

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

The Directors are pleased to present the Interim Report for the period ended 30 September 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

| | 3 months ended 30 September | | | 9 months ended 30 September | | |
|--|-------------------------------------|------------------|--------------|---|------------------|--------------|
| | 2019 RM'000 | 2018 RM'000 | % | 2019 RM'000 | 2018 RM'000 | % |
| Revenue - Sales of goods * | 1,400,765 | 1,432,452 | -2.2% | 4,189,184 | 4,171,182 | 0.4% |
| Cost of sales | (885,922) | (877,221) | | (2,622,296) | (2,560,795) | |
| Gross profit | 514,843 | 555,231 | -7.3% | 1,566,888 | 1,610,387 | -2.7% |
| Other income | 55 | - | | 19,787 | - | |
| Operating expenses | (314,040) | (357,550) | | (856,491) | (885,697) | |
| Operating profit | 200,858 | 197,681 | 1.6% | 730,184 | 724,690 | 0.8% |
| Finance costs | (10,296) | (11,901) | | (30,466) | (32,023) | |
| Finance income | 897 | 779 | | 2,810 | 2,083 | |
| Share of post tax profit of an associate | 186 | 162 | | 1,025 | 1,204 | |
| Profit before tax | 191,645 | 186,721 | 2.6% | 703,553 | 695,954 | 1.1% |
| Tax expense | (42,653) | (49,034) | | (162,458) | (160,890) | |
| Profit after tax | 148,992 | 137,687 | 8.2% | 541,095 | 535,064 | 1.1% |
| Minority interests | - | - | | - | - | |
| Profit after tax and minority interest | 148,992 | 137,687 | 8.2% | 541,095 | 535,064 | 1.1% |
| Profit for the period | 148,992 | 137,687 | 8.2% | 541,095 | 535,064 | 1.1% |
| Other comprehensive income/(expense), net of tax | | | | | | |
| Item that is or may be reclassified subsequently to profit or loss | | | | | | |
| Cash flow hedge | 1,449 | (720) | | (2,613) | 25,502 | |
| Item that will not be reclassified subsequently to profit or loss | | | | | | |
| Remeasurement of defined benefit liability | - | - | | - | - | |
| Total other comprehensive income/(expense) for the period, net of tax | 1,449 | (720) | | (2,613) | 25,502 | |
| Total comprehensive income for the period | 150,441 | 136,967 | 9.8% | 538,482 | 560,566 | -3.9% |
| Basic earnings per share (sen) | 63.54 | 58.72 | | 230.74 | 228.17 | |
| 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) | 2.99 | | | 2.79 | | |

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2018.

* 2018 revenue includes the Chilled Dairy business. Factoring in the divestment of the Chilled Dairy business on 1 Jan 2019, this represents a solid 2.1% growth for first nine months ended 30 September 2019.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

| | As at 30.09.2019 RM'000 | As at 31.12.2018 RM'000 |
|---|--|--|
| Assets | | |
| Property, plant and equipment | 1,229,985 | 1,245,564 |
| Right-of-use assets | 236,570 | 261,567 |
| Intangible assets | 66,179 | 67,546 |
| Investment in an associate | 5,659 | 5,084 |
| Deferred tax assets | 25,135 | 30,572 |
| Trade and other receivables | 16,716 | 21,533 |
| Total non-current assets | 1,580,244 | 1,631,866 |
| Trade and other receivables | 638,968 | 605,414 |
| Inventories | 531,731 | 530,378 |
| Current tax assets | 4,301 | 163 |
| Assets classified as held for sale | - | 72,450 |
| Cash and cash equivalents | 21,134 | 7,011 |
| Total current assets | 1,196,134 | 1,215,416 |
| Total assets | 2,776,378 | 2,847,282 |
| Equity | | |
| Share capital | 267,500 | 267,500 |
| Hedging reserve | (115) | 2,498 |
| Retained earnings | 432,980 | 384,335 |
| Total equity attributable to owners of the Company | 700,365 | 654,333 |
| Liabilities | | |
| Lease liabilities | 159,327 | 180,198 |
| Employee benefits | 89,367 | 95,282 |
| Deferred tax liabilities | 127,601 | 135,390 |
| Total non-current liabilities | 376,295 | 410,870 |
| Trade and other payables | 1,497,143 | 1,527,276 |
| Loans and borrowings | 117,250 | 180,304 |
| Lease liabilities | 26,777 | 26,778 |
| Current tax liabilities | 58,548 | 47,721 |
| Total current liabilities | 1,699,718 | 1,782,079 |
| Total liabilities | 2,076,013 | 2,192,949 |
| Total equity and liabilities | 2,776,378 | 2,847,282 |
| Net assets per share attributable to shareholders (RM) | 2.99 | 2.79 |

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2018.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 SEPTEMBER 2019**

| | Non Distributable | | Distributable | Total Equity RM'000 |
|--|-------------------|-----------------|------------------|------------------------|
| | Share capital | Hedging reserve | Retained profits | |
| | RM'000 | RM'000 | RM'000 | |
| At 1 January 2018 | 267,500 | (9,172) | 370,607 | 628,935 |
| Cash flow hedge | - | 25,502 | - | 25,502 |
| Profit for the period | - | - | 535,064 | 535,064 |
| Total comprehensive income for the period | - | 25,502 | 535,064 | 560,566 |
| <u>Dividends to owners of the company</u> | | | | |
| - Final dividend for the financial year 2017 | - | - | (316,575) | (316,575) |
| - Interim dividend for the financial year 2018 | - | - | (164,150) | (164,150) |
| At 30 September 2018 | 267,500 | 16,330 | 424,946 | 708,776 |
| 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 |

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2018.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

| | 9 months ended 30.09.2019 RM'000 | 9 months ended 30.09.2018 RM'000 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before tax | 703,553 | 695,954 |
| <i>Adjustments for:</i> | | |
| Amortisation and depreciation | 125,596 | 123,205 |
| Impairment of assets | 3,267 | - |
| Net finance costs | 27,656 | 29,940 |
| Loss on disposal of property, plant and equipment | 225 | 134 |
| Gain on divestment | (19,787) | - |
| <i>Add/ Less:</i> | | |
| Movement in working capital | (237,069) | 13,266 |
| Income tax paid | (157,395) | (98,475) |
| Others | (43,876) | 6,679 |
| Net cash from operating activities | 402,170 | 770,703 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (90,328) | (59,139) |
| Acquisition of intangible assets | - | (2,893) |
| Proceeds from disposal of property, plant and equipment | 451 | 363 |
| Proceeds from divestment | 140,900 | - |
| Others | 3,259 | 2,502 |
| Net cash generated from/(used in) investing activities | 54,282 | (59,167) |
| Cash flows from financing activities | | |
| Finance costs paid | (30,466) | (32,023) |
| Dividend payment | (328,300) | (480,725) |
| Payment of lease liabilities | (19,109) | (24,537) |
| Net cash used in financing activities | (377,875) | (537,285) |
| Net increase/(decrease) in cash and cash equivalents | 78,577 | 174,251 |
| Cash and cash equivalents at 1 January | (57,443) | (17,310) |
| Cash and cash equivalents at 30 September | 21,134 | 156,941 |

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2018.

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 2018.

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 30 Sep 2019 | | 9 months ended 30 Sep 2019 | |
|--|----------------------------|-------------------------------|----------------------------|-------------------------------|
| | Assets acquired | Assets disposed/ write-off | Assets acquired | Assets disposed/ write-off |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Building (improvements and additions) | 148 | 659 | 1,615 | 659 |
| Plant and machinery (include Asset Under Construction) | 23,943 | 89 | 77,211 | 153 |
| Tools and furniture | 4,307 | 16 | 7,230 | 253 |
| Motor vehicles | 2,791 | 231 | 2,791 | 321 |
| Information systems | 439 | 15 | 1,481 | 16 |
| | 31,628 | 1,010 | 90,328 | 1,402 |

b. Right-of-use

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

| | 3 months ended 30 Sep 2019 | | 9 months ended 30 Sep 2019 | |
|----------|----------------------------|-------------------------------|----------------------------|-------------------------------|
| | Assets acquired | Assets disposed/ write-off | Assets acquired | Assets disposed/ write-off |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Building | - | - | - | 1,763 |

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 2019 | | |
|----------------------------|------------------|-----------------|
| Food & Beverages RM'000 | Others RM'000 | Total RM'000 |
| 3,351,104 | 838,080 | 4,189,184 |
| 595,732 | 136,193 | 731,925 |

Segment revenue and results

Revenue
Operating Profit

| 9 months ended 30 Sep 2018 | | |
|----------------------------|------------------|-----------------|
| Food & Beverages RM'000 | Others RM'000 | Total RM'000 |
| 3,345,838 | 825,344 | 4,171,182 |
| 585,145 | 139,246 | 724,391 |

The comments on page 6 apply to both segments Food & Beverages (80% of total sales) and Others (20% of total sales).

Reconciliations of reportable segment operating profit:

Total operating profit for reported segments
Other unallocated (expense)/income
Consolidated operating profit

| 9 months ended 30.09.2019 RM'000 | 9 months ended 30.09.2018 RM'000 |
|--|--|
| 731,925 | 724,391 |
| (1,741) | 299 |
| 730,184 | 724,690 |

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 30.09.2019 RM'000 | 9 months ended 30.09.2019 RM'000 |
|--|--|
| 7,931 | 23,469 |
| 951 | 3,237 |
| 259,108 | 750,142 |
| 253,499 | 713,356 |
| 68,021 | 206,764 |
| 3,219 | 9,742 |

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, 2019 vs Quarter 3, 2018)

The Group achieved good margins for the third quarter, with Profit Before Tax at RM 192 Mio (+2.6% vs Q3 2018) and Profit After Tax at RM 149 Mio (+8.2%). These results were delivered in spite of higher commodity prices and unfavorable exchange rates, confirming the effectiveness of the efforts to manage margins through focus on driving sustainable efficiencies and savings.

Against the background of exceptionally strong sales in Q3 '18 (0% GST period), sales growth was subdued in the quarter (-2.2% to RM 1.4 Bio) and in spite of solid growth again in domestic sales (1.7% when adjusted for the divestment of Chilled Dairy business). Exports growth was still negatively impacted by unfavorable trading conditions in some of our main importing markets.

Robust domestic sales benefitted again from strong operational sales execution, sustained contribution from innovations and solid marketing activities. New products launched in the third quarter included the STARBUCKS AT HOME range, NESCAFÉ GOLD Mixes relaunch, MILO Protein Up, new varieties of NESCAFÉ RTD, NESTLÉ Crunch Wafer Nuts and DRUMSTICK Pika Pika Ice Cream.

2 Review of performance (Year-to-date, 2019 vs Year-to-date, 2018)

Despite the subdued consumer sentiment, for the first nine months ended 30 September 2019, the Group sales reached RM4.19 billion, +0.4% versus the same period in 2018 (equivalent to 2.1% once adjusted for the divestment of the Chilled Dairy business). Domestic sales remained the engine of growth, with sales expanding 2.6% during the nine-month period (4.6% net of the Chilled Dairy divestment).

The solid growth results reflect positive offtake for our brands confirming sustained consumer demand. This was achieved on the back of robust demand and effective marketing support over both the Chinese New Year and Hari Raya festive seasons, as well as successful product innovations and portfolio renovation. In addition to the above-mentioned launches in the third quarter, other launches this year included NESCAFÉ Blend & Brew White Coffee, NESTUM Brown Rice, NESCAFÉ Tarik Kurang Manis, MAGGI Pedas Giler Seafood, MAGGI Pedas Giler 2x Ayam Bakar and LA CREMERIA Summer Berries Yogurt Ice Cream.

On the back of this solid turnover, Profit Before Tax and Profit After Tax increased by 1.1% to RM704 million and RM541 million respectively, mainly driven by leveraging the growth and through our ongoing commitment to proactively capture efficiencies and savings to invest behind our brands and protect our margins.

3 Variation of results against previous quarter (Quarter 3, 2019 vs. Quarter 2, 2019)

For the third quarter, the Group registered a turnover of RM1.40 billion, 4.9% higher than the second quarter of 2019. Our growth momentum in the third quarter demonstrates the strength of our domestic business and reflects how our strategic plans to drive sustainable demand for our brands are bearing fruit.

While Profit Before Tax was slightly lower at RM192 million, this was mainly due to planned phasing of our commercial spending. The preceding second quarter also benefitted from a one-off gain of RM19.7 million arising from the divestment of the Petaling Jaya factory and the manufacturing business in relation to chilled dairy products, cold sauces and packing of milk powders.

4 Current year prospects

Building on our solid foundation, the Group's results remain resilient and we expect to land another quarter of solid results in Q4 and for the full year. Despite a challenging backdrop of global and local uncertainties (both consumer and commodities), our fundamentals remain strong and we continue to focus on commercial activities which are consumer-driven.

We will continue to proactively enhance efficiencies and generate savings to invest behind our brands and protect our margins. In the current context this remains the most effective strategy to counter rising commodity costs and protect the accessibility to our brands by consumers.

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

Origination and reversal of temporary differences
Under provision in prior year

Total deferred tax expense

Total income tax expense

| | 3 months ended 30.09.2019 RM'000 | 9 months ended 30.09.2019 RM'000 |
|--|---|---|
| | 48,265 | 170,708 |
| | (5,871) | (6,624) |
| | 42,394 | 164,084 |
| | 438 | (7,597) |
| | (179) | 5,971 |
| | 259 | (1,626) |
| | 42,653 | 162,458 |

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

Total short term loans

| As at 30.09.2019 RM'000 |
|-------------------------------|
| 117,250 |
| 117,250 |

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 30.09.2019 :

| Type of derivatives | Notional Value RM'000 | Fair Value RM'000 | Difference RM'000 | Ageing |
|----------------------------|--------------------------|----------------------|----------------------|------------------|
| Forward exchange contracts | 954,050 | 956,112 | 2,062 | Less than 1 year |
| Commodity futures | 2,158 | 2,064 | (94) | Less than 1 year |

12 Material litigation

Nestlé Products Sdn. Bhd. ("NPSB"), the wholly owned subsidiary of Nestlé (Malaysia) Berhad (110925-W) ("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.

Both NPSB and Mad Labs are in the midst of complying with pre-trial directions by the Courts.

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 (2018: 70.00 sen per share) in respect of financial year ending 31 December 2019 which will be paid on 19 December 2019 to shareholders whose names appear on the Record of Depositors on 29 November 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:

- shares transferred into the Depositor's Securities Account before 5.00 p.m. on 29 November 2019 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 Sep | | 9 months ended 30 Sep | |
|--|-----------------------|----------------|-----------------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Profit for the period is arrived at after charging: | | | | |
| Depreciation of property, plant and equipment | 30,773 | 34,439 | 100,810 | 100,783 |
| Amortisation of right-of-use | 7,727 | 7,974 | 23,419 | 22,112 |
| Amortisation of intangible assets | 392 | 106 | 1,367 | 310 |
| Finance cost of lease liabilities | 1,940 | 1,950 | 5,959 | 3,144 |
| Impairment of assets | 3,267 | - | 3,267 | - |
| Property, plant and equipment written off | 678 | 215 | 726 | 307 |
| Loss on disposal of property, plant and equipment | 149 | 4 | 225 | 134 |
| Net loss on derivatives | - | 4,999 | - | - |
| Provision & write off of receivables | 1,079 | 6,108 | - | 15,817 |
| Provision & write off of inventories | 269 | 389 | - | 1,203 |
| Net foreign exchange loss | 1,740 | - | 10,557 | - |
| and after crediting: | | | | |
| Net gain on derivatives | 2 | - | 2 | 309 |
| Gain on divestment | 55 | - | 19,787 | - |
| Reversal of provision of receivables | - | - | 1,568 | - |
| Reversal of provision of inventories | - | - | 1,932 | - |
| Net foreign exchange gain | - | 856 | - | 6,794 |

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 30.09.2019 | | | | | |
|---|---------|---------|------------------|---------|-----------------|
| 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 |
| Financial assets | | | | | |
| Commodity futures | 222 | - | - | 222 | 222 |
| Forward exchange contracts | - | 5,945 | - | 5,945 | 5,945 |
| Financial liabilities | | | | | |
| Forward exchange contracts | - | (3,883) | - | (3,883) | (3,883) |
| Commodity futures | (316) | - | - | (316) | (316) |

| 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 | - | - | 28,589 | 28,589 | 28,589 |
| Financial liabilities | | | | | |
| Loan from a related company | - | - | (117,250) | (117,250) | (117,250) |

| 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) |

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 (2018: 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 RM541.1 million (RM535.1 million in September 2018) and the number of ordinary shares outstanding of 234.5 million (234.5 million in September 2018).

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 : November 12 , 2019