

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 SEPTEMBER 2020 as follows:

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

	3 months ended 30 September			9 months ended 30 September		
	2020 RM'000	2019 RM'000	%	2020 RM'000	2019 RM'000	%
Revenue - Sales of goods	1,388,423	1,400,765	-0.9%	4,042,237	4,189,184	-3.5%
Cost of sales	(888,159)	(885,922)		(2,574,171)	(2,622,296)	
Gross profit	500,264	514,843	-2.8%	1,468,066	1,566,888	-6.3%
Other income	-	55		-	19,787	
Operating expenses	(320,737)	(314,040)		(886,742)	(856,491)	
Operating profit	179,527	200,858	-10.6%	581,324	730,184	-20.4%
Finance costs	(9,605)	(10,296)		(26,869)	(30,466)	
Finance income	516	897		2,018	2,810	
Share of post tax profit of an associate	538	186		902	1,025	
Profit before tax	170,976	191,645	-10.8%	557,375	703,553	-20.8%
Tax expense	(42,588)	(42,653)		(137,147)	(162,458)	
Profit after tax	128,388	148,992	-13.8%	420,228	541,095	-22.3%
Minority interests	-	-		-	-	
Profit after tax and minority interest	128,388	148,992	-13.8%	420,228	541,095	-22.3%
Profit for the period	128,388	148,992	-13.8%	420,228	541,095	-22.3%
Other comprehensive (expense)/income, net of tax						
Item that is or may be reclassified subsequently to profit or loss						
Cash flow hedge	(3,475)	1,449		(226)	(2,613)	
Item that will not be reclassified subsequently to profit or loss						
Remeasurement of defined benefit liability	-	-		-	-	
Total other comprehensive (expense)/income for the period, net of tax	(3,475)	1,449		(226)	(2,613)	
Total comprehensive income for the period	124,913	150,441	-17.0%	420,002	538,482	-22.0%
Basic earnings per share (sen)	54.75	63.54		179.20	230.74	
Proposed/Declared dividend per share-net (sen)	70.00	70.00		140.00	140.00	
	AS AT END OF CURRENT QUARTER			AS AT PRECEDING FINANCIAL YEAR END		
Net assets per share attributable to equity holders (RM)	2.53			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 SEPTEMBER 2020

	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
Assets		
Property, plant and equipment	1,267,738	1,277,861
Right-of-use assets	264,671	254,184
Intangible assets	64,790	65,795
Investment in an associate	5,819	5,367
Deferred tax assets	38,096	34,511
Trade and other receivables	13,212	15,807
Total non-current assets	1,654,326	1,653,525
Trade and other receivables	568,241	508,097
Inventories	576,171	551,827
Current tax assets	3,503	2,690
Cash and cash equivalents	39,259	10,399
Total current assets	1,187,174	1,073,013
Total assets	2,841,500	2,726,538
Equity		
Share capital	267,500	267,500
Hedging reserve	(1,157)	(931)
Retained earnings	326,133	398,355
Total equity attributable to owners of the Company	592,476	664,924
Liabilities		
Lease liabilities	187,769	176,823
Employee benefits	89,804	91,444
Deferred tax liabilities	136,630	138,597
Total non-current liabilities	414,203	406,864
Trade and other payables	1,578,364	1,321,407
Loans and borrowings	150,000	257,431
Lease liabilities	32,147	28,753
Current tax liabilities	74,310	47,159
Total current liabilities	1,834,821	1,654,750
Total liabilities	2,249,024	2,061,614
Total equity and liabilities	2,841,500	2,726,538
Net assets per share attributable to shareholders (RM)	2.53	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 CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

	Non Distributable		Distributable	Total Equity RM'000
	Share capital RM'000	Hedging reserve RM'000	Retained profits RM'000	
At 1 January 2019	267,500	2,498	384,335	654,333
Cash flow hedge	-	(2,613)	-	(2,613)
Profit for the period	-	-	541,095	541,095
Total comprehensive (expense)/income for the period	-	(2,613)	541,095	538,482
<u>Dividends to owners of the company</u>				
- Final dividend for the financial year 2018	-	-	(328,300)	(328,300)
- Interim dividend for the financial year 2019	-	-	(164,150)	(164,150)
At 30 September 2019	267,500	(115)	432,980	700,365
At 1 January 2020	267,500	(931)	398,355	664,924
Cash flow hedge	-	(226)	-	(226)
Profit for the period	-	-	420,228	420,228
Total comprehensive (expense)/income for the period	-	(226)	420,228	420,002
<u>Dividends to owners of the company</u>				
- Interim dividend for the financial year 2019	-	-	(328,300)	(328,300)
- Interim dividend for the financial year 2020	-	-	(164,150)	(164,150)
At 30 September 2020	267,500	(1,157)	326,133	592,476

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 SEPTEMBER 2020**

	9 months ended 30.09.2020 RM'000	9 months ended 30.09.2019 RM'000
Cash flows from operating activities		
Profit before tax	557,375	703,553
<i>Adjustments for:</i>		
Amortisation and depreciation	130,638	125,596
Impairment of property, plant and equipment	5,792	3,267
Net finance costs	24,851	27,656
Loss on disposal of property, plant and equipment	451	225
Net gain on divestment	-	(19,787)
<i>Add/ Less:</i>		
Movement in working capital	6,061	(237,069)
Income tax paid	(116,290)	(157,395)
Others	1,992	(1,981)
Net cash from operating activities	610,870	444,065
Cash flows from investing activities		
Acquisition of property, plant and equipment	(100,930)	(90,328)
Proceeds from disposal of property, plant and equipment	345	451
Net proceeds from divestment	-	99,005
Others	2,468	3,259
Net cash used in investing activities	(98,117)	12,387
Cash flows from financing activities		
Finance costs paid	(26,869)	(30,466)
Repayment of borrowings	(114,366)	-
Dividend payment	(328,300)	(328,300)
Proceeds from revolving credit	50,000	-
Payment of lease liabilities	(21,531)	(19,109)
Net cash used in financing activities	(441,066)	(377,875)
Net increase in cash and cash equivalents	71,687	78,577
Cash and cash equivalents at 1 January	(32,428)	(57,443)
Cash and cash equivalents at 30 September	39,259	21,134

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 Sep 2020		9 months ended 30 Sep 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)	1,205	-	2,060	-
Plant and machinery, tools, furniture and equipment (include Asset Under Construction)	63,204	467	95,096	870
Motor vehicles	996	63	2,323	117
Information systems	1,417	8	1,451	25
	66,822	538	100,930	1,012

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 Sep 2020		9 months ended 30 Sep 2020	
	Addition & modification RM'000	Derecognition RM'000	Addition & modification RM'000	Derecognition RM'000
Building	34,499	-	34,652	-
Tools and equipment	377	-	1,249	-
	34,876	-	35,901	-

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

There was no dividend payment in this quarter.

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

9 months ended 30 Sep 2020		
Food & Beverages RM'000	Others RM'000	Total RM'000
3,361,708	680,529	4,042,237
541,663	40,195	581,858

Segment revenue and results

Revenue

Operating Profit

9 months ended 30 Sep 2019		
Food & Beverages RM'000	Others RM'000	Total RM'000
3,324,415	864,769	4,189,184
599,397	132,528	731,925

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

9 months ended 30.09.2020 RM'000	9 months ended 30.09.2019 RM'000
581,858	731,925
(534)	(1,741)
581,324	730,184

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 30.09.2020 RM'000	9 months ended 30.09.2020 RM'000
10,044	30,195
111	1,423
319,499	784,928
251,871	707,986
66,735	194,793
3,478	10,237

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 3, 2020 vs Quarter 3, 2019)

For the third quarter ended 30 September 2020, total turnover for the Group was RM1.39 billion, almost on par with the strong Q3 2019 sales. The Group's core food and beverage (F&B) business was a key contributor, recording a +2.2% growth driven by strong in-home consumption and a positive recovery of Exports. HORECA (Hotel, Restaurant and Café) channels remained below the previous year baseline, but gained momentum progressively following the easing of operational constraints under the Recovery Movement Control Order (RMCO) started mid-June.

Our business, though resilient, is not immune to the significant impact of the COVID-19 pandemic. The resilient results for the quarter is driven by strong demand generation activities throughout the quarter. This has helped to keep a robust in-home consumption for all our main brands. We have kept very close to Malaysians with strong communication campaigns, effective digital engagement and continued strong in-store execution. One of the highlights of this strong engagement was represented by the '*Peraduan Nestlé Gaji Seumur Hidup*' (Nestlé Salary for Life contest) TV grand finale in August, which became one of the most watched game-shows of the year and allowed us to bring joy to all the winners as well as the 17 charities endorsed by each one of them. The 70th MILO anniversary celebrations and our *MAGGI Sah Malaysia* (MAGGI Confirm Malaysia) campaign were also great examples of how we keep our brands relevant and close to all Malaysians. We also embarked on a *Bangkit Bersama Nestlé* (Rise with Nestlé) program, aimed at supporting local coffee shops and small restaurants impacted by COVID-19.

Innovation remained a strong growth driver through the quarter, as the company rolled-out a number of important new products, such as MILO Activ-Go Plus Fibre, an important addition to the MILO range catering to the needs of a more adult audience, with increased fibre and even lower sugar. The Company also introduced a number of new products under NESCAFÉ (NESCAFÉ Latte Milk Tea, NESCAFÉ Ice Cappuccino), NESTLÉ ICE CREAM (Musang King, LA CREMERIA Peanut Butter), MAGGI (MAGGI FUSIAN Bowl range) and NESTUM (Purple Sweet Potato and Taro), amongst others.

Despite tough external conditions, the Group registered a Profit Before Tax of RM171.0 million and a Profit After Tax of RM128.4 million for Q3 2020. This was slightly lower compared to the same period last year (PAT RM149.0 million in Q3 2019), primarily due to the impacted HORECA channels, as well as higher operational expenses still necessary to ensure segregation at the workplace and preserve safety and operational continuity throughout the COVID-19 pandemic.

The Group also announced a second interim dividend of RM0.70 per share, in line with prior year, reconfirming its willingness and confidence to deliver a solid dividend for the Full Year.

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

For the first nine months ended 30 September 2020, the Group's turnover stood at RM4.04 billion, slightly lower than last year (RM4.19 billion). Besides the anticipated impact of the earlier timing of Chinese New Year on our Q1 sales compared with the previous year, sales for the first nine months of 2020 were affected by the hard-hit HORECA channels during the MCO particularly in the first half of the year, which impacted specially the NESTLÉ PROFESSIONAL business.

The impact was mitigated by the Group's core F&B business, which registered an increase of 1.1% in sales during the nine-month period, supported by solid sales execution and successful marketing campaigns, such as the *Peraduan Nestlé Gaji Seumur Hidup* (Nestlé Salary For Life Contest), the *MILO 70 Tahun Terbaik Dalam 70 Hari* (MILO 70 Years of Goodness in 70 days) contest and the *MAGGI Sah Malaysia* (MAGGI Confirm Malaysia) campaign.

Throughout the pandemic, we have maintained our focus to continue supplying essential foods and beverages to Malaysians, whilst safeguarding our people and supporting Malaysians during this challenging time. This has enabled us to continue delivering resilient sales and earnings amidst the challenging conditions brought about by COVID-19. Our significant contributions in multiple ways to provide relief to those most impacted by the pandemic, as well as to front liners, reflect our commitment to support the community.

The Group recorded resilient profit margins for the first nine months, with a Profit Before Tax of RM557.4 million and Profit After Tax of RM420.2 million. The contraction against the same period of 2019 (PAT RM541.1 million) was due to the impact of COVID-19 on HORECA channels and mostly concentrated in Q2, the significant expenses of RM50 million needed to preserve work safety and operational continuity and the one-off gain of RM19.8 million that had been recorded in 2019 related to the Petaling Jaya factory divestment.

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

For the third quarter ended 30 September 2020, the Group registered higher turnover of RM1.39 billion compared to RM1.22 billion in the previous quarter. The higher turnover was attributed to strong improvement in both the In-Home and Out-of-Home channels. In particular, the Out-of-Home channels, which are served by our NESTLÉ PROFESSIONAL business, had a progressive recovery as restrictions were progressively eased during the RMCO phase. The whole Out-of-Home sector remains challenged as the level of activity is well below the baseline of prior years.

Higher Profit Before Tax at RM171.0 million (vs RM140.1 million in the previous quarter) was primarily due to the higher turnover and slightly lower COVID-19 related expenses compared to the previous quarter.

4 Current year prospects

While challenges are expected to persist in the near-term, we firmly believe longer term prospects are positive and we will continue to work hard to win the confidence and trust of Malaysians every day, providing them with nutritious and tasty products that help them to achieve a healthy and active lifestyle. We remain committed also to continue driving shareholder value, and our decision to declare a second interim dividend of RM0.70 per share reflects our confidence in delivering another year of resilient results. We will proceed with our investment plans as previously announced.

With the recent rise in COVID-19 cases and the re-enforcement of the Conditional MCO (CMCO), we will continue to ensure the safety of our people and business partners and play our part to support communities. Our strong innovation pipeline across categories will further support our performance in the fourth quarter, and we remain focused on driving excellence in operations and commercial execution to accelerate growth.

Sustainability remains a top priority for the Group, now even more than before. We continue to make good progress on our sustainability commitments, with the launch of Project RELeaf, the most ambitious reforestation initiative in Malaysia and across the Nestlé world, the delivery of our commitment to eliminate plastic straws from all our products before year end, and many other initiatives to reduce plastic waste and continue improving our environmental impact.

We are confident that with all the elements we have in place, we will again generate solid results and shareholder returns, as we balance our growth drive with a prudent approach to manage potential downside risks in this current uncertain landscape.

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

3 months ended 30.09.2020 RM'000	9 months ended 30.09.2020 RM'000
44,887	142,515
113	113
45,000	142,628
(2,464)	(5,533)
52	52
(2,412)	(5,481)
42,588	137,147

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

Revolving credit

Total short term loans

As at 30.09.2020 RM'000
150,000
150,000

The Group has fully repaid the short-term unsecured loan from Nestlé Treasury Centre-Middle East & Africa of USD28 million in July 2020.

11 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 30.09.2020 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Difference RM'000	Ageing
Forward exchange contracts	977,620	976,695	(925)	Less than 1 year
Commodity futures	2,679	1,939	(740)	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 ("IP 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 IP Court to be heard together with NPSB's claim. The IP Court has recently heard and disposed of an interlocutory striking out application filed by Mad Labs and CKL to remove CKL as a named defendant in the counter suit filed by NPSB against Mad Labs and CKL. On 21st October 2020, Mad Labs and CKL have filed a Notice of Appeal against the IP Court's dismissal of CKL's striking out application. Mad Labs and CKL have up to 90 days of the IP Court's decision to file the Record of Appeal and all parties will have to attend before the Court of Appeal for further directions and fixing of a hearing date.

Despite the Record of Appeal filed by Mad Labs and CKL, the IP Court has nevertheless gave additional pre-trial directions for parties to complete the filing of trial documents. Trial dates have been fixed to tentatively commence from 1st June 2021 till 4th June 2021.

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 16 December 2020 to shareholders whose names appear on the Record of Depositors on 27 November 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:

- a. shares transferred into the Depositor's Securities Account before 5.00 p.m. on 27 November 2020 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

	3 months ended 30 Sep		9 months ended 30 Sep	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit for the period is arrived at after charging:				
Depreciation of property, plant and equipment	34,640	30,773	104,249	100,810
Depreciation of right-of-use assets	8,497	7,727	25,384	23,419
Amortisation of intangible assets	289	392	1,005	1,367
Finance cost of lease liabilities	1,749	1,940	5,457	5,959
Impairment loss on property, plant and equipment	5,792	3,267	5,792	3,267
Property, plant and equipment written off	150	678	216	726
Loss on disposal of property, plant and equipment	587	149	451	225
Net loss on derivatives	86	-	-	-
Impairment loss on trade receivables	-	1,079	1,727	-
Provision & write off of inventories	-	269	5,295	-
Net foreign exchange loss	-	1,740	-	10,557
and after crediting:				
Net gain on derivatives	-	2	-	2
Net gain on divestment	-	55	-	19,787
Reversal of impairment loss on trade receivables	918	-	-	1,568
Reversal of provision of inventories	249	-	-	1,932
Net foreign exchange gain	3,132	-	5,556	-

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:

Financial assets

Forward exchange contracts

Financial liabilities

Forward exchange contracts

Commodity futures

As at 30.09.2020				
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
-	8,032	-	8,032	8,032
-	(8,958)	-	(8,958)	(8,958)
(740)	-	-	(740)	(740)

Financial assets

Loans to employees

Fair value of financial instruments not carried at fair value				
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
-	-	23,034	23,034	23,034

Financial assets

Commodity futures

Forward exchange contracts

Financial liabilities

Forward exchange contracts

Commodity futures

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
551	-	-	551	551
-	5,970	-	5,970	5,970
-	(8,600)	-	(8,600)	(8,600)
(72)	-	-	(72)	(72)

Financial assets

Loans to employees

Fair value of financial instruments not carried at fair value				
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
-	-	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 RM420.2 million (RM541.1 million in September 2019) and the number of ordinary shares outstanding of 234.5 million (234.5 million in September 2019).

b. Diluted earnings per share

Not applicable for the Group.

BY ORDER OF THE BOARD

Tengku Ida Adura Binti Tengku Ismail, MCCA (MACS 01686)

Company Secretary

Date : 10 November, 2020