

PPB GROUP BERHAD [196801000571 (8167-W)]
INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2020

Condensed Consolidated Income Statements For The Period Ended 30 September 2020

	3rd Quarter ended 30 September		9 Months ended 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	1,036,586	1,193,847	3,057,919	3,503,068
Operating expenses	(1,026,870)	(1,141,386)	(3,014,738)	(3,361,222)
Operating profit	9,716	52,461	43,181	141,846
Other operating (loss)/income	(8,039)	12,009	67,361	55,710
Share of results of associates	434,147	365,679	927,846	710,948
Share of results of joint venture	1,282	425	3,103	1,330
Finance costs	(7,416)	(8,807)	(20,682)	(26,813)
Profit before taxation	429,690	421,767	1,020,809	883,021
Tax expense	(8,115)	(16,696)	(46,924)	(49,829)
Profit for the period	421,575	405,071	973,885	833,192
Attributable to :				
Owners of the parent	411,574	394,182	931,572	802,606
Non-controlling interests	10,001	10,889	42,313	30,586
Profit for the period	421,575	405,071	973,885	833,192
Basic earnings per share (sen)	28.93	27.71	65.48	56.42

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019)

PPB GROUP BERHAD [196801000571 (8167-W)]
Condensed Consolidated Statements Of Comprehensive Income
For The Period Ended 30 September 2020

	3rd Quarter ended 30 September		9 Months ended 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit for the period	421,575	405,071	973,885	833,192
Other comprehensive income/(loss), net of tax				
<u>Items that will not be subsequently reclassified to profit or loss</u>				
Fair value loss on investment in equity instruments designated as fair value through other comprehensive income	(15,623)	(73,199)	(83,761)	(105,005)
Share of associates' other comprehensive income/(loss)	2,770	(26,803)	(68,505)	(13,773)
<u>Items that will be subsequently reclassified to profit or loss</u>				
Exchange differences on translation of foreign operations	(555,582)	228,752	269,868	230,975
Share of associates' other comprehensive income/(loss)	288,368	(283,992)	(3,759)	(231,983)
Total comprehensive income	141,508	249,829	1,087,728	713,406
Attributable to :				
Owners of the parent	135,042	240,803	1,037,200	681,206
Non-controlling interests	6,466	9,026	50,528	32,200
Total comprehensive income	141,508	249,829	1,087,728	713,406

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019)

PPB GROUP BERHAD [196801000571 (8167-W)]
Condensed Consolidated Statements Of Financial Position

	As at 30-Sep-20 RM'000	As at 31-Dec-19 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	1,346,593	1,337,417
Investment properties	275,567	265,770
Right-of-use assets	228,603	245,769
Bearer plant	3,283	3,042
Goodwill	73,704	73,704
Other intangible assets	14,581	9,177
Land held for property development	100,194	100,178
Investment in associates	18,634,673	17,960,226
Investment in joint venture	21,946	17,404
Receivables	4,928	10,600
Other investments	322,125	405,179
Deferred tax assets	11,427	342
	21,037,624	20,428,808
Current Assets		
Inventories	738,383	802,513
Biological assets	9,658	16,767
Other intangible assets	67	25
Property development costs	23,547	18,881
Receivables	819,959	801,805
Derivative financial assets	525	128
Current tax assets	6,988	9,921
Cash and cash equivalents	1,475,639	1,500,909
	3,074,766	3,150,949
	24,112,390	23,579,757
EQUITY AND LIABILITIES		
Equity		
Share capital	1,429,314	1,429,314
Reserves	20,602,139	20,005,945
Equity attributable to owners of the parent	22,031,453	21,435,259
Non-controlling interests	743,389	695,532
Total equity	22,774,842	22,130,791

PPB GROUP BERHAD [196801000571 (8167-W)]
Condensed Consolidated Statements Of Financial Position
(continued)

	As at 30-Sep-20 RM'000	As at 31-Dec-19 RM'000
Non-current Liabilities		
Borrowings	9,370	4,096
Lease obligations	212,933	227,976
Provision for restoration cost	29,340	29,340
Deferred tax liabilities	99,186	102,191
	350,829	363,603
Current Liabilities		
Payables	453,751	669,190
Derivative financial liabilities	20,698	17,339
Borrowings	440,652	357,075
Lease obligations	28,333	28,540
Provision for restoration cost	-	5,200
Current tax liabilities	43,285	8,019
	986,719	1,085,363
Total liabilities	1,337,548	1,448,966
TOTAL EQUITY AND LIABILITIES	24,112,390	23,579,757

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019)

Condensed Consolidated Statements Of Changes In Equity For The Period Ended 30 September 2020

	Share capital RM'000	Non-distributable reserves RM'000	Retained earnings RM'000	Attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
<u>9 months ended 30 September 2020</u>						
At 1 January 2020	1,429,314	2,825,928	17,180,017	21,435,259	695,532	22,130,791
Total comprehensive income	-	105,713	931,487	1,037,200	50,528	1,087,728
Transfer of reserves	-	63,055	(63,055)	-	-	-
Dividends	-	-	(441,006)	(441,006)	(2,671)	(443,677)
At 30 September 2020	1,429,314	2,994,696	17,607,443	22,031,453	743,389	22,774,842
<u>9 months ended 30 September 2019</u>						
At 1 January 2019	1,429,314	3,166,516	16,444,244	21,040,074	696,797	21,736,871
Total comprehensive (loss)/income	-	(121,400)	802,606	681,206	32,200	713,406
Transfer of reserves	-	9,214	(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	3,054,330	16,826,167	21,309,811	726,601	22,036,412

Note :

The breakdown of non-distributable reserve is not shown due to limited information from investment in associates.

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019)

PPB GROUP BERHAD [196801000571 (8167-W)]
Condensed Consolidated Statements Of Cash Flows
For The Period Ended 30 September 2020

	9 months ended 30 September	
	2020	2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,020,809	883,021
Adjustments :		
Non-cash items	(792,045)	(580,273)
Non-operating items	(11,037)	(18,575)
Operating profit before working capital changes	217,727	284,173
Working capital changes :-		
Net change in current assets	29,317	47,205
Net change in current liabilities	(213,928)	(146,616)
Cash generated from operations	33,116	184,762
Tax paid	(22,559)	(36,929)
Net cash generated from operating activities	10,557	147,833
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment, investment properties, biological assets and other intangible assets	(87,849)	(94,017)
Proceeds from disposal of property, plant and equipment	503	5,145
Purchase of investments	(105,714)	(25)
Proceeds from disposal of investment	438	388
Dividends received	505,690	376,519
Income received from short-term fund placements	23,210	25,176
Interest received	5,867	6,995
Repayment from associates	4,576	542
Distribution of profit from joint venture	5,595	7,587
Net cash generated from investing activities	352,316	328,310
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown/(repayment) of bank borrowings	94,693	(10,673)
Interest paid	(13,422)	(19,781)
Dividends paid	(443,677)	(286,916)
Payment of lease obligations	(27,409)	(32,839)
Shares issued to non-controlling interest of a subsidiary	4,145	-
Net cash used in financing activities	(385,670)	(350,209)
Net (decrease)/increase in cash and cash equivalents	(22,797)	125,934
Cash and cash equivalents brought forward	1,500,571	1,390,711
Effect of exchange rate changes	(2,153)	1,331
Cash and cash equivalents carried forward	1,475,621	1,517,976
<u>Cash and cash equivalents represented by :</u>		
Cash and bank balances	254,680	329,564
Bank deposits	201,494	150,027
Short-term fund placements	1,019,465	1,038,778
Bank overdrafts	(18)	(393)
	1,475,621	1,517,976

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019)

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 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 2019 except for the adoption of the following Amendments to MFRS that are effective for financial periods beginning on or after 1 January 2020 :

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 7 and MFRS 9	Interest Rate Benchmark Reform
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The adoption of the above Amendments to MFRS is not expected to have any material effects to the condensed financial statements in the period of initial application.

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 2020.

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 interim 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. Dividend paid

During the financial period ended 30 September 2020, an interim dividend of 8 sen per share in respect of financial year ending 31 December 2020 was paid on 29 September 2020.

A7. Segmental reporting

Performance of the Group's business segments for the 9 months ended 30 September 2020 is as follows :

Business segments: All figures in RM'000	Grains and agribusiness	Consumer products	Film exhibition and distribution	Environmental engineering and utilities	Property	Other operations	Inter-segment elimination	Total
REVENUE								
External revenue	2,296,476	471,497	105,265	104,976	36,372	43,333	-	3,057,919
Inter-segment sales	117,217	497	-	431	710	3,280	(122,135)	-
Total revenue	2,413,693	471,994	105,265	105,407	37,082	46,613	(122,135)	3,057,919
RESULTS								
Segment results	151,409	20,579	(79,177)	2,704	174	17,880	-	113,569
Share of results of associates	79,393	(1,289)	(9,978)	5,489	(612)	854,843	-	927,846
Share of results of joint venture	-	-	-	3,103	-	-	-	3,103
Unallocated corporate expenses	-	-	-	-	-	-	-	(23,709)
Profit/(Loss) before taxation	230,802	19,290	(89,155)	11,296	(438)	872,723	-	1,020,809

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

FFM Berhad (“FFM”), a subsidiary of the Company, had on 24 June 2020 acquired the remaining 70% equity interest not already owned in FFM Further Processing Sdn Bhd (“FFMP”) from BRF Foods GmbH for RM31.5 million. Arising therefrom, FFMP has become a wholly-owned subsidiary of FFM.

Other than the above, there were no material changes in the composition of the Group for the financial period under review.

A10. Changes in contingent liabilities or contingent assets

There were no material changes in contingent assets and 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 2020 are as follows:

	RM'000
Property, plant and equipment, investment properties and biological assets	
- contracted	56,935
- not contracted	410,087
	<u>467,022</u>
Other commitments	
- contracted	<u>344,914</u>
Total	<u>811,936</u>

A12. Significant related party transactions

Significant related party transactions during the financial period ended 30 September 2020 are as follows:

	RM'000
Transactions with associates	
- Film rental income	1,558
- Sales of goods	1,117
- Purchase of goods	<u>24,034</u>
Transactions with subsidiaries of the ultimate holding company	
- Supervision fee income	1,324
- Sales of goods	<u>37,334</u>
Transactions with subsidiaries of associates	
- Purchase of goods	178,642
- Sales of goods	80,362
- Rental income	2,500
- Other services expense	10,697
- Supervision fees income	1,913
- Freight cost	<u>111,743</u>

B1. Performance analysis

Group financial performance by business segment

Business segments: All figures in RM'000	Grains and <u>agribusiness</u>	Consumer <u>products</u>	Film exhibition and <u>distribution</u>	Environmental engineering and <u>utilities</u>	Property	Other <u>operations</u>	Inter- segment <u>elimination</u>	<u>Total</u>
3Q2020								
REVENUE								
External revenue	788,648	145,665	25,743	47,330	14,685	14,515	-	1,036,586
Inter-segment sales	36,451	134	-	228	250	2,984	(40,047)	-
Total revenue	825,099	145,799	25,743	47,558	14,935	17,499	(40,047)	1,036,586
RESULTS								
Segment results	22,937	(1,300)	(24,561)	1,850	2,194	4,715	-	5,835
Share of results of associates	26,413	477	(3,675)	1,285	1,203	408,444	-	434,147
Share of results of joint venture	-	-	-	1,282	-	-	-	1,282
Unallocated corporate expenses	-	-	-	-	-	-	-	(11,574)
Profit/(Loss) before taxation	49,350	(823)	(28,236)	4,417	3,397	413,159	-	429,690
3Q2019								
REVENUE								
External revenue	808,488	153,914	134,831	60,498	14,585	21,531	-	1,193,847
Inter-segment sales	40,272	829	-	64	320	95	(41,580)	-
Total revenue	848,760	154,743	134,831	60,562	14,905	21,626	(41,580)	1,193,847
RESULTS								
Segment results	30,939	1,377	16,606	5,794	1,559	10,521	-	66,796
Share of results of associates	22,954	(1,575)	(547)	1,420	753	342,674	-	365,679
Share of results of joint venture	-	-	-	425	-	-	-	425
Unallocated corporate expenses	-	-	-	-	-	-	-	(11,133)
Profit/(Loss) before taxation	53,893	(198)	16,059	7,639	2,312	353,195	-	421,767
Variance								
Revenue (%)	-3%	-6%	-81%	-21%	0%	-19%	4%	-13%
Profit/(Loss) before taxation (%)	-8%	->100%	n.m.	-42%	47%	17%	-	2%

n.m. - not meaningful

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	Other operations	Inter- segment elimination	Total
9M2020								
REVENUE								
External revenue	2,296,476	471,497	105,265	104,976	36,372	43,333	-	3,057,919
Inter-segment sales	117,217	497	-	431	710	3,280	(122,135)	-
Total revenue	2,413,693	471,994	105,265	105,407	37,082	46,613	(122,135)	3,057,919
RESULTS								
Segment results	151,409	20,579	(79,177)	2,704	174	17,880	-	113,569
Share of results of associates	79,393	(1,289)	(9,978)	5,489	(612)	854,843	-	927,846
Share of results of joint venture	-	-	-	3,103	-	-	-	3,103
Unallocated corporate expenses	-	-	-	-	-	-	-	(23,709)
Profit/(Loss) before taxation	230,802	19,290	(89,155)	11,296	(438)	872,723	-	1,020,809
9M2019								
REVENUE								
External revenue	2,366,153	484,240	408,648	131,070	42,599	70,358	-	3,503,068
Inter-segment sales	117,559	2,329	-	192	917	240	(121,237)	-
Total revenue	2,483,712	486,569	408,648	131,262	43,516	70,598	(121,237)	3,503,068
RESULTS								
Segment results	86,007	7,100	52,395	9,229	10,579	37,268	-	202,578
Share of results of associates	53,311	(4,634)	2,865	4,031	2,719	652,656	-	710,948
Share of results of joint venture	-	-	-	1,330	-	-	-	1,330
Unallocated corporate expenses	-	-	-	-	-	-	-	(31,835)
Profit before taxation	139,318	2,466	55,260	14,590	13,298	689,924	-	883,021
Variance								
Revenue (%)	-3%	-3%	-74%	-20%	-15%	-34%	-1%	-13%
Profit/(Loss) before taxation (%)	66%	>100%	n.m.	-23%	n.m.	26%	-	16%

n.m. - not meaningful

Group performance review

For the third quarter of 2020, the Group recorded total revenue of RM1.04 billion, 13% lower as compared to 3Q2019 of RM1.19 billion. Pre-tax profit was at RM430 million (3Q2019: RM422 million). Profit contribution from Wilmar International Limited ("Wilmar") increased by RM67 million to RM409 million (3Q2019: RM342 million).

For 9M2020, Group total revenue was lower by 13% to RM3.06 billion (9M2019: RM3.50 billion) mainly attributable to lower revenue recorded by *Film exhibition and distribution* segment. The Group achieved a pre-tax profit of RM1.02 billion for 9M2020, 16% higher as compared to RM883 million achieved in 9M2019. This was mainly attributable to higher contribution from Wilmar at RM855 million (9M2019: RM652 million). Core group profit was, however, lower by 28.3%.

Grains and agribusiness

For 3Q2020 and 9M2020, segment revenue was lower by 3% to RM825 million (3Q2019: RM849 million) and RM2.41 billion (9M2019: RM2.48 billion) respectively. This was mainly attributed to lower sales of flour and feed. Segment profit for 3Q2020 was at RM49 million (3Q2019: RM54 million). Segment profit for 9M2020 increased to RM231 million (9M2019: RM139 million) mainly due to lower raw material costs and higher contribution from China associates.

Consumer products

Segment revenue for 3Q2020 and 9M2020 was lower by 6% to RM146 million (3Q2019: RM155 million) and 3% to RM472 million (9M2019: RM487 million) respectively. The segment recorded a loss of RM823,000 in 3Q2020 (3Q2019: RM198,000). Excluding a one-off gain on step-acquisition of an associate of RM10 million as disclosed in Note A9, *Consumer products* segment recorded a profit of RM9 million for the first nine months of the year (9M2019: RM2 million). This was mainly attributable to the improved performance at the bakery division.

Film exhibition and distribution

Segment revenue for 3Q2020 and 9M2020 was significantly lower at RM26 million (3Q2019: RM135 million) and RM105 million (9M2019: RM409 million) respectively. For 3Q2020 and 9M2020, the segment recorded a loss of RM28 million (3Q2019: profit of RM16 million) and a loss of RM89 million (9M2019: profit of RM55 million) respectively. This was mainly attributable to the closure of cinemas at the height of the Movement Control Order ("MCO") as well as low admissions due to the deferment of movie releases by major distributors.

Environmental engineering and utilities

Segment revenue for 3Q2020 and 9M2020 were lower at RM48 million (3Q2019: RM61 million) and RM105 million (9M2019: RM131 million) respectively. This was mainly due to works delay during the MCO period. Segment profit for 3Q2020 and 9M2020 was at RM4 million (3Q2019: RM8 million) and RM11 million (9M2019: RM15 million) respectively.

Property

Segment revenue for 3Q2020 and 9M2020 were at RM15 million (3Q2019: RM15 million) and RM37 million (9M2019: RM44 million) respectively. *Property* segment recorded a profit of RM3 million for 3Q2020 (3Q2019: RM2 million) and a loss of RM438,000 for 9M2020 (9M2019: profit of RM13 million) respectively. This was mainly attributable to lower rental income and the absence of a one-time gain on disposal of property in 2019 of RM4.7 million.

Other operations

The segment achieved a higher profit at RM413 million in 3Q2020 (3Q2019: RM353 million) and RM873 million in 9M2020 (9M2019: RM690 million) respectively. Contribution from Wilmar increased by 19% to RM409 million for 3Q2020 (3Q2019: RM342 million) and up 31% to RM855 million for 9M2020 (9M2019: RM652 million) respectively.

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

Group pre-tax profit increased by 10% to RM430 million for 3Q2020 (2Q2020: RM390 million). This was mainly due to increase in contribution from Wilmar by 45% to RM409 million (2Q2020: RM282 million) partially offset by lower profits from *Grains and Agribusiness* segment at RM49 million (2Q2020: RM127 million).

B3. Prospects

The Malaysian economy has recorded a smaller contraction of 2.7% in the third quarter of 2020 (2Q2020: -17.1%). The improvement largely reflected the reopening of the economy from Covid-19 containment measures and better external demand conditions.

For 2021, the Malaysian economy is expected to improve in tandem with better global demand and domestic policy support. The growth in 2021 is expected to recover, benefitting from the improvement in global demand and turnaround in public and private sector expenditure amid various policy support.

The *Grains and agribusiness* segment is expected to continue to weather through a volatile commodity market. The segment, which is in the business of production and distribution of staple food, is not expected to be affected significantly by the Covid-19 pandemic and is expected to perform satisfactorily for the rest of the year.

The *Consumer products* segment is expected to perform satisfactorily as the Group endeavours to expand sales into food service channels and the e-commerce marketplace.

The *Film exhibition and distribution* segment will continue to be affected by cinema closures and deferral of movie titles in the fourth quarter. The management will continue to implement cost optimisation measures and stringent cash flow management to deal with the current challenging operating environment.

The *Environmental engineering and utilities* segment will continue to focus on replenishing its order book and exploring new project opportunities.

Performance of the *Property* segment remains challenging, both in investment properties and property development. Various measures are being put in place to address the reduced footfall in our malls as well as slower sales of properties brought about by the Covid-19 pandemic.

The Covid-19 pandemic will continue to weigh on our *Film exhibition and distribution* and *Property* segments. The other main business segments, which are mainly in the production and distribution of staple food and services, 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 taxation

	3rd Quarter ended 30-Sep-20 RM'000	9 months ended 30-Sep-20 RM'000
Profit before taxation was stated after charging/(crediting):		
Interest income and income from short-term fund placements	(7,641)	(27,841)
Dividend income	(236)	(3,878)
Net fair value loss/(gain) on derivatives	9,373	(30,083)
Net foreign exchange loss	8,291	8,269
Allowance for doubtful debts and receivables written off	1,477	2,062
Depreciation and amortisation	39,311	128,521
Interest expense on lease obligations	2,589	7,872
	<u>2,589</u>	<u>7,872</u>

B6. Tax expense

	3rd Quarter ended 30-Sep-20 RM'000	9 months ended 30-Sep-20 RM'000
Taxation comprises:		
Malaysian taxation		
Current	9,447	43,067
Deferred	(17,003)	(19,278)
	<u>(7,556)</u>	<u>23,789</u>
Foreign taxation		
Current	780	3,879
Deferred	1,886	6,312
	<u>(4,890)</u>	<u>33,980</u>
Under/(over) provision in prior years:		
Current	13,005	13,802
Deferred	-	(858)
	<u>8,115</u>	<u>46,924</u>

The effective tax rate was higher than the statutory tax rate. This was due mainly to underprovision of tax in prior years, deferred tax asset recognised by certain subsidiaries and provision for withholding tax on undistributed profits of foreign associates. 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 November 2020.

B8. Group borrowings

Total Group borrowings as at 30 September 2020 were as follows:

	Total RM'000	Secured RM'000	Unsecured RM'000
Long-term bank borrowings			
Long-term bank loan	9,250	-	9,250
Hire purchase financing	120	120	-
	9,370	120	9,250
Short-term bank borrowings			
Bills payable (IDR)	169,074	-	169,074
Short-term loan	10,000	-	10,000
Short-term loan (USD)	200,926	-	200,926
Short-term loan (VND)	60,553	5,278	55,275
Hire purchase financing	81	81	-
	440,634	5,359	435,275
Bank overdrafts	18	-	18
	440,652	5,359	435,293

B9. Derivative financial instruments

(a) Derivative financial assets and financial liabilities as at 30 September 2020:

	Contract / Notional value RM'000	Fair value - Assets / Liabilities RM'000
<u>Derivative financial assets</u>		
i) Futures contracts	7,855	20
ii) Forward foreign currency contracts	75,674	505
Total derivative assets		525
<u>Derivative financial liabilities</u>		
i) Options contracts	190,384	2,040
ii) Futures contracts	247,414	17,553
iii) Forward foreign currency contracts	108,119	1,105
Total derivative liabilities		20,698

All contracts will be maturing within one year.

Futures and options contracts

The Group is exposed to market risk mainly from fluctuation 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 2019 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 the third quarter of 2020, net fair value loss on derivative financial instruments amounted to RM10 million (3Q2019: RM6 million).

For the nine months ended 30 September 2020, net fair value loss on derivative financial instruments amounted to RM13 million (9M2019: RM3 million).

B10. Material litigation

There was no material litigation as at 20 November 2020.

B11. Dividends

An interim dividend of 8 sen per share in respect of financial year ending 31 December 2020 was paid on 29 September 2020.

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

B12. Earnings per share

	3rd Quarter ended		9 Months ended	
	30 September		30 September	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	411,574	394,182	931,572	802,606
Number of ordinary shares in issue ('000)	1,422,599	1,422,599	1,422,599	1,422,599
Basic earnings per share (sen)	28.93	27.71	65.48	56.42

There were no dilutive potential ordinary shares outstanding as at 30 September 2020 and 30 September 2019. As a result, there were no diluted earnings per share for the financial period ended 30 September 2020 and 30 September 2019.

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

The auditors' report for the financial year ended 31 December 2019 was not subject to any qualification.

Kuala Lumpur
26 November 2020

By Order of the Board
Mah Teck Keong
Company Secretary