

The Group recorded revenue of RM1.18 billion in 4Q2019 (4Q2018: RM1.16 billion). Pre-tax profit of the Group was at RM389 million, 58% higher as compared to RM247 million recorded in 4Q2018. The higher profit was mainly attributed to the stronger contribution from Wilmar International Limited ("Wilmar").

For financial year 2019, total Group revenue increased by 3% to RM4.68 billion (2018: RM4.53 billion); higher revenue was recorded by *Grains and agribusiness*, *Film exhibition and distribution* and *Property* segments.

Group pre-tax profit was higher by 9% to RM1.27 billion for financial year 2019 (2018: RM1.17 billion) attributable to higher contribution from Wilmar at RM960 million (2018: RM837 million) as well as higher profits from the *Grains and agribusiness* segment by 17% to RM213 million (2018: RM183 million).

Grains and agribusiness

Segment revenue in 4Q2019 remained relatively unchanged at RM820 million (4Q2018: RM828 million). Segment profit for 4Q2019 was higher by 44% at RM74 million (4Q2018: RM51) mainly attributable to higher contribution from the flour business.

For financial year 2019, segment revenue increased by 5% to RM3.30 billion (2018: RM3.15 billion) mainly attributable to higher flour prices. Segment profit increased by 17% to RM213 million (2018: RM183 million) mainly due to higher flour prices, partially offset by higher raw material costs.

Consumer products

Segment revenue for 4Q2019 and financial year 2019 was lower by 8% to RM141 million (4Q2018: RM153 million) and 2% to RM627 million (2018: RM641 million) respectively. In 4Q2019, the segment reported a loss of RM2 million as compared to a profit of RM1 million recorded in 4Q2018 mainly due to lower sales of in-house products. For financial year 2019, segment profit was lower at RM647,000 (2018: RM7 million) mainly due to lower sales of in-house products and higher operating costs at the bakery division.

Film exhibition and distribution

Segment revenue for 4Q2019 and financial year 2019 was higher by 3% and 2% to RM147 million (4Q2018: RM144 million) and RM556 million (2018: RM545 million) respectively. This was mainly driven by strong movie titles in 4Q2019.

Segment profit for 4Q2019 was lower by 9% at RM12 million (4Q2018: RM13 million) mainly due to accelerated depreciation for GSC Pavilion assets in view of the intended closure in early 2020. For financial year 2019, segment profit remained at RM67 million (2018: RM67 million). Whilst revenue was higher by RM10.7 million, it was offset by lower virtual print fee income by RM3.9 million, and higher cinema operating costs by RM6.3 million.

Environmental engineering and utilities

For 4Q2019, segment revenue was higher at RM64 million (4Q2018: RM56 million) mainly due to progressive recognition of revenue from projects secured. The segment reported a loss of RM3 million as compared to a gain of RM7 million recorded in 4Q2018 mainly due to one-off impairment of an overseas joint venture amounting to RM8.9 million.

For financial year 2019, segment revenue and profit was at RM195 million (2018: RM205 million) and RM11 million (2018: RM21 million) respectively. The lower profit was mainly due to one-off impairment of an overseas joint venture.

Property

Segment revenue for 4Q2019 and financial year 2019 was at RM21 million (4Q2018: RM20 million) and RM65 million (2018: RM57 million) respectively.

Segment profit for 4Q2019 and financial year 2019 was lower at RM1 million (4Q2018: RM13 million) and RM14 million (2018: RM32 million) respectively, mainly attributable to lower share of profit from an associate.

Investments and Other operations

Combined segment recorded a profit of RM319 million in 4Q2019 (4Q2018: RM168 million) and RM1.01 billion for financial year 2019 (2018: RM883 million) respectively. Profit contribution from Wilmar for 4Q2019 and financial year 2019 was higher at RM308 million (4Q2018: RM155 million) and RM960 million (2018: RM837 million) respectively.

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

Group pre-tax profit was lower at RM389 million in 4Q2019 (3Q2019: RM422 million) mainly due to decrease in profit contribution from Wilmar at RM308 million (3Q2019: RM342 million).

B3. Prospects

Malaysia's GDP grew at 3.6% for the fourth quarter 2019 which dragged down the annual GDP growth to 4.3% in 2019. The slowdown in economic growth is expected to continue into the first quarter of 2020 in light of the Covid-19 outbreak which has disrupted the global supply chain and adversely affected the tourism, hospitality and manufacturing sectors. The overall impact on the Malaysian economy will, however, depend on the duration and spread of the outbreak as well as policy responses by authorities.

For the year as a whole, growth will be supported by household spending, underpinned by continued income and employment growth amid modest price pressures. The growth momentum is subject to high near term downside risks. The most significant would be the prolonged impact of the coronavirus. In addition, uncertainties remain in global economic and financial conditions. On the domestic front, risks emanate mainly from weakness in the commodities sector and delays in project implementation.

Grains and agribusiness segment is expected to perform satisfactorily supported by our well established market position and technical strength in maintaining good and consistent quality products, riding also on the fact that demand for essential basic food products will remain resilient in any economic environment, despite volatile grains commodity and foreign exchange market conditions. The *Consumer products* segment is expected to be stable with the support of new agency products. While the *Film exhibition and distribution* segment is expected to be impacted by disruptions from the Covid-19 outbreak in the first quarter of the year, this segment is well positioned to maintain its market leadership with the full year performance of new cinemas opened in 2019 and strong lineup of new titles. 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.

While the overall Group financial results depend substantially on Wilmar's business performance, the Group's main business segments are expected to perform satisfactorily in financial year 2020.

B4. Variance of actual profit from forecast profit

Not applicable.

B5. Profit before tax

	4th Quarter ended 31-Dec-19 RM'000	12 months ended 31-Dec-19 RM'000
Profit before tax was stated after charging/(crediting):		
Interest income and income from short-term fund placements	12,220	48,312
Dividend income	2,213	11,511
Net foreign exchange gain	2,009	2,070
Allowance for doubtful debts and receivables written off	110	(1,591)
Net fair value loss on derivatives	(6,845)	(10,137)
Depreciation and amortisation	(39,492)	(172,694)

B6. Tax expense

	4th Quarter ended 31-Dec-19 RM'000	12 months ended 31-Dec-19 RM'000
Taxation comprises:		
Malaysian operation		
Current income tax	8,322	42,212
Deferred tax	915	930
	<u>9,237</u>	<u>43,142</u>
Foreign operation		
Current income tax	(2,178)	5,916
Deferred tax	8,825	15,523
	<u>15,884</u>	<u>64,581</u>
Underprovision in prior year:		
Current	4,157	5,160
Deferred Tax	2,496	2,625
	<u>22,537</u>	<u>72,366</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 20 February 2020.

B8. Group borrowings

Total Group borrowings as at 31 December 2019 were as follows:

	Total RM'000	Secured RM'000	Unsecured RM'000
Long-term bank borrowings			
Long-term bank loans (VND)	3,915	3,915	-
Hire purchase financing	181	181	-
	<u>4,096</u>	<u>4,096</u>	<u>-</u>
Short-term bank borrowings			
Bills payable (IDR)	104,720	-	104,720
Short-term loans	400	-	400
Short-term loans (USD)	126,006	11,341	114,665
Short-term loans (IDR)	36,875	-	36,875
Short-term loans (VND)	88,657	5,219	83,438
Hire purchase financing	78	78	-
	<u>356,736</u>	<u>16,638</u>	<u>340,098</u>
Bank overdrafts	339	-	339
	<u>357,075</u>	<u>16,638</u>	<u>340,437</u>

B9. Derivative financial instruments

(a) Derivative financial assets and financial liabilities

	As at 31 December 2019	
	Contract / Notional value RM'000	Fair value - Assets / Liabilities RM'000
<u>Derivative financial assets</u>		
i) Forward foreign currency contracts	9,322	128
Total derivative assets		128
<u>Derivative financial liabilities</u>		
i) Options contracts	14,961	4,910
ii) Futures contracts	206,090	12,334
iii) Forward foreign currency contracts	8,460	95
Total derivative liabilities		17,339

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 fourth quarter 2019, net fair value gain on derivative financial instruments amounted to RM0.3 million (4Q2018: RM2.4 million).

For financial year 2019, net fair value loss on derivative financial instruments amounted to RM2.3 million (FY2018: RM0.5 million).

B10. Material litigation

There was no material litigation as at 20 February 2020.

B11. Dividends

The Board of Directors is pleased to recommend a proposed final dividend for the financial year ended 31 December 2019 of 23 sen per share (2018: Final dividend of 20 sen per share) payable on Tuesday, 2 June 2020 subject to approval of shareholders at the 51st Annual General Meeting to be held on Thursday, 14 May 2020.

Together with the interim dividend of 8 sen per share paid on 2 October 2019, total dividends paid and payable for the financial year ended 31 December 2019 would amount to 31 sen per share (2018 - Interim: 8 sen per share; Final: 20 sen per share).

Notice is hereby given that the proposed final dividend is payable on Tuesday, 2 June 2020 to shareholders whose names appear in the Record of Depositors at the close of business on Monday, 18 May 2020.

B12. Earnings per share

	4th Quarter ended		12 months ended	
	31 December		31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Net profit for the period/year	349,945	221,340	1,152,551	1,075,096
Number of ordinary shares in issue ('000)	1,422,599	1,422,599	1,422,599	1,422,599
Basic earnings per share (sen)	24.60	15.56	81.02	75.57

There were no dilutive potential ordinary shares outstanding as at 31 December 2019 and 31 December 2018. As a result, there were no diluted earnings per share for the financial year ended 31 December 2019 and the previous financial year.

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
27 February 2020

By Order of the Board
Mah Teck Keong
Company Secretary