

**INTERIM REPORT**
**NESTLÉ (MALAYSIA) BERHAD**  
 (198301015532 (110925-W))  
 (Incorporated in Malaysia)

The Directors are pleased to present the Interim Report for the period ended 30 June 2020 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE PERIOD ENDED 30 JUNE 2020**

	3 months ended 30 June			6 months ended 30 June		
	2020 RM'000	2019 RM'000	%	2020 RM'000	2019 RM'000	%
<b>Revenue - Sales of goods</b>	<b>1,219,300</b>	<b>1,335,706</b>	<b>-8.7%</b>	<b>2,653,814</b>	<b>2,788,419</b>	<b>-4.8%</b>
Cost of sales	(778,698)	(852,802)		(1,686,012)	(1,736,374)	
<b>Gross profit</b>	<b>440,602</b>	<b>482,904</b>	<b>-8.8%</b>	<b>967,802</b>	<b>1,052,045</b>	<b>-8.0%</b>
Other income	-	19,732		-	19,732	
Operating expenses	(292,846)	(295,095)		(566,005)	(542,451)	
<b>Operating profit</b>	<b>147,756</b>	<b>207,541</b>	<b>-28.8%</b>	<b>401,797</b>	<b>529,326</b>	<b>-24.1%</b>
Finance costs	(8,344)	(10,006)		(17,264)	(20,170)	
Finance income	760	1,061		1,502	1,913	
Share of post tax profit of an associate	(32)	516		364	839	
<b>Profit before tax</b>	<b>140,140</b>	<b>199,112</b>	<b>-29.6%</b>	<b>386,399</b>	<b>511,908</b>	<b>-24.5%</b>
Tax expense	(34,607)	(42,225)		(94,559)	(119,805)	
<b>Profit after tax</b>	<b>105,533</b>	<b>156,887</b>	<b>-32.7%</b>	<b>291,840</b>	<b>392,103</b>	<b>-25.6%</b>
Minority interests	-	-		-	-	
<b>Profit after tax and minority interest</b>	<b>105,533</b>	<b>156,887</b>	<b>-32.7%</b>	<b>291,840</b>	<b>392,103</b>	<b>-25.6%</b>
<b>Profit for the period</b>	<b>105,533</b>	<b>156,887</b>	<b>-32.7%</b>	<b>291,840</b>	<b>392,103</b>	<b>-25.6%</b>
<b>Other comprehensive (expense)/income, net of tax</b>						
<b>Item that is or may be reclassified subsequently to profit or loss</b>						
Cash flow hedge	(2,973)	652		3,249	(4,062)	
<b>Item that will not be reclassified subsequently to profit or loss</b>						
Remeasurement of defined benefit liability	-	-		-	-	
<b>Total other comprehensive (expense)/income for the period, net of tax</b>	<b>(2,973)</b>	<b>652</b>		<b>3,249</b>	<b>(4,062)</b>	
<b>Total comprehensive income for the period</b>	<b>102,560</b>	<b>157,539</b>	<b>-34.9%</b>	<b>295,089</b>	<b>388,041</b>	<b>-24.0%</b>
<b>Basic earnings per share (sen)</b>	<b>45.00</b>	<b>66.90</b>		<b>124.45</b>	<b>167.21</b>	
<b>Proposed/Declared dividend per share-net (sen)</b>	<b>70.00</b>	<b>70.00</b>		<b>70.00</b>	<b>70.00</b>	
	<b>AS AT END OF CURRENT QUARTER</b>			<b>AS AT PRECEDING FINANCIAL YEAR END</b>		
<b>Net assets per share attributable to equity holders (RM)</b>	2.69			2.84		

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2019.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	<b>As at 30.06.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
<b>Assets</b>		
Property, plant and equipment	1,241,887	1,277,861
Right-of-use assets	238,321	254,184
Intangible assets	65,079	65,795
Investment in an associate	5,281	5,367
Deferred tax assets	35,390	34,511
Trade and other receivables	13,741	15,807
<b>Total non-current assets</b>	<b>1,599,699</b>	<b>1,653,525</b>
Trade and other receivables	535,079	508,097
Inventories	579,579	551,827
Current tax assets	3,830	2,690
Cash and cash equivalents	16,075	10,399
<b>Total current assets</b>	<b>1,134,563</b>	<b>1,073,013</b>
<b>Total assets</b>	<b>2,734,262</b>	<b>2,726,538</b>
<b>Equity</b>		
Share capital	267,500	267,500
Hedging reserve	2,318	(931)
Retained earnings	361,895	398,355
<b>Total equity attributable to owners of the Company</b>	<b>631,713</b>	<b>664,924</b>
<b>Liabilities</b>		
Lease liabilities	162,750	176,823
Employee benefits	90,823	91,444
Deferred tax liabilities	137,432	138,597
<b>Total non-current liabilities</b>	<b>391,005</b>	<b>406,864</b>
Trade and other payables	1,312,783	1,321,407
Loans and borrowings	303,353	257,431
Lease liabilities	29,602	28,753
Current tax liabilities	65,806	47,159
<b>Total current liabilities</b>	<b>1,711,544</b>	<b>1,654,750</b>
<b>Total liabilities</b>	<b>2,102,549</b>	<b>2,061,614</b>
<b>Total equity and liabilities</b>	<b>2,734,262</b>	<b>2,726,538</b>
<b>Net assets per share attributable to shareholders (RM)</b>	<b>2.69</b>	<b>2.84</b>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2019.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR PERIOD ENDED 30 JUNE 2020**

	Non Distributable		Distributable	Total Equity RM'000
	<i>Share capital</i>	<i>Hedging reserve</i>	<i>Retained profits</i>	
	RM'000	RM'000	RM'000	
<b>At 1 January 2019</b>	<b>267,500</b>	<b>2,498</b>	<b>384,335</b>	<b>654,333</b>
Cash flow hedge	-	(4,062)	-	(4,062)
Profit for the period	-	-	392,103	392,103
<b>Total comprehensive (expense)/income for the period</b>	<b>-</b>	<b>(4,062)</b>	<b>392,103</b>	<b>388,041</b>
<u>Dividends to owners of the company</u>				
- Final dividend for the financial year 2018	-	-	(328,300)	(328,300)
<b>Share-base payments transactions</b>				
<b>At 30 June 2019</b>	<b>267,500</b>	<b>(1,564)</b>	<b>448,138</b>	<b>714,074</b>
<b>At 1 January 2020</b>	<b>267,500</b>	<b>(931)</b>	<b>398,355</b>	<b>664,924</b>
Cash flow hedge	-	3,249	-	3,249
Profit for the period	-	-	291,840	291,840
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>3,249</b>	<b>291,840</b>	<b>295,089</b>
<u>Dividends to owners of the company</u>				
- Interim dividend for the financial year 2019	-	-	(328,300)	(328,300)
<b>At 30 June 2020</b>	<b>267,500</b>	<b>2,318</b>	<b>361,895</b>	<b>631,713</b>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2019.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2020**

	6 months ended 30.06.2020 RM'000	6 months ended 30.06.2019 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	386,399	511,908
<i>Adjustments for:</i>		
Amortisation and depreciation	87,213	86,705
Net finance costs	15,762	18,257
(Gain)/Loss on disposal of property, plant and equipment	(137)	76
Net gain on divestment	-	(19,732)
<i>Add/ Less:</i>		
Movement in working capital	(54,469)	(204,469)
Income tax paid	(80,121)	(89,591)
Others	2,230	6,241
<b>Net cash from operating activities</b>	<b>356,877</b>	<b>309,395</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(34,108)	(58,700)
Proceeds from disposal of property, plant and equipment	195	268
Others	1,952	2,363
<b>Net cash used in investing activities</b>	<b>(31,961)</b>	<b>(56,069)</b>
<b>Cash flows from financing activities</b>		
Finance costs paid	(17,264)	(20,170)
Dividend payment	(328,300)	(328,300)
Payment of lease liabilities	(14,250)	(12,683)
<b>Net cash used in financing activities</b>	<b>(359,814)</b>	<b>(361,153)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(34,898)</b>	<b>(107,827)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>(32,428)</b>	<b>(57,443)</b>
<b>Cash and cash equivalents at 30 June</b>	<b>(67,326)</b>	<b>(165,270)</b>

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2019.

**INTERIM FINANCIAL REPORT**

**Notes:**

**1 Basis of preparation**

This interim financial report 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 2019.

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**

Besides the COVID-19 situation as elaborated in the Additional Information section, 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 30 Jun 2020		6 months ended 30 Jun 2020	
	Assets acquired RM'000	Assets disposed/ write-off RM'000	Assets acquired RM'000	Assets disposed/ write-off RM'000
Building (improvements and additions)	668	-	855	-
Plant and machinery, tools, furniture and equipment (include Asset Under Construction)	22,700	28	31,892	403
Motor vehicles	1,327	-	1,327	54
Information systems	27	-	34	16
	<b>24,722</b>	<b>28</b>	<b>34,108</b>	<b>473</b>

**b. Right-of-use**

As at the end of this quarter, the movement in the right-of-use assets are as follow:

	3 months ended 30 Jun 2020		6 months ended 30 Jun 2020	
	Addition & modification RM'000	Derecognition RM'000	Addition & modification RM'000	Derecognition RM'000
Building	-	-	153	-
Tools and equipment	872	-	872	-
	<b>872</b>	<b>-</b>	<b>1,025</b>	<b>-</b>

**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 30.06.2020 RM'000	6 months ended 30.06.2020 RM'000
Interim dividend for the financial year ended 31 December 2019 140.00 sen per share (single-tier)	328,300	328,300
<b>Total</b>	<b>328,300</b>	<b>328,300</b>

**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.

**Segment revenue and results**

Revenue  
Operating Profit

6 months ended 30 Jun 2020		
Food & Beverages RM'000	Others RM'000	Total RM'000
2,212,494	441,320	2,653,814
377,626	24,481	402,107

**Segment revenue and results**

Revenue  
Operating Profit

6 months ended 30 Jun 2019		
Food & Beverages RM'000	Others RM'000	Total RM'000
2,199,390	589,029	2,788,419
436,378	93,592	529,970

The comments on page 6 apply to both segments Food & Beverages (83% of total sales) and Others (17% of total sales).

Reconciliations of reportable segment operating profit:

Total operating profit for reported segments

Other unallocated expense

**Consolidated operating profit**

6 months ended 30.06.2020 RM'000	6 months ended 30.06.2019 RM'000
402,107	529,970
(310)	(644)
<b>401,797</b>	<b>529,326</b>

**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 Events subsequent to balance sheet date**

There were no subsequent events to the balance sheet date.

**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 other contingent liabilities to the Group except for material litigation as disclosed in Note 12 on page 7.

**13 Related party transactions**

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

IT shared service

Net finance costs

Purchases of goods and services

Sales of finished goods

Royalties

Management fees

3 months ended 30.06.2020 RM'000	6 months ended 30.06.2020 RM'000
10,605	20,151
561	1,312
219,314	465,429
211,128	456,115
58,637	128,058
3,413	6,759

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 2, 2020 vs Quarter 2, 2019)**

For the second quarter ended 30 June 2020, total turnover for the Group was RM1.22 billion, a moderate decline in comparison to Q2 2019 (-8.7%). This was mainly attributed to severe operational restrictions on HORECA (Hotel, Restaurant & Café) channels during the MCO, as well as to the decline in mobility of the public impacting sales in restaurants, R&R rest stops, and office-related channels. For Nestlé, this had some material impact on our NESTLÉ PROFESSIONAL business, which serves the Out-of-Home channels, as well as our Ready-to-Drink and some food products.

In comparison, in-home consumption channels performed strongly, with solid gains in household penetration for brands such as MAGGI, NESCAFÉ, MILO and NESTLÉ ICE CREAM. This helped to cushion the impact from the temporary difficulties in the HORECA channels during MCO.

Our financial performance remained solid in absolute terms. Despite a temporary contraction versus the baseline period derived from these COVID-related challenges, the situation in HORECA channels is progressively improving as Malaysia entered into the Recovery MCO phase (RMCO) in June. Throughout the quarter, we also ensured strong sales execution and found new and innovative ways to connect with consumers.

While we prioritised our activities to ensure supply of our core range of essential products, we also delivered a steady stream of innovations that will support our acceleration in the second part of the year. New products launched in the quarter include the extension of the STARBUCKS range, NESCAFÉ Gold Origins, Ready-to-Drink products such as NESCAFÉ Ice Cappuccino, NESCAFÉ Cold Brew Hazelnut and NESTLÉ OMEGA PLUS Dark Chocolate, and an important extension into the fast-growing “goreng” noodle segment with the launch of MAGGI Goreng.

Against a challenging backdrop, the Group turned in a solid Profit Before Tax of RM140.1 million and a Profit After Tax RM105.5 million for Q2 2020. Against the comparative baseline (PAT RM156.9 million in Q2 2019), profit was impacted by the HORECA situation under MCO and additional expenses necessary to ensure work safety, support to front liners and ensuring continuity across the value chain. To note that Q2 2019 profit had benefitted from a one-off gain of RM19.7 million arising from the divestment of the Petaling Jaya factory.

**2 Review of performance (Year-to-date, 2020 vs Year-to-date, 2019)**

For the first half ended 30 June 2020, the Group's Turnover stood at RM2.65 billion, a minor reduction compared with RM2.79 billion in the previous year's corresponding period. This was due to the anticipated earlier timing of Chinese New Year impact on our Q1 sales vs prior year, as well as the COVID-19 impacts in Q2.

The Group's F&B business registered an increase of 0.6% in sales for the first half, driven by the local business, supported by solid sales execution and effective marketing campaigns. One of the highlights of the period was the successful Nestlé Salary For Life Contest (Peraduan Nestlé Gaji Seumur Hidup), the largest nationwide campaign by Nestlé in Malaysia to date, receiving over 1.3 million entries, and contributing to generate strong shopper's pull through the duration of the MCO.

As part of its COVID-19 relief efforts, Nestlé has also been actively supporting the Malaysian Red Crescent Society and contributed a significant amount of food donations to front liners and communities in need, as well as a number of other initiatives.

The Group recorded resilient profit margins for the first half, with a Profit Before Tax of RM386.4 million and Profit After Tax of RM291.8 million. The contraction against the same period of 2019 (PAT RM392.1 million in H1 2019) reflects the impact of COVID-19 on HORECA channels, the significant expenses needed to preserve work safety and operational continuity (in the order of RM50 million, mostly in Q2), and the one-off gain of RM19.7 million related to the Petaling Jaya factory divestment benefitting the Q2 2019 baseline.

**3 Variation of results against previous quarter (Quarter 2, 2020 vs. Quarter 1, 2020)**

For the second quarter ended 30 June 2020, the Group registered lower turnover of RM1.22 billion, primarily due to restrictions on Out-of-Home channels during the MCO. The impact was mainly due to the longer period when the country was under the MCO in Q2 2020 compared to only 2 weeks in Q1 2020, and was concentrated in April/May, with a progressive improvement from the start of RMCO.

Profit Before Tax at RM140.1 million was solid but impacted by the above mentioned COVID-19 related impacts under MCO on HORECA channels and COVID-19 related expenses.

**4 Current year prospects**

We continue to work hard in the 'new normal' to turn external challenges into new opportunities. We are encouraged to see a progressive recovery throughout the RMCO, especially in the HORECA channels, and we remain confident in our ability to deliver resilient results in 2020. With this in mind, the Group has decided to pay an interim dividend of RM0.70 per share, same level as prior year.

As we embark on the second half of the year, we will continue to ensure the safety of our people and business partners and play our part to support communities. Our teams are focused on driving excellence in operations and commercial execution to accelerate growth. We have also a very strong innovation pipeline across categories that will further support our performance in the months to come. We continue to invest in the future, as reflected by our robust plans and expansion into new categories with high-growth potential.

Our highest CAPEX plan in 6 years is confirmed as announced earlier, including a significant investment going into our Shah Alam factory to build a pioneering facility for Plant-Based Meal Solutions. This is an area of high strategic priority for the Nestlé group worldwide and we are honoured to host the first facility in Asia, that will support growth locally and for export markets.

With these plans in place, we are confident that the Group is well-positioned to deliver sustainable earnings, for the balance of the year and beyond, while continuing to apply cautious management in an economic context that remains uncertain and with downside risks.

**5 Profit forecast**

We do not issue any profit forecast.

**6 Tax expense**

**Current tax**

Malaysian - current period  
- prior year

**Total current tax expense**

**Deferred tax**

Reversal of temporary differences  
Under provision in prior year

**Total deferred tax expense**

**Total income tax expense**

	<b>3 months ended 30.06.2020 RM'000</b>	<b>6 months ended 30.06.2020 RM'000</b>
	39,105	97,628
	117	-
	<b>39,222</b>	<b>97,628</b>
	(4,821)	(3,069)
	206	-
	<b>(4,615)</b>	<b>(3,069)</b>
	<b>34,607</b>	<b>94,559</b>

**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:

**Short term - Unsecured loans**

Loan from a related company  
Bank overdraft

**Total short term loans**

As at 30.06.2020 RM'000
219,952
83,401
<b>303,353</b>

The Group has a short-term unsecured loan from Nestlé Treasury Centre-Middle East & Africa of USD28 million.

**11 Derivatives**  
Summary of outstanding derivative assets / (liabilities) as at 30.06.2020 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Difference RM'000	Ageing
Forward exchange contracts	833,999	838,121	4,122	Less than 1 year
Commodity futures	4,861	9,595	4,734	Less than 1 year

**12 Material litigation**

Nestlé Products Sdn. Bhd. ("NPSB"), the wholly owned subsidiary of Nestlé (Malaysia) Berhad ("the Company") was served with a sealed Writ of Summons and Statement of Claim dated 6 March 2019, filed by Mad Labs Sdn. Bhd. ("Mad Labs"). The claim by Mad Labs against NPSB is for amongst others, the sum of RM139,344,262.25. An amended Writ of Summons dated 21 March 2019 was further filed by Mad Labs and served subsequently on 25 March 2019.

In the Statement of Claim, Mad Labs is alleging inter alia, the unauthorised and/or unlawful use of Mad Lab's QR Code, breach of an implied contract between Mad Labs and NPSB by reason of NPSB's continued use of the QR Code, unjust enrichment of NPSB by the use of the QR Code, compensation for the services which Mad Labs has rendered to NPSB and NPSB's negligence in using Mad Labs's QR Code on its products/packaging. NPSB has filed and served its Statement of Defence dated 22 April 2019 to dispute the claims made by Mad Labs. In addition to filing the Statement of Defence, NPSB has separately filed an action at the Intellectual Property Court against Mad Labs and its sole director and shareholder, Chow Kien Loon ("CKL") for amongst others, to challenge the ownership of Mad Labs in the QR Code, negligence, unlawful interference with trade as well as defamation and trade libel. Mad Labs and CKL have been served the sealed Writ of Summons and Statement of Claim dated 23 April 2019 filed by NPSB through its solicitors.

On 9 December 2019, the Court has allowed the consolidation and transfer of Mad Labs' claim to the Intellectual Property Court to be heard together with NPSB's claim. Due to the recent COVID-19 crisis, Court proceedings have been interrupted as a result of the Government's implementation of the Movement Control Order. As such, both NPSB and Mad Labs are to-date still in the midst of complying with pre-trial directions and dealing with interlocutory applications which hearing has yet to take place.

Based on the opinion rendered by solicitors representing NPSB, Messrs. Zaid Ibrahim & Co., NPSB has a reasonably strong case against Mad Labs and CKL. Accordingly, the Board is of the opinion that no provision needs to be made for this claim.

**13 Dividend**

The Board of Directors has declared an interim dividend of 70.00 sen per share (2019: 70.00 sen per share) in respect of financial year ending 31 December 2020 which will be paid on 8 Oct 2020 to shareholders whose names appear on the Record of Depositors on 15 September 2020. Under current rules, single-tier dividends are not taxable in the hand of shareholders.

A Depositor shall qualify for entitlement only in respect of:

- shares transferred into the Depositor's Securities Account before 5.00 p.m. on 15 September 2020 in respect of ordinary transfers.
- 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**

	3 months ended 30 Jun		6 months ended 30 Jun	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Profit for the period is arrived at after charging:</b>				
Depreciation of property, plant and equipment	34,417	34,357	69,609	70,038
Depreciation of right-of-use assets	8,462	7,911	16,888	15,692
Amortisation of intangible assets	324	392	716	975
Finance cost of lease liabilities	1,818	2,004	3,708	4,019
Property, plant and equipment written off	755	338	415	48
Loss on disposal of property, plant and equipment	-	129	-	76
Impairment loss on trade receivables	2,610	-	2,645	-
Provision & write off of inventories	5,866	-	2,734	-
Net foreign exchange loss	-	5,136	-	8,817
<b>and after crediting:</b>				
Gain on disposal of property, plant and equipment	22	-	137	-
Gain on disposal of leasehold land	-	7,410	-	7,410
Net gain on derivatives	57	-	86	-
Net gain on divestment	-	9,417	-	9,417
Reversal of provision of inventories	-	838	-	2,201
Net foreign exchange gain	6,600	-	2,424	-

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 30.06.2020					
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	
<b>Financial assets</b>					
Commodity futures	5,721	-	-	5,721	5,721
Forward exchange contracts	-	9,880	-	9,880	9,880
<b>Financial liabilities</b>					
Forward exchange contracts	-	(5,758)	-	(5,758)	(5,758)
Commodity futures	(987)	-	-	(987)	(987)

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	
<b>Financial assets</b>					
Loans to employees	-	-	24,997	24,997	24,997

As at 31.12.2019					
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	
<b>Financial assets</b>					
Commodity futures	551	-	-	551	551
Forward exchange contracts	-	5,970	-	5,970	5,970
<b>Financial liabilities</b>					
Forward exchange contracts	-	(8,600)	-	(8,600)	(8,600)
Commodity futures	(72)	-	-	(72)	(72)

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	
<b>Financial assets</b>					
Loans to employees	-	-	26,025	26,025	26,025

**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 (2019: 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 RM291.8 million (RM392.1 million in June 2019) and the number of ordinary shares outstanding of 234.5 million (234.5 million in June 2019).

**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 : August 25, 2020**