Good Food, Good Life

INTERIM REPORT

NESTLÉ (MALAYSIA) BERHAD

(110925-W)

(Incorporated in Malaysia)

The Directors are pleased to present the Interim Report for the period ended 31 December 2018 as follows:

CONDENSED AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2018

	3 months ended 31 December			12 months ended 31 December		
	2018 RM'000	2017 Restated * RM'000	%	2018 RM'000	2017 Restated * RM'000	%
Revenue - Sales of goods	**1,347,864**	**1,281,725**	**5.2%**	**5,519,045**	**5,260,490**	**4.9%**
Cost of sales	(820,585)	(814,118)		(3,381,380)	(3,309,386)	
Gross profit	**527,279**	**467,607**	**12.8%**	**2,137,665**	**1,951,104**	**9.6%**
Other income	16,819	-		16,819	5,056	
Operating expenses	(354,191)	(298,190)		(1,239,888)	(1,108,669)	
Operating profit	**189,907**	**169,417**	**12.1%**	**914,596**	**847,491**	**7.9%**
Finance costs	(11,100)	(9,835)		(43,123)	(37,503)	
Finance income	1,539	412		3,622	1,443	
Share of post tax profit of an associate	(408)	(86)		795	785	
Profit before tax	**179,938**	**159,908**	**12.5%**	**875,890**	**812,216**	**7.8%**
Tax expense	(56,114)	(33,554)		(217,008)	(169,666)	
Profit after tax	**123,824**	**126,354**	**-2.0%**	**658,882**	**642,550**	**2.5%**
Minority interests	-	-		-	-	
Profit after tax and minority interest	**123,824**	**126,354**	**-2.0%**	**658,882**	**642,550**	**2.5%**
Profit for the period	**123,824**	**126,354**	**-2.0%**	**658,882**	**642,550**	**2.5%**
Other comprehensive (expense)/income, net of tax						
Item that is or may be reclassified subsequently to profit or loss						
Cash flow hedge	(13,832)	(2,771)		11,670	(20,068)	
Item that will not be reclassified subsequently to profit or loss						
Remeasurement of defined benefit liability	(283)	130		(283)	130	
Total other comprehensive (expense)/income for the period, net of tax	(14,115)	(2,641)		11,387	(19,938)	
Total comprehensive income for the period	**109,709**	**123,713**	**-11.3%**	**670,269**	**622,612**	**7.7%**
Basic earnings per share (sen)	52.80	53.88		280.97	274.01	
Proposed/Declared dividend per share-net (sen)	140.00	135.00		280.00	275.00	

	AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END (RESTATED) *
Net assets per share attributable to equity holders (RM)	2.79 *	2.71 **

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017.

* 2017 comparative figure restated due to adoption of MFRS 16 *Leases*. Please refer to Note 1(C) of page 4.

** Calculation based on the number of ordinary shares outstanding of 234.5 million (234.5 million in December 2017).

CONDENSED AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	As at 31.12.2018 RM'000	As at 31.12.2017 Restated * RM'000
Assets		
Property, plant and equipment	1,245,564	1,295,464
Right-of-use assets	261,567	136,747
Intangible assets	67,546	61,986
Investment in an associate	5,084	4,709
Deferred tax assets	30,572	20,523
Trade and other receivables	21,533	24,283
Total non-current assets	1,631,866	1,543,712
Trade and other receivables	605,414	580,847
Inventories	530,378	467,316
Current tax assets	163	12,333
Assets classified as held for sale	72,450	-
Cash and cash equivalents	7,011	12,615
Total current assets	1,215,416	1,073,111
Total assets	**2,847,282**	**2,616,823**
Equity		
Share capital	267,500	267,500
Hedging reserve	2,498	(9,172)
Retained earnings	384,335	377,566
Total equity attributable to owners of the Company	654,333	635,894
Liabilities		
Loans and borrowings	-	84,264
Lease liabilities	180,198	34,819
Employee benefits	95,282	89,749
Deferred tax liabilities	135,390	120,987
Total non-current liabilities	410,870	329,819
Trade and other payables	1,527,276	1,296,619
Loans and borrowings	180,304	305,631
Lease liabilities	26,778	29,052
Current tax liabilities	47,721	19,808
Total current liabilities	1,782,079	1,651,110
Total liabilities	2,192,949	1,980,929
Total equity and liabilities	**2,847,282**	**2,616,823**
Net assets per share attributable to shareholders (RM)	2.79 **	2.71 **

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017.

* 2017 comparative figure restated due to adoption of MFRS 16 *Leases*. Please refer to Note 1(C) of page 4.

** Calculation based on the number of ordinary shares outstanding of 234.5 million (234.5 million in December 2017).

CONDENSED AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 31 DECEMBER 2018

	Non Distributable		Distributable	
	Share capital	*Hedging reserve*	*Retained profits*	Total Equity
	RM'000	RM'000	RM'000	RM'000
At 1 January 2017, as previously reported	*** **267,500**	**10,896**	**368,825**	**647,221**
Adjustments from adoption of MFRS 16 **	-	-	(789)	(789)
Restated balance as at 1 January 2017	267,500	10,896	368,036	646,432
Cash flow hedge	-	(20,068)	-	(20,068)
Remeasurement of defined benefit liability	-	-	130	130
Profit for the period (restated**)	-	-	642,550	642,550
Total comprehensive (expense)/income for the period	**-**	**(20,068)**	**642,680**	**622,612**
Dividends paid:				
- Final dividend for the financial year 2016	-	-	(304,850)	(304,850)
- Interim dividend for the financial year 2017	-	-	(328,300)	(328,300)
Restated balance as at 31 December 2017	**267,500**	**(9,172)**	**377,566**	**635,894**
At 31 December 2017, as previously reported	*** **267,500**	**(9,172)**	**381,600**	**639,928**
Adjustments from adoption of MFRS 16 **	-	-	(4,034)	(4,034)
Restated balance as at 31 December 2017	**267,500**	**(9,172)**	**377,566**	**635,894**
Opening balance adjustments from adoption of MFRS 9 **	-	-	(6,955)	(6,955)
Restated balance as at 1 January 2018	**267,500**	**(9,172)**	**370,611**	**628,939**
Cash flow hedge	-	11,670	-	11,670
Remeasurement of defined benefit liability	-	-	(283)	(283)
Profit for the period	-	-	658,882	658,882
Total comprehensive income for the period	**-**	**11,670**	**658,599**	**670,269**
Dividends paid:				
- Final dividend for the financial year 2017	-	-	(316,575)	(316,575)
- Interim dividend for the financial year 2018	-	-	(328,300)	(328,300)
At 31 December 2018	**267,500**	**2,498**	**384,335**	**654,333**

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017.

** Adjustments of MFRS 9 *Financial Instruments* and MFRS 16 *Leases* is net of deferred tax.

*** In accordance to Section 618 of Companies Act 2016, share premium amounted to RM33 million has been transferred to share capital and the number of shares unchanged at 234.5 million.

CONDENSED AUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PRIOD ENDED 31 DECEMBER 2018

	12 months ended 31.12.2018 RM'000	12 months ended 31.12.2017 Restated * RM'000
Cash flows from operating activities		
Profit before tax	875,890	812,216
Adjustments for:		
Amortisation and depreciation	165,354	156,306
Impairment of assets	-	1,798
Net finance costs	39,501	36,060
Loss/(Gain) on disposal of property, plant and equipment	195	(184)
Gain on disposal of leasehold land	(7,410)	-
Gain on divestment	(9,417)	-
Add/ Less:		
Movement in working capital	151,275	(160,572)
Income tax paid	(173,872)	(117,631)
Others	1,658	7,598
Net cash from operating activities	**1,043,174**	**735,591**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(145,671)	(164,455)
Acquisition of intangible assets	(5,974)	-
Proceeds from sale of leasehold land	12,827	-
Proceeds from sale of property, plant and equipment	549	2,003
Proceeds from divestment	14,200	-
Others	4,042	1,743
Net cash used in investing activities	**(120,027)**	**(160,709)**
Cash flows from financing activities		
Finance costs paid	(43,123)	(37,503)
(Repayment)/Proceed from borrowings	(243,922)	277,882
Dividend payment	(644,875)	(633,150)
Payment of lease liabilities	(31,360)	(43,664)
Net cash used in financing activities	**(963,280)**	**(436,435)**
Net (decrease)/increase in cash and cash equivalents	**(40,133)**	**138,447**
Cash and cash equivalents at 1 January	**(17,310)**	**(155,757)**
Cash and cash equivalents at 31 December	**(57,443)**	**(17,310)**

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017.

* 2017 comparative figure restated due to adoption of MFRS 16 *Leases*. Please refer to Note 1(C) of page 4.

Notes:

1 Basis of preparation

This interim financial report is based on the audited financial statements for the year ended 31 December 2018 and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia and International Financial Reporting Standards. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017.

The accounting policies applied in this interim financial report are the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2017, except as described below.
The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements for the year ending 31 December 2018.
The Group has adopted MFRS 15 *Revenue from Contracts with Customers* (see A), MFRS 9 *Financial Instruments* (see B) and MFRS 16 *Leases* (see C) from 1 January 2018. Other new standards with effective date from 1 January 2018 do not have material effect on the Group's financial statements. The changes arising from these adoptions are as described below:

A. Adoption of MFRS 15 *Revenue*

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* . MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The standard specifies that the revenue is to be recognised when control over the goods or services is transferred to customer, moving from the transfer of risks and rewards.
The Group has concluded that the initial application of MFRS 15 does not have any material financial impacts to the current period and prior period financial statements of the Group.

B. Adoption of 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.
In order to measure the consequences of this new standard, the Group has engaged a review of the business model corresponding to the different portfolios of financial assets and of the characteristics of these financial assets.
In respect to hedge accounting, the Group reviewed the definition of the hedging relationship in line with the risk management activities and policies, with a specific attention to the identification of the components in the pricing of the commodities. The Group has assessed that there is no significant impact on the initial application of MFRS 9 on the derivatives.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments measured at fair value through other comprehensive income, but not to investments in equity instruments.
On the date of initial application, MFRS 9 did not affect the classification and measurement assets and financial liabilities, except that impairment of trade receivables has increased by RM9.2 million as at 1 January 2018 as a result of applying the ECL model on receivables, deposits and contract assets. As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and thus these adjustments (RM7.0 million net of deferred tax) were recognised in the opening retained earnings.

C. Adoption of MFRS 16 *Leases*

The Group has elected early adoption of MFRS 16 *Leases* with effective of 1 Janaury 2018. 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* .
MFRS 16 introduces a single on-balance-sheet lease accounting model for lessees and the main changes are explained below:

1. A lessee recognizes:
    a. a right-of-use asset representing its right to use the underlying asset; and
    b. a lease liability representing its obligation to make lease payments.
2. Operating leases expenses are now replaced by:
    a. Depreciation of right-of-use asset; and
    b. Interest expense on lease liability.

In accordance with the transitional provisions in MFRS 16, the Group has elected to adopt the retrospective approach, requiring the restatement of the comparative period presented in the financial statements. Refer to Note 1(D) for the adjustments made to the comparative figures.

D. Restatement of comparative figures

(i) Reconciliation of profit or loss and comprehensive income

	As at 31.12.2017		
	Previously reported	Effect of MFRS 16	Restated *
Revenue - Sales of goods	**5,260,490**	**-**	**5,260,490**
Cost of sales	(3,308,342)	(1,044)	(3,309,386)
Gross profit	**1,952,148**	**(1,044)**	**1,951,104**
Other income	5,056	-	5,056
Operating expenses	(1,109,302)	633	(1,108,669)
Operating profit	**847,902**	**(411)**	**847,491**
Finance costs	(36,001)	(1,502)	(37,503)
Finance income	1,443	-	1,443
Share of post tax profit of an associate	785	-	785
Profit before tax	**814,129**	**(1,913)**	**812,216**
Tax expense	(168,334)	(1,332)	(169,666)
Profit after tax	**645,795**	**(3,245)**	**642,550**
Minority interests	-	-	-
Profit after tax and minority interest	**645,795**	**(3,245)**	**642,550**
Profit for the period	**645,795**	**(3,245)**	**642,550**
Cash flow hedge	(20,068)	-	(20,068)
Remeasurement of defined benefit liability	130	-	130
Total comprehensive income for the period	**625,857**	**(3,245)**	**622,612**
Basic earnings per share (sen)	**275.39**		**274.01**

(ii) Reconciliation of financial position and equity

	As at 31.12.2017		
	Previously reported	Effect of MFRS 16	Restated *
Assets			
Right-of-use assets	-	136,747	136,747
Other non-current assets	1,483,875	(76,910)	1,406,965
Total non-current assets	**1,483,875**	**59,837**	**1,543,712**
Total current assets	**1,073,111**	**-**	**1,073,111**
Total assets	**2,556,986**	**59,837**	**2,616,823**
Equity			
Share capital	267,500	-	267,500
Hedging reserve	(9,172)	-	(9,172)
Retained earnings	381,600	(4,034)	377,566
Total equity attributable to owners of the Company	**639,928**	**(4,034)**	**635,894**
Liabilities			
Lease liabilities	-	34,819	34,819
Other non-current liabilities	295,000	-	295,000
Total non-current liabilities	**295,000**	**34,819**	**329,819**
Lease liabilities	-	29,052	29,052
Other current liabilities	1,622,058	-	1,622,058
Total current liabilities	**1,622,058**	**29,052**	**1,651,110**
Total liabilities	**1,917,058**	**63,871**	**1,980,929**
Total equity and liabilities	**2,556,986**	**59,837**	**2,616,823**

* 2017 comparative figure restated due to adoption of MFRS 16 *Leases*. Please refer to Note 1(C) of page 4.

(iii) Reconciliation of cash flows

	12 months ended 31.12.2017		
	Previously reported	Effect of MFRS 16	Restated *
Cash flows from operating activities			
Profit before tax	814,129	(1,913)	812,216
Adjustments for:-			
Amortisation, depreciation and impairment	131,301	25,005	156,306
Impairment of assets	1,798	-	1,798
Net finance costs	34,558	1,502	36,060
Movement in working capital	(168,054)	7,482	(160,572)
Income tax paid	(117,631)	-	(117,631)
Gain on disposal of property, plant and equipment	(184)	-	(184)
Others	7,598	-	7,598
Net cash from operating activities	**703,515**	**32,076**	**735,591**
Cash flows from investing			
Acquisition of property, plant and equipment	(164,455)	-	(164,455)
Proceeds from disposals of property, plant and equipment	2,003	-	2,003
Others	1,743	-	1,743
Net cash used in investing activities	**(160,709)**	**-**	**(160,709)**
Cash flows from financing activities			
Finance cost paid	(36,001)	(1,502)	(37,503)
Proceed from borrowings	277,882	-	277,882
Dividend payment	(633,150)	-	(633,150)
Payment of lease liabilities	(13,090)	(30,574)	(43,664)
Net cash used in financing activities	**(404,359)**	**(32,076)**	**(436,435)**
Net increase in cash and cash equivalents	**138,447**	**-**	**138,447**
Cash and cash equivalents at 1 January	**(155,757)**	**-**	**(155,757)**
Cash and cash equivalents at 31 December	**(17,310)**	**-**	**(17,310)**

* 2017 comparative figure restated due to adoption of MFRS 16 *Leases*. Please refer to Note 1(C) of page 4.

2 There was no qualification made on the preceding audited financial statements.

3 The Group's operations are affected by economic cycles and festive seasons.

4 **Items affecting assets, liabilities, equity, net income or cash flow**

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group.

a. Property, plant and equipment

As at the end of this quarter, the Group has acquired / disposed the following assets:

	3 months ended 31 Dec 2018		12 months ended 31 Dec 2018	
	Assets acquired RM'000	Assets disposed/ write-off RM'000	Assets acquired RM'000	Assets disposed/ write-off RM'000
Building (improvements and additions)	7,743	18	10,092	22
Plant and machinery (include AUC)	47,392	412	92,931	657
Tools and furniture	18,509	933	26,870	1,217
Motor vehicles	675	226	1,972	364
Information systems	12,213	17	13,806	149
	86,532	**1,606**	**145,671**	**2,409**

b. Right-of-use

In the 4th quarter, the Group renewed its Tenancy agreement with Boustead Holdings Berhad, in respect of the Surian Tower, for another 3 years at a contract value of RM25.0 million (right-of-use).

In the same quarter, the Group has disposed the Bemban land at Mukkim Sungai Terap, Perak to Comfort Rubber Glove Industries Sdn Bhd, for cash consideration of RM12.8 million.

c. Intangible Assets

The Group has recognised development cost of RM2.9 million in 3rd qurter and another RM3.1 million in the 4th quarter, for the migration of data to new system environment on 1st January 2019.

d. Asset classified as held for sales

The divestment of PJ factory, including the manufacturing of chilled dairy products and cold sauces and the packing of milk powder, is expected to take effect on 1 July 2019.

As of 31 December 2018, the carrying amount of assets at PJ factory classified as Assets Held for Sale amounting to RM72.5 million (2017: Nil).

5 Changes in estimates

There were no significant changes in estimates for prior periods that have materially affected the results of this quarter.

6 Debts and equity security

There is no issuance of debts and equity security in this quarter.

7 Dividends paid

Dividends paid during the reporting period are as follows:

	3 months ended 31.12.2018 (RM'000)	12 months ended 31.12.2018 (RM'000)
Interim dividend for the financial year ending 31 December 2018		
1st interim: 70.00 sen per share (single-tier)	-	164,150
2nd interim: 70.00 sen per share (single-tier)	164,150	164,150
Final dividend for the financial year ended 31 December 2017		
135.00 sen per share (single-tier)	-	316,575
Total	**164,150**	**644,875**

8 Operating segment

MFRS 8 requires separate reporting of segmental information for operating segments. Operating segments reflect the Group's management structure and the way financial information is regularly reviewed by the Group's chief operating decision maker, which is defined as the Executive Board.
The Group is focused in two areas of activity, Food & Beverages and Others which include Nutrition, Nestlé Professional, Nestlé Health Science and NESPRESSO.

	12 months ended 31 Dec 2018		
	Food & Beverages RM'000	Others RM'000	Total RM'000
Segment revenue and results			
Revenue	4,427,010	1,092,035	5,519,045
Operating Profit	744,937	169,884	914,821

	12 months ended 31 Dec 2017		
	Food & Beverages RM'000	Others RM'000	Total RM'000
Segment revenue and results			
Revenue	4,225,676	1,034,814	5,260,490
Operating Profit	698,109	149,411	847,520

The comments on page 8 apply to both segments Food & Beverages (80% of total sales) and Others (20% of total sales).

Reconciliations of reportable segment operating profit:	12 months ended 31.12.2018 RM'000	12 months ended 31.12.2017 Restated * RM'000
Total operating profit for reported segments	914,821	847,520
Other unallocated income/(expense)	(225)	(29)
Consolidated operating profit	**914,596**	**847,491**

* 2017 comparative figure restated due to adoption of MFRS 16 *Leases*. Please refer to Note 1(C) of page 4.

9 Valuation of property, plant and equipment

There were no changes or amendments to the valuation of property, plant and equipment from the previous annual financial statements.

10 Significant event during the financial year

The sale and transfer of the Chilled Dairy Business to Lactalis Trading Malaysia Sdn Bhd took effect on 1 January 2019 upon the fulfillment of the conditions precedent under the Business Transfer agreement. Cash consideration of RM 14.2 million was transferred to Nestle Products Sdn Bhd on 31 December 2018 marking the completion of phase 1 of the proposed divestment. Chilled Dairy business ceased to be a segment of business in Nestle Products Sdn Bhd.

11 Changes in the composition of the Group

There were no changes in the composition of the Group in this quarter.

12 Changes in contingent liabilities

As of the date of this report, there were no contingent liabilities to the Group.

13 Related party transactions

Transactions related to Nestlé S.A. and companies owned by Nestlé S.A. and other affiliates are as follows:

	3 months ended 31.12.2018 RM'000	12 months ended 31.12.2018 RM'000
IT shared service	15,862	36,452
Net finance costs	2,494	9,937
Purchases of goods and services	279,580	809,513
Sales of finished goods	274,610	960,489
Royalties	63,391	271,444

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

1 Review of performance (Quarter 4, 2018 vs Quarter 4, 2017)

For the fourth quarter ended 31 December 2018, the Group increased its revenue by 5.2%, from RM1.28 billion to RM1.35 billion (+RM66 million compared to Q4 2017). The growth momentum was supported by strong Export sales which grew by 11.9%. Domestic sales grew steadily at 3.1%, driven by successful trade and marketing promotions.

The higher turnover coupled with an improved margin contributed to an increase in the Gross Profit by almost RM60 million (Q4 2017: RM468 million; Q4 2018: RM527 million). The margin improvement was driven by favourable price trend in major raw materials and efficiency increases across the supply chain. The quarter also saw strong marketing and promotional activities supporting the higher sales, as reflected in the higher operational expenses. The Group also recorded a one-off gain of RM9.4 mio as a result of the divestment of our Chilled Dairy business. As a result, the profit before tax increased by 12.5% from RM159.9 million to RM179.9 million.

2 Review of performance (Year-to-date, 2018 vs Year-to-date, 2017)

For the year ended 31 December 2018, the Group registered a turnover of RM5.5 billion, an increase of 4.9% compared to 2017. The strong growth was driven by both Domestic and Export sales. The strong Domestic performance was supported by improved consumer sentiment as well as our successful innovations and renovations. Our MAGGI Noodles range saw especially strong growth, mainly contributed by the launch of our Pedas Giler variety. Other innovative product launches include Nestlé Tropicana Lychee Yogurt Flavour Ice Cream, OREO Ice Cream, MILO 3-in-1 Less Sugar, KIT KAT Duo Milk Tea and NESCAFÉ Cold Brew.

The turnover growth combined with an improved margin led to an increase in Gross Profit from RM1.95 billion to RM2.14 billion, reflecting a 9.6% jump. Operating Profit was also up by 7.9% from RM847 million to RM915 million. Profitability remained very strong as we benefitted from internal efficiencies and favorability in the prices of our main traded commodities. The Group also recorded a one-off gain of RM9.4 mio as a result of the divestment of our Chilled Dairy business. Tax expense increased due to cessation of tax incentives. Profit after tax rose by RM16 million, from RM643 million to RM659 million.

3 Variation of results against previous quarter (Quarter 4, 2018 vs. Quarter 3, 2018)

In the fourth quarter, the Group registered a turnover of RM1.35 billion, 5.9% lower than the previous quarter. Turnover in the third quarter was higher, contributed by the 0% GST from June 2018 to August 2018 which helped to boost consumer confidence and led to a stronger demand and higher sales.
Profit before Tax reduced by 3.6% to a level of RM180 million in line with the lower sales.

4 Current year prospects

We see strong demand for our brands in Malaysia and we have strong plans in place to continue generating sustainable and profitable growth. At the same time, we acknowledge some pressures from higher commodity prices and more volatile demand in our main export markets. Overall, we are confident in our ability to deliver another good year of results in 2019.

5 Profit forecast

We do not issue any profit forecast.

6 Tax expense

	3 months ended 31.12.2018 RM'000	12 months ended 31.12.2018 RM'000
Current tax		
Malaysian - current period/year	47,417	212,990
- prior period/year	4,950	965
Total current tax expense	**52,367**	**213,955**
Deferred tax		
Origination and reversal of temporary differences	3,747	(716)
Under provision in prior year	-	3,769
Total deferred tax expense	**3,747**	**3,053**
Total income tax expense	**56,114**	**217,008**

7 Unquoted investments

Not applicable in this quarter.

8 Quoted investments

Not applicable to the Group.

9 Status of corporate proposals

There were no corporate proposals in this quarter.

10 Loans and borrowings

Group Borrowings and Debt Securities are:

	As at 31.12.2018 RM'000
Short term - Unsecured loans	
Loan from a related company	115,850
Bank overdraft	64,454
Total short term loans	**180,304**

The Group has fully repaid its Long term unsecured loan of RM84 million to Nestlé Treasury Centre-Middle East & Africa in October 2018.
The Group has a Short-term unsecured loan from Nestlé Treasury Centre-Middle East & Africa of USD68 million (RM281 million), which was partially repaid in December 2018. Repayment was USD40 million (RM166 million). The Group also obtained a bank overdraft facility from a local bank in Malaysia.

11 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 31.12.2018 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Difference RM'000	Ageing
Forward exchange contracts	1,373,901	1,376,787	2,886	Less than 1 year
Commodity futures	8,817	8,285	(532)	Less than 1 year

12 Material litigation

As of the date of this report, there were no material litigations against the Group.

13 Dividend

Subject to shareholders' approval at the upcoming 2019 Annual General Meeting, the Board of Directors has proposed a final dividend of 140.00 sen per share (2017: 135.00 sen per share) in respect of financial year ending 31 December 2018 which will be paid on 30 May 2019 to shareholders whose names appear on the Record of Depositors on 9 May 2019. Under current rules, single-tier dividends are not taxable in the hand of shareholders.

A Depositor shall qualify for entitlement only in respect of:
a. shares transferred into the Depositor's Securities Account before 4.00 p.m. on 9 May 2019 in respect of ordinary transfers.
b. shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

14 Profit for the period/year

	3 months ended 31 Dec		12 months ended 31 Dec	
	2018 RM'000	2017 Restated * RM'000	2018 RM'000	2017 Restated * RM'000
Profit for the period is arrived at after charging:				
Depreciation of property, plant and equipment	34,545	26,963	135,328	129,228
Amortisation of right-of-use	7,501	2,661	29,612	26,664
Amortisation of intangible assets	104	104	414	414
Finance cost of lease liabilities	2,041	322	5,185	1,502
Impairment of assets	-	1,798	-	1,798
Property, plant and equipment written off	1,227	117	1,534	203
Loss on disposal of property, plant and equipment	61	1,016	195	-
Loss on derivatives	-	378	-	-
Provision & write off of receivables	4,420	-	14,253	-
Provision & write off of inventories	4,259	631	5,462	-
Net foreign exchange loss	13,181	3,999	6,388	-
and after crediting:				
Gain on disposal of property, plant and equipment	-	-	-	184
Gain on disposal of leasehold land	7,410	-	7,410	-
Gain on divestment	9,417	-	9,417	-
Reversal of provision of receivables	-	4,641	-	4,017
Reversal of provision of inventories	-	-	-	4,171
Net foreign exchange gain	-	-	-	7,195

* 2017 comparative figure restated due to adoption of MFRS 16 *Leases* . Please refer to Note 1(C) of page 4.

15 Financial instruments disclosure

Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position:

As at 31.12.2018

	Fair value of financial instruments carried at fair value				Carrying amount
	Level 1	Level 2	Level 3	Total fair value	
	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Commodity futures	179	-	-	179	179
Forward exchange contracts	-	7,779	-	7,779	7,779
Financial liabilities					
Forward exchange contracts	-	(4,893)	-	(4,893)	(4,893)
Commodity futures	(711)	-	-	(711)	(711)

	Fair value of financial instruments not carried at fair value				Carrying amount
	Level 1	Level 2	Level 3	Total fair value	
	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Loans to employees	-	-	33,557	33,557	33,557
Financial liabilities					
Loan from a related company	-	-	(115,850)	(115,850)	(115,850)

As at 31.12.2017

	Fair value of financial instruments carried at fair value				Carrying amount
	Level 1	Level 2	Level 3	Total fair value	
	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Commodity futures	1,847	-	-	1,847	1,847
Forward exchange contracts	-	9,507	-	9,507	9,507
Financial liabilities					
Forward exchange contracts	-	(36,058)	-	(36,058)	(36,058)
Commodity futures	(5,529)	-	-	(5,529)	(5,529)

	Fair value of financial instruments not carried at fair value				Carrying amount
	Level 1	Level 2	Level 3	Total fair value	
	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Loans to employees	-	-	37,437	37,437	37,437
Financial liabilities					
Loan from a related company	-	-	(359,970)	(359,970)	(359,970)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 2 fair value

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the period (2017: no transfer in either directions).

Level 3 fair value

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

16 Basic earnings per share

a. Basic earnings per share

The calculation of the basic earnings per share is based on the net profit attributable to ordinary shareholders of RM658.8 million (RM642.6 million in December 2017 restated) and the number of ordinary shares outstanding of 234.5 million (234.5 million in December 2017).

b. Diluted earnings per share

Not applicable for the Group

BY ORDER OF THE BOARD

Tengku Ida Adura Binti Tengku Ismail, *MCCS* (MACS 01686)

Company Secretary

Date : February 26, 2019