

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

The Directors are pleased to present the Interim Report for the period ended 31 DECEMBER 2020 as follows:

CONDENSED AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2020

	3 months ended 31 December			12 months ended 31 December		
	2020 RM'000	2019 RM'000	%	2020 RM'000	2019 RM'000	%
Revenue - Sales of goods	1,369,943	1,328,892	3.1%	5,412,180	5,518,076	-1.9%
Cost of sales	(872,507)	(822,265)		(3,446,678)	(3,444,561)	
Gross profit	497,436	506,627	-1.8%	1,965,502	2,073,515	-5.2%
Other income	-	1,173		-	20,960	
Operating expenses	(322,759)	(325,990)		(1,209,502)	(1,182,482)	
Operating profit	174,677	181,810	-3.9%	756,000	911,993	-17.1%
Finance costs	(8,597)	(10,197)		(35,466)	(40,663)	
Finance income	1,520	852		3,538	3,662	
Share of post tax profit of an associate	(205)	(292)		697	733	
Profit before tax	167,395	172,173	-2.8%	724,769	875,725	-17.2%
Tax expense	(34,909)	(40,354)		(172,056)	(202,812)	
Profit after tax	132,486	131,819	0.5%	552,713	672,913	-17.9%
Minority interests	-	-		-	-	
Profit after tax and minority interest	132,486	131,819	0.5%	552,713	672,913	-17.9%
Profit for the period/year	132,486	131,819	0.5%	552,713	672,913	-17.9%
Other comprehensive expense, net of tax						
Item that is or may be reclassified subsequently to profit or loss						
Cash flow hedge	(2,377)	(816)		(2,603)	(3,429)	
Item that will not be reclassified subsequently to profit or loss						
Remeasurement of defined benefit liability	(1,298)	(2,293)		(1,298)	(2,293)	
Total other comprehensive expense for the period/year, net of tax	(3,675)	(3,109)		(3,901)	(5,722)	
Total comprehensive income for the period/year	128,811	128,710	0.1%	548,812	667,191	-17.7%
Basic earnings per share (sen)	56.50	56.21		235.70	286.96	
Proposed/Declared dividend per share-net (sen)	92.00	140.00		232.00	280.00	
Net assets per share attributable to equity holders (RM)	AS AT END OF CURRENT QUARTER			AS AT PRECEDING FINANCIAL YEAR END		
	2.38			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 AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	As at 31.12.2020 RM'000	As at 31.12.2019 RM'000
Assets		
Property, plant and equipment	1,423,843	1,277,861
Right-of-use assets	238,238	254,184
Intangible assets	64,500	65,795
Investment in an associate	5,614	5,367
Deferred tax assets	36,238	34,511
Trade and other receivables	13,056	15,807
Total non-current assets	1,781,489	1,653,525
Trade and other receivables	472,705	508,097
Inventories	597,270	551,827
Current tax assets	548	2,690
Cash and bank balances	9,359	10,399
Total current assets	1,079,882	1,073,013
Total assets	2,861,371	2,726,538
Equity		
Share capital	267,500	267,500
Hedging reserve	(3,534)	(931)
Retained earnings	293,170	398,355
Total equity attributable to owners of the Company	557,136	664,924
Liabilities		
Loans and borrowings	100,000	-
Lease liabilities	162,846	176,823
Employee benefits	90,592	91,444
Deferred tax liabilities	133,968	138,597
Total non-current liabilities	487,406	406,864
Trade and other payables	1,480,838	1,321,407
Loans and borrowings	257,701	257,431
Lease liabilities	31,063	28,753
Current tax liabilities	47,227	47,159
Total current liabilities	1,816,829	1,654,750
Total liabilities	2,304,235	2,061,614
Total equity and liabilities	2,861,371	2,726,538
Net assets per share attributable to shareholders (RM)	2.38	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 AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 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	-	(3,429)	-	(3,429)
Remeasurement of defined benefit liability	-	-	(2,293)	(2,293)
Profit for the year	-	-	672,913	672,913
Total comprehensive (expense)/income for the year	-	(3,429)	670,620	667,191
<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	-	-	(328,300)	(328,300)
At 31 December 2019	267,500	(931)	398,355	664,924
At 1 January 2020	267,500	(931)	398,355	664,924
Cash flow hedge	-	(2,603)	-	(2,603)
Remeasurement of defined benefit liability	-	-	(1,298)	(1,298)
Profit for the year	-	-	552,713	552,713
Total comprehensive (expense)/income for the year	-	(2,603)	551,415	548,812
<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	-	-	(328,300)	(328,300)
At 31 December 2020	267,500	(3,534)	293,170	557,136

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 31 DECEMBER 2020**

	12 months ended 31.12.2020 RM'000	12 months ended 31.12.2019 RM'000
Cash flows from operating activities		
Profit before tax	724,769	875,725
<i>Adjustments for:</i>		
Amortisation and depreciation	176,466	167,488
Impairment of property, plant and equipment	5,793	9,812
Net finance costs	31,928	37,001
Loss/(Gain) on disposal of property, plant and equipment	322	(852)
Net gain on divestment	-	(20,960)
<i>Add/ Less:</i>		
Movement in working capital	133,039	(150,503)
Income tax paid	(174,971)	(204,926)
Others	11,943	13,513
Net cash from operating activities	909,289	726,298
Cash flows from investing activities		
Acquisition of property, plant and equipment	(294,553)	(183,253)
Proceeds from disposal of property, plant and equipment	463	2,359
Net proceeds from divestment	-	99,005
Others	3,988	4,112
Net cash used in investing activities	(290,102)	(77,777)
Cash flows from financing activities		
Finance costs paid	(35,466)	(40,663)
Proceeds from borrowings	105,634	100,000
Dividend payment	(656,600)	(656,600)
Payment of lease liabilities	(28,669)	(26,243)
Net cash used in financing activities	(615,101)	(623,506)
Net increase in cash and cash equivalents	4,086	25,015
Cash and cash equivalents at 1 January	(32,428)	(57,443)
Cash and cash equivalents at 31 December	(28,342)	(32,428)

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 is based on the audited financial statements for the year ended 31 December 2020 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 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 31 Dec 2020		12 months ended 31 Dec 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)	3,553	-	5,613	-
Plant and machinery, tools, furniture and equipment (include Asset Under Construction)	181,584	1,306	276,680	2,176
Motor vehicles	370	-	2,693	117
Information systems	8,116	(4)	9,567	21
	193,623	1,302	294,553	2,314

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 31 Dec 2020		12 months ended 31 Dec 2020	
	Addition & modification RM'000	Derecognition RM'000	Addition & modification RM'000	Derecognition RM'000
Building	(17,112)	28	17,540	28
Tools and equipment	-	-	1,249	-
	(17,112)	28	18,789	28

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 31.12.2020 RM'000	12 months ended 31.12.2020 RM'000
Interim dividend for the financial year ended 31 December 2020		
1st interim: 70.00 sen per share (single-tier)	-	164,150
2nd interim: 70.00 sen per share (single-tier)	164,150	164,150
Interim dividend for the financial year ended 31 December 2019		
3rd interim: 140.00 sen per share (single-tier)	-	328,300
Total	164,150	656,600

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

12 months ended 31 Dec 2020		
Food & Beverages RM'000	Others RM'000	Total RM'000
4,491,451	920,729	5,412,180
699,666	57,021	756,687

Segment revenue and results

Revenue
Operating Profit

12 months ended 31 Dec 2019		
Food & Beverages RM'000	Others RM'000	Total RM'000
4,389,740	1,128,336	5,518,076
755,465	158,470	913,935

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

12 months ended 31.12.2020 RM'000	12 months ended 31.12.2019 RM'000
756,687	913,935
(687)	(1,942)
756,000	911,993

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
Purchases of goods and services
Sales of finished goods
Royalties
Management fees

3 months ended 31.12.2020 RM'000	12 months ended 31.12.2020 RM'000
13,167	50,311
241,348	1,021,826
274,810	982,796
64,713	267,412
9,147	38,216

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, 2020 vs Quarter 4, 2019)

For the fourth quarter ended 31 December 2020, the Group recorded a turnover of RM1.37 billion, reflecting a 3.1% increase from Q4 2019. The core food and beverage business continued to be a key contributor, recording a 6% growth driven by strong in-home consumption. The export business also registered good growth. Further contributing to the Group's performance, sales in Out-of-Home (OOH) channels trended better as restrictions eased in the second half of the year under the Recovery MCO (RMCO), although still well below pre-COVID levels.

The better quarterly results are a credit to our teams' tireless efforts in driving growth opportunities across all brands and channels in a challenging context (specially in OOH channels) and an extremely competitive environment. Our brands have continued to gain consumers' endorsement thanks to solid brand plans, exciting innovations and strong sales execution.

The accelerated roll-out of product innovations was also a key growth driver during the quarter. In addition to the innovations introduced in prior quarters, new products further reinforced the portfolio, including MILO Nutri Breakfast, new formats of MAGGI Chilli Sauce, and the introduction of KIT KAT GOLD, in both Ice Cream and Confectionery versions. A highlight of the quarter was the launch of NESCAFÉ Classic *Kopi Kedah*, our first ever NESCAFÉ made with 100% Malaysian grown coffee beans.

The Group registered a Profit Before Tax (PBT) of RM167.4 million, closing the gap on 2019 vs the previous 3 reported quarters. This was primarily due to the impacted OOH channels, as well as higher operational expenses to protect the safety of all employees at work and ensure operational continuity, including a massive COVID-19 antigen screening program critical to keep all employees safe and ensure operational continuity. Nevertheless, the Group recorded a Profit After Tax (PAT) of RM132.5 million, marginally higher vs. the same quarter last year.

Since the start of the COVID pandemic we have made clear that we will protect the safety of all our employees whatever it would take or cost. As an example, our mass testing program, started in October, has seen over 120,000 tests performed to date, with a cumulated cost of several million Ringgit. The fight against the virus requires us to remain humble and continue to be very proactive and disciplined in the application of all SOPs and containment measures. We have delivered also our commitment to protect jobs and employment and have managed to avoid any restructuring of the workforce in 2020 in spite of the significant cost pressures we have had to absorb.

In line with the Group's commitment to delivering resilient and sustainable value to the shareholders, the Board of Directors declared a third interim dividend of RM0.92 per share for the financial year ended 31 December 2020. This will bring total dividends for the year to RM2.32 per share, a solid dividend pay-out, despite the volatile climate of 2020.

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

For the full year ended 31 December 2020, the Group's turnover stood at RM5.41 billion, with the pandemic impact concentrated in the first half of the year and compounding the challenge of the very early Chinese New Year in 2020. The second half of the year saw instead a progressive recovery of both local sales and exports as the pandemic worst impacts started to recede.

To note that the Group's core F&B business recorded sales growth of 2.3% for the year, building on very solid sales execution and engaging brand campaigns that help to lift the spirits of Malaysians in such a challenging context. This included the successful Nestlé Salary For Life Contest, the MILO 70 Years celebrations, the MAGGI Confirm Malaysia campaign or the activities behind our coffee brands, including the expansion of the STARBUCKS at HOME range and the launch of NESCAFÉ Classic *Kopi Kedah* with 100% Malaysian beans. To mention also the innovative strategies of Nestle Ice Cream to directly deliver Ice Cream to Malaysian households during the lockdown.

The Group recorded stable profit margins for the full year of 2020, with a Profit Before Tax of RM724.8 million and Profit After Tax of RM552.7 million. The contraction against 2019 was mainly due to the impact of COVID-19 on OOH channels and significant COVID-19 related expenses amounting to RM62 million, which was invested into pandemic relief efforts and comprehensive measures to preserve employee safety and operational continuity. The previous financial year also benefitted from the one-off gain of RM21 million related to the Petaling Jaya factory divestment.

We kept the course during the pandemic by remaining focused on what mattered: ensuring safety and protecting jobs and income for all our people, ensuring supply continuity to our customers and fulfilling our pledge to contribute RM15 million to the community through different relief programs. We executed in full our capital investment plans for 2020 (the highest in the last 6 years) and made progress in our sustainability agenda. Two of the highlights were the completion of 1 million trees planted in Sabah under project RILeaf and the full transition to sustainably sourced paper straws across all our UHT range, thanks to the effort and resilience of our teams and their unwavering commitment to make a positive difference for all Malaysians.

3 Variation of results against previous quarter (Quarter 4, 2020 vs. Quarter 3, 2020)

For the fourth quarter ended 31 December 2020, the Group registered a turnover of RM1.37 billion, marginally lower than the strong sales in the previous quarter (RM1.39 billion), which was attributed to strong improvement in both the In-Home and Out-of-Home channels as restrictions were eased during the RMCO phase.

Slightly lower Profit Before Tax at RM167.4 million (vs RM171.0 million in the previous quarter) was mainly due to higher COVID-19 related expenses especially for mass screening, testing and sanitization to ensure work safety and operational continuity.

4 Current year prospects

We foresee that COVID-19 will continue to have repercussions specially through the first half of 2021. We will continue to focus on ensuring the safety of our people, the continued supply of our products to our customers and will again support vulnerable communities through different programs. We also see a significant rebound in the prices of many key commodities that anticipates margin tensions that we will continue to do our best to manage. As always, we will drive our business with long term focus and always delivering safe, high-quality nutritional products meeting the taste and other expectations of all Malaysians.

There will be exciting developments in 2021 such as our entrance in the emerging plant-based category. Our Plant-Based Meal Solutions manufacturing facility, one of only two across all of Asia, is now complete and operational, and will be officially launched in April. In 2021 we expect to allocate significant new fresh investment to further expand and upgrade our manufacturing facilities, creating also new job opportunities. Last but not least, we will continue accelerating our efforts in 2021 to shape a greener and more sustainable future for all, with important projects such as the execution of Project RELeaf, aiming to plant 3 million trees from 2021 to 2023, the ongoing fight against plastic waste and our accelerated transition to renewable energy sources across all our sites.

5 Profit forecast

We do not issue any profit forecast.

6 Tax expense

Current tax

Malaysian - current period/year
- prior year

Total current tax expense

Deferred tax

Origination and reversal of temporary differences
Over provision in prior year

Total deferred tax expense

Total income tax expense

3 months ended 31.12.2020 RM'000	12 months ended 31.12.2020 RM'000
39,745 (5,192)	182,260 (5,079)
34,553	177,181
3,443 (3,087)	(2,090) (3,035)
356	(5,125)
34,909	172,056

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
Bank overdraft

Total short term loans

Long term - Unsecured loans

Loan from a related company

Total long term loans

As at 31.12.2020 RM'000
220,000
37,701
257,701
100,000
100,000

The Group has obtained a long-term unsecured loan from Nestlé Treasury Centre-Asia Pacific of RM100 million in December 2020 and repayable in 3 years.

11 Derivatives

Summary of outstanding derivative assets / (liabilities) as at 31.12.2020 :

Type of derivatives	Notional Value RM'000	Fair Value RM'000	Difference RM'000	Ageing
Forward exchange contracts	1,007,130	1,002,358	(4,772)	Less than 1 year
Commodity futures	14,146	14,227	81	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. The Court of Appeal has since on 20th January 2021 fixed the hearing date for the appeal to take place on 22nd September 2021. Parties are to complete the filing of written submissions by 7th September before the appeal hearing.

Despite the Record of Appeal filed by Mad Labs and CKL, the pre-trial directions given by the IP Court remain valid and parties are required to complete the filing of trial documents as directed. 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 proposed a third interim dividend of 92.00 sen per share (2019: 140.00 sen per share) in respect of financial year ended 31 December 2020 which will be paid on 20 May 2021 to shareholders whose names appear on the Record of Depositors on 21 April 2021. 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 21 April 2021 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**Profit for the period/year is arrived at after charging:**

Depreciation of property, plant and equipment
 Depreciation of right-of-use assets
 Amortisation of intangible assets
 Finance cost of lease liabilities
 Impairment loss on property, plant and equipment
 Property, plant and equipment written off
 Loss on disposal of property, plant and equipment
 Net loss on derivatives
 Provision & write off of inventories
 Net foreign exchange loss

and after crediting:

Gain on disposal of property, plant and equipment
 Net gain on divestment
 Reversal of impairment loss on trade receivables
 Reversal of provision of inventories

3 months ended 31 Dec		12 months ended 31 Dec	
2020	2019	2020	2019
RM'000	RM'000	RM'000	RM'000
36,195	32,694	140,464	133,506
9,323	8,992	34,707	32,411
290	203	1,295	1,571
1,892	1,989	7,349	7,949
5,793	9,812	5,793	9,812
1,305	4,979	1,529	5,704
-	-	322	-
-	2	-	-
-	5,602	-	3,670
6,083	1,530	527	12,087
72	1,077	-	852
-	1,173	-	20,960
2,281	1,817	553	3,384
7,394	-	2,099	-

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

Commodity futures

Forward exchange contracts

Financial liabilities

Forward exchange contracts

Commodity futures

As at 31.12.2020				
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
148	-	-	148	148
-	8,383	-	8,383	8,383
-	(13,155)	-	(13,155)	(13,155)
(67)	-	-	(67)	(67)

Financial assets

Loans to employees

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
-	-	21,561	21,561	21,561

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				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 RM552.7 million (RM672.9 million in December 2019) and the number of ordinary shares outstanding of 234.5 million (234.5 million in December 2019).

b. Diluted earnings per share

Not applicable for the Group.

Date : 23 February, 2021

BY ORDER OF THE BOARD

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

Company Secretary