



QUARTERLY REPORT 02

Investor Update 2020

FROM THE DESK

DEAR SHAREHOLDERS,

WE ARE PLEASED TO REPORT THAT PPB GROUP'S PRE-TAX PROFIT INCREASED BY 28% IN 1H2020 TO RM591 MILLION MAINLY ATTRIBUTABLE TO HIGHER CONTRIBUTION FROM WILMAR INTERNATIONAL LIMITED OF RM447 MILLION, COMPARED WITH RM310 MILLION IN 1H2019. GROUP REVENUE DECREASED BY 12% TO RM2.02 BILLION IN 1H2020 AS LOWER REVENUE WAS RECORDED BY ALL CORE GROUP SEGMENTS.

Group profit for the period was higher at RM552 million compared with RM428 million in 1H2019. Accordingly, PPB recorded earnings per share of 36.55 sen for 1H2020 compared with 28.71 sen for 1H2019.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 8 sen per share for the financial year ending 31 December 2020, payable on 29 September 2020 to shareholders whose names appear in the Record of Depositors on 11 September 2020.

REVIEW OF OPERATIONS

The results of PPB's main business operations for 1H2020 are summarised as follows :-

- *Grains & Agribusiness* segment revenue for 1H2020 decreased by 3% to RM1.59 billion due to lower sales volume of flour and feed. Segment profit increased to RM181 million compared with RM85 million in 1H2019 mainly attributable to higher efficiency and better management of raw material costs.

- *Consumer Products* revenue for 1H2020 remained stable at RM326 million. Segment profit improved to RM10 million for 1H2020 compared with RM3 million in 1H2019 mainly due to improved performance at the bakery division.

- *Film Exhibition & Distribution* revenue declined significantly by 71% to RM80 million and recorded a loss of RM61 million compared with a profit of RM39 million in 1H2019. The performance of this segment was significantly impacted by the closure of the cinemas during the Movement Control Order ("MCO") period up to 30 June 2020.

- *Environmental Engineering & Utilities* registered lower revenue of RM58 million, down 18% due to work suspension during the MCO period. Segment profit was unchanged at RM7 million.

- *Property* segment revenue decreased by 23% to RM22 million. The segment recorded a loss of RM4 million compared to a RM11 million profit previously, mainly attributable to lower mall-related rental income during the MCO period.



PROSPECTS FOR 2020

The *Grains and Agribusiness* segment weathered a challenging operating environment, with volatility in grain prices and foreign exchange market. Given this segment is in the production and distribution of essential food products, it has not been significantly impacted by the Covid-19 pandemic and is expected to perform satisfactorily in the second half of 2020.

The *Consumer Products* segment endeavours to maintain the momentum of sales by focusing on food services and other channels via the e-commerce marketplace. The segment is expected to perform satisfactorily in 2H2020.

OF THE CHAIRMAN



The *Film Exhibition and Distribution* segment continues to be affected by the Covid-19 pandemic with social distancing seating requirement and many movie titles being deferred to 2021. Management will continue to implement cost optimisation measures and stringent cash flow management to deal with the current operating environment.

The *Environmental Engineering and Utilities* segment will continue to focus on replenishing its order book and exploring new project opportunities.

Performance of the *Property* segment also remains challenging, both in investment properties and

property development. Various measures are being taken to address the reduced footfall in our malls as well as slower sales of properties.

The Covid-19 pandemic continues to weigh on our *Film Exhibition and Distribution* and *Property* segments; the other main business segments, which are mainly in the production and distribution of essential products and services, are expected to perform satisfactorily. Wilmar's performance will continue to contribute substantially to the overall profitability of the Group.

HAPPENINGS

In April 2020, the Massimo Primo sandwich roll was launched to good response.

FFM Group Berhad acquired 70% equity interest in FFM Further Processing Sdn Bhd (FFP) from BRF Foods GmbH, making FFP a wholly-owned subsidiary of FFM Group. FFP manufactures processed food such as burger patties, nuggets and sausages.

PPB's 51st Annual General Meeting was held virtually for the first time on 12 June 2020. Shareholders participated remotely, and were briefed on the Group's performance and financial results for the year ended 31 December 2019.

CSR ACTIVITIES

Covid-19 Initiatives

In its continuing efforts to help curb the spread of Covid-19, PPB in the quarter under review, donated

a total of 6,000 PPE comprising coveralls, disposable surgical gowns and K95 face masks to government hospitals and a health office which urgently requested for these PPEs. FFM collaborated with Yayasan Food Bank Malaysia and contributed 1 million Massimo Primo sandwich rolls to recipients from the B40 group, welfare homes and university students in the various states. In a separate occasion held on 25 July, PPB with the assistance of Rotary Club PJ gave out 26,000 Massimo Primo sandwich rolls to 2,561 families in the Lembah Subang flats in Petaling Jaya.

Others

In conjunction with the Hari Raya celebration, PPB staff visited 10 families during the Conditional Movement Control Order ("CMCO") period, and assisted them with the provision of electrical items such as ovens, freezers and refrigerators to support their cottage businesses.

PPB organised a virtual financial talk by Mr Yap Ming Hui entitled "Smart Personal Financial Planning During a Global Recession" which was attended by more than 90 Group employees.

GREETINGS

I take this opportunity to wish every Malaysian, "Happy Malaysia Day"!

Tan Sri Datuk Oh Siew Nam
Chairman

7 September 2020

HAPPENINGS

1 —

MASSIMO PRIMO SANDWICH ROLL

THE ITALIAN BAKER SDN BHD (TIB) LAUNCHED ITS NEW MASSIMO PRIMO SANDWICH ROLL IN APRIL 2020. EACH BUN IS INDIVIDUALLY WRAPPED TO PRESERVE ITS FRESHNESS. AFFORDABLY PRICED, MASSIMO PRIMO SANDWICH ROLL IS PERFECT FOR FILLING, OR TO DIP IN CURRIES AND SAUCES, OR EATEN PLAIN.

In conjunction with its launch, TIB in collaboration with Yayasan Food Bank Malaysia (YFBM) pledged to donate 1 million Massimo Primo sandwich rolls to charity homes/institutions and needy communities nationwide.



2 —

FFM FURTHER PROCESSING SDN BHD

ON 24 JUNE 2020, FFM ACQUIRED FROM BRF FOODS GMBH ITS ENTIRE 70% SHAREHOLDING IN FFM FURTHER PROCESSING SDN BHD (FFP) AT A TOTAL CONSIDERATION OF USD7.35 MILLION. FOLLOWING THE ACQUISITION, FFP IS NOW A WHOLLY-OWNED SUBSIDIARY OF FFM.

FFP was incorporated in 2006 and commenced business in 2007 as a manufacturer of processed food. It presently produces meat nuggets, sausages and burger patties.

HAPPENINGS

3

**51ST ANNUAL GENERAL MEETING**

The 51st Annual General Meeting (“AGM”) of PPB Group Berhad was held on 12 June 2020. For the first time, the AGM was conducted entirely via live streaming and online remote poll voting using Remote Participation and Voting facilities. In view of the Covid-19 pandemic, the AGM was conducted in line with the Securities Commission Malaysia’s guidelines for listed issuers to conduct fully virtual or hybrid general meetings, pursuant to safe distancing requirements and other precautions.

At the AGM, the Chief Financial Officer read out the Company’s reply to a letter from the Minority Shareholders Watchdog Group. She also presented the key Group financial highlights for the year ended 31 December 2019 (“FY2019”), after which the Managing Director presented a summary of the Group business updates and prospects.

The Chairman and management then proceeded to deal with questions raised by members relating to the Group’s businesses and results for FY2019.

After conclusion of the business of the agenda, voting on the resolutions tabled at the AGM was completed and the results verified. All the resolutions were passed by the members.



CSR ACTIVITIES

1



COVID-19 INITIATIVES

PPB CONTINUED TO EXTEND ITS SUPPORT TO THE COMMUNITY DURING THE CONDITIONAL MOVEMENT CONTROL ORDER WHICH WAS IMPLEMENTED IN CONNECTION WITH THE COVID-19 PANDEMIC.



PPB donated 2,000 coveralls and 2,000 disposable surgical gowns to five government hospitals and a health office which were in urgent need of these PPEs. The recipients were Kuala Lumpur Hospital; Tuanku Jaafar Hospital in Seremban; Hospital Sultanah Aminah in Johor Bahru; Hospital Tengku Ampuan Rahimah in Klang and KLIA Health Office. Hospital Sultanah Aminah also received 2,000 pcs of KN95 face masks.

On 25 July 2020, PPB with the assistance of Rotary Club PJ gave away 26,000 Massimo Primo sandwich rolls to 2,561 families in the Lembah Subang flats in Petaling Jaya.

FFM collaborated with Yayasan Food Bank Malaysia and contributed 1 million Massimo Primo sandwich rolls to about 107,000 individuals from the B40 group, welfare homes and university students in the various states.



CSR ACTIVITIES

2



FINANCIAL AWARENESS TALK

ON 5 JUNE 2020, PPB ORGANISED A VIRTUAL FINANCIAL TALK ENTITLED “SMART PERSONAL FINANCIAL PLANNING DURING A GLOBAL RECESSION” WHICH WAS ATTENDED BY MORE THAN 90 PPB GROUP EMPLOYEES.

The one-hour talk was facilitated by the affable Mr Yap Ming Hui who is the founder and Managing Director of Whitman Independent Advisors and popular writer of many best-selling personal finance books.

Mr Yap gave many useful tips on planning a personal financial portfolio during the Covid-19 pandemic and shared many real-life cases one could relate to.



3

HARI RAYA CELEBRATION
WITH NEEDY FAMILIES

IN CONJUNCTION WITH THE HARI RAYA CELEBRATION, PPB STAFF VISITED 10 NEEDY FAMILIES IN THE KLANG VALLEY AND PROVIDED THEM WITH GROCERIES.

The majority of these families are headed by either single mothers or widows carrying out cottage businesses to support their families.

PPB sponsored electrical appliances such as ovens, freezers and refrigerators for them; to help boost their businesses, and making them more sustainable.



SHARE ANALYSIS

THE PERFORMANCE OF DOMESTIC EQUITY MARKETS HAS IMPROVED, IN LINE WITH THE REGIONAL TREND, REFLECTING POSITIVE SENTIMENTS FROM THE GLOBAL EQUITY MARKET RALLY. DOMESTICALLY, HIGHER RESIDENT PARTICIPATION AND A STRONG PERFORMANCE LED BY HEALTHCARE SECTOR STOCKS ALSO PROVIDED ADDITIONAL IMPETUS TO THE DOMESTIC EQUITY MARKET DESPITE CONTINUED NON-RESIDENT OUTFLOWS. AS AT END-JUNE, THE FBM KLCI INCREASED BY 11.1% TO CLOSE AT 1,501.0 POINTS (END-MARCH: 1,350.9 POINTS).

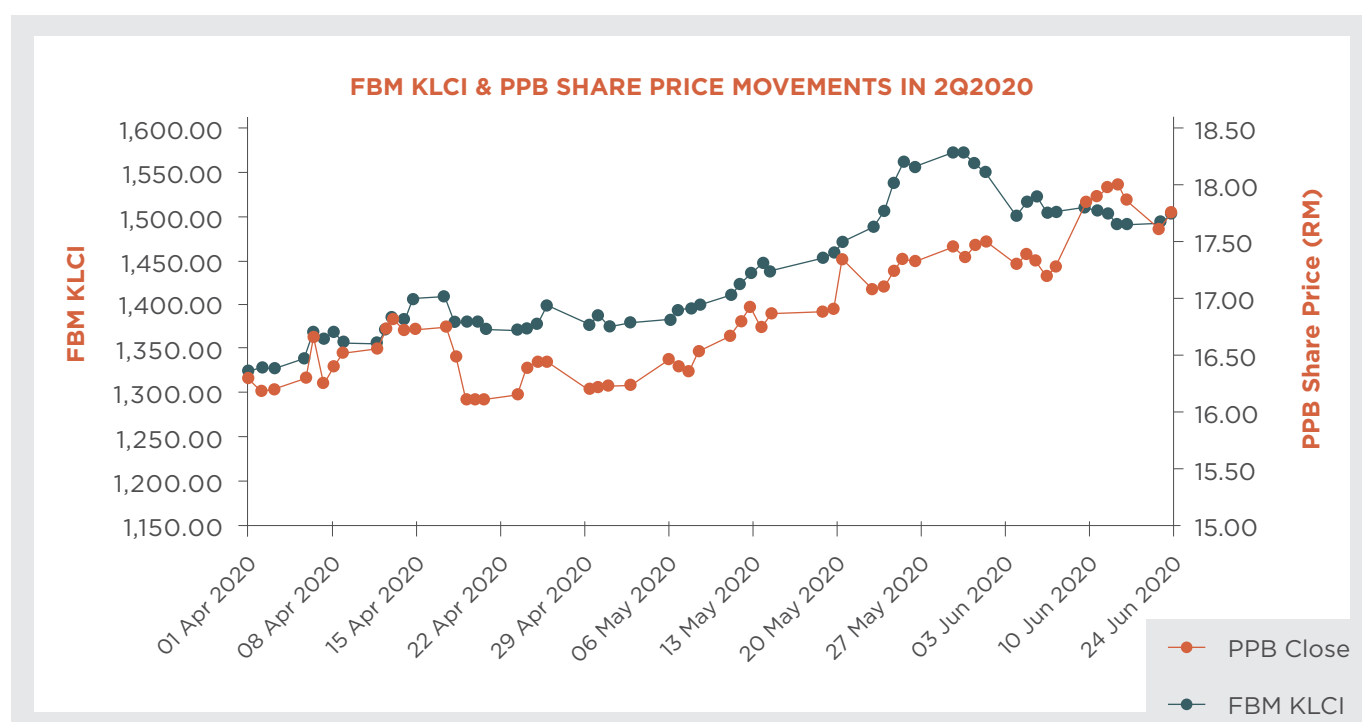
Source : Bank Negara Malaysia website



PPB shares closed at RM17.78 compared with RM16.42 in the preceding quarter and market capitalisation increased to RM25,301 million. The average daily volume of PPB shares traded during the quarter increased by 2.24% to 693,244 shares.

SHARE ANALYSIS

	2Q2020	1Q2020	Change %
PPB share price (RM)			
Closing price (high)	18.00	19.28	-6.64%
Closing price (low)	16.12	15.70	2.68%
Month end closing price	17.78	16.42	8.28%
Weighted share price	16.97	17.52	-3.14%
Market capitalisation (RM' million)	25,301	23,366	8.28%
PPB share trading volume (Number of shares)			
Daily volume (high)	4,911,200	3,788,100	29.65%
Daily volume (low)	116,200	38,700	200.26%
Average daily volume	693,244	678,073	2.24%
FBM KLCI			
FBM KLCI closing (high)	1,575.27	1,219.72	29.15%
FBM KLCI closing (low)	1,322.66	1,611.38	-17.92%
FBM KLCI quarter end closing	1,500.97	1,350.89	11.11%
FBM KLCI volume (Number of shares)			
Daily volume (high)	595,843,500	442,093,200	34.78%
Daily volume (low)	73,131,100	57,241,400	27.76%
Average daily volume	163,446,783	171,522,708	-4.71%



GROUP FINANCIAL HIGHLIGHTS

	6 months			12 months
Financial period/year ended (All figures in RM million)	30-Jun-20	30-Jun-19	Change %	31-Dec-19
INCOME STATEMENT				
Revenue	2,021	2,309	(12)	4,684
Profit before tax	591	461	28	1,272
Profit attributable to owners of the parent	520	408	27	1,153
STATEMENT OF FINANCIAL POSITION				
Non-current assets	21,019	20,198	4	20,429
<u>Current assets</u>				
Cash and cash equivalents	1,470	1,282	15	1,501
Others	1,628	1,719	(5)	1,650
Total current assets	3,098	3,001	3	3,151
Total assets	24,117	23,199	4	23,580
<u>Equity</u>				
Share capital	1,429	1,429	-	1,429
Reserves	20,581	19,767	4	20,006
Equity attributable to owners of the parent	22,010	21,196	4	21,435
Non-controlling interests	738	720	3	696
Total equity	22,748	21,916	4	22,131
<u>Non-current liabilities</u>				
Borrowings	2	11	(86)	4
Others	352	312	13	360
Total non-current liabilities	354	323	10	364
<u>Current liabilities</u>				
Borrowings	530	472	12	357
Others	485	488	(1)	728
Total current liabilities	1,015	960	6	1,085
Total liabilities	1,369	1,283	7	1,449
Total equity and liabilities	24,117	23,199	4	23,580

GROUP FINANCIAL HIGHLIGHTS

Financial period/year ended (All figures in RM million)		6 months		12 months
		30-Jun-20	30-Jun-19	31-Dec-19
RATIOS				
Return on equity attributable to owners of the parent (annualised)	(%)	4.7	3.8	5.4
Earnings per share	(sen)	36.5	28.7	81.0
Debt to equity	(times)	0.02	0.02	0.02
Net assets per share	(RM)	15.5	14.9	15.1
Dividend per share	(sen)	8.0	8.0	31.0
STOCK MARKET INFORMATION				
Share price	(RM)	17.78	18.70	18.84
Market capitalisation	(RM million)	25,301	26,610	26,809

ANNOUNCEMENTS

APRIL 2020



PPB announced the reclassification of the proposed final dividend as a second interim dividend for the financial year ended 31 December 2019.

The entitlement and payment dates for the second interim dividend were unchanged, and the dividend was paid on 2 June 2020.

MAY 2020



PPB announced that the quarterly report for the 1st quarter ended 31 March 2020 would be released on 29 May 2020.



PPB announced the issue of the Notice of the 51st Annual General Meeting (“AGM”) of the Company dated 19 May 2020.



- Issue of PPB’s 2019 Annual Report and Corporate Governance Report.
- Issue of the Circular to Shareholders dated 19 May 2020 in relation to the following :
 - proposed shareholders’ mandate for recurrent related party transactions; and
 - proposed renewal of authority for PPB to purchase its own ordinary shares.



Release of PPB’s quarterly report for the 1st quarter ended 31 March 2020.

JUNE 2020



PPB announced that all the resolutions tabled at the 51st AGM held on 12 June 2020 were passed by shareholders of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

	2 nd Quarter ended 30 June		First Half ended 30 June	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	953,343	1,152,835	2,021,333	2,309,221
Operating expenses	(946,552)	(1,114,282)	(1,987,868)	(2,219,836)
Operating profit	6,791	38,553	33,465	89,385
Other operating income	82,946	19,507	75,400	43,701
Share of results of associates	306,732	131,869	493,699	345,269
Share of results of joint venture	237	701	1,821	905
Finance costs	(6,509)	(9,238)	(13,266)	(18,006)
Profit before taxation	390,197	181,392	591,119	461,254
Tax expense	(26,358)	(15,214)	(38,809)	(33,133)
Profit for the period	363,839	166,178	552,310	428,121
Attributable to :				
Owners of the parent	332,733	159,976	519,999	408,424
Non-controlling interests	31,106	6,202	32,311	19,697
Profit for the period	363,839	166,178	552,310	428,121
Basic earnings per share (sen)	23.39	11.25	36.55	28.71

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2020

	2 nd Quarter ended 30 June		First Half ended 30 June	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit for the period	363,839	166,178	552,310	428,121
Other comprehensive income/(loss), net of tax				
<u>Items that will not be subsequently reclassified to profit or loss</u>				
Fair value gain/(loss) on investment in equity instruments designated as fair value through other comprehensive income	55,895	(40,779)	(68,138)	(31,806)
Share of associates' other comprehensive (loss) /income	(71,275)	22,610	(71,275)	13,030
<u>Items that will be subsequently reclassified to profit or loss</u>				
Exchange differences on translation of foreign operations	(101,550)	202,974	825,450	2,223
Share of associates' other comprehensive income/(loss)	79,726	(128,448)	(292,127)	52,009
Total comprehensive income	326,635	222,535	946,220	463,577
Attributable to :				
Owners of the parent	283,938	216,042	902,158	440,403
Non-controlling interests	42,697	6,493	44,062	23,174
Total comprehensive income	326,635	222,535	946,220	463,577

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 30-Jun-20 RM'000	As at 31-Dec-19 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	1,368,226	1,337,417
Investment properties	268,829	265,770
Right-of-use assets	235,017	245,769
Bearer plant	3,113	3,042
Goodwill	73,704	73,704
Other intangible assets	16,011	9,177
Land held for property development	100,183	100,178
Investment in associates	18,580,008	17,960,226
Investment in joint venture	20,648	17,404
Receivables	14,680	10,600
Other investments	337,405	405,179
Deferred tax assets	862	342
	21,018,686	20,428,808
Current Assets		
Inventories	759,253	802,513
Biological assets	14,166	16,767
Other intangible assets	67	25
Property development costs	21,232	18,881
Receivables	821,171	801,805
Derivative financial assets	430	128
Current tax assets	11,629	9,921
Cash and cash equivalents	1,470,346	1,500,909
	3,098,294	3,150,949
	24,116,980	23,579,757
EQUITY AND LIABILITIES		
Equity		
Share capital	1,429,314	1,429,314
Reserves	20,580,905	20,005,945
Equity attributable to owners of the parent	22,010,219	21,435,259
Non-controlling interests	738,170	695,532
Total equity	22,748,389	22,130,791

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 30-Jun-20 RM'000	As at 31-Dec-19 RM'000
Non-current Liabilities		
Borrowings	1,505	4,096
Lease obligations	218,819	227,976
Provision for restoration cost	29,340	29,340
Deferred tax liabilities	104,090	102,191
	353,754	363,603
Current Liabilities		
Payables	409,513	669,190
Derivative financial liabilities	14,642	17,339
Borrowings	529,503	357,075
Lease obligations	28,058	28,540
Provision for restoration cost	4,743	5,200
Current tax liabilities	28,378	8,019
	1,014,837	1,085,363
Total liabilities	1,368,591	1,448,966
TOTAL EQUITY AND LIABILITIES	24,116,980	23,579,757

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2020

	Share capital RM'000	Non-distributable reserves RM'000	Retained earnings RM'000	Attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
First half ended 30 June 2020						
At 1 January 2020	1,429,314	2,825,928	17,180,017	21,435,259	695,532	22,130,791
Total comprehensive income	-	382,159	519,999	902,158	44,062	946,220
Transfer of reserves	-	63,410	(63,410)	-	-	-
Dividends	-	-	(327,198)	(327,198)	(1,424)	(328,622)
At 30 June 2020	1,429,314	3,271,497	17,309,408	22,010,219	738,170	22,748,389
First half ended 30 June 2019						
At 1 January 2019	1,429,314	3,166,516	16,444,244	21,040,074	696,797	21,736,871
Total comprehensive income	-	31,979	408,424	440,403	23,174	463,577
Transfer of reserves	-	9,052	(9,052)	-	-	-
Dividends	-	-	(284,520)	(284,520)	-	(284,520)
At 30 June 2019	1,429,314	3,207,547	16,559,096	21,195,957	719,971	21,915,928

Note :

The breakdown of non-distributable reserve is not shown due to limited information from investment in associates.

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2020

	6 months ended 30 June	
	2020	2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	591,119	461,254
Adjustments :		
Non-cash items	(418,773)	(265,080)
Non-operating items	(10,576)	(13,099)
Operating profit before working capital changes	161,770	183,075
Working capital changes :-		
Net change in current assets	44,792	36,498
Net change in current liabilities	(265,288)	(212,468)
Cash (used in)/generated from operations	(58,726)	7,105
Tax paid	(18,688)	(26,168)
Net cash used in operating activities	(77,414)	(19,063)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment, investment properties, biological assets and other intangible assets	(56,243)	(60,296)
Proceeds from disposal of property, plant and equipment	455	5,094
Purchase of investments	(84,144)	(25)
Proceeds from disposal of investment	-	388
Dividends received	358,710	268,126
Income received from short-term fund placements	17,001	16,272
Interest received	3,965	4,748
(Advance to)/repayment from associates	(6,153)	296
Distribution of profit from joint venture	3,807	4,848
Net cash generated from investing activities	237,398	239,451
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown/(repayment) of bank borrowings	162,752	(11,080)
Interest paid	(8,317)	(12,764)
Dividends paid	(328,622)	(284,520)
Payment of lease obligations	(21,423)	(21,605)
Net cash used in financing activities	(195,610)	(329,969)
Net decrease in cash and cash equivalents	(35,626)	(109,581)
Cash and cash equivalents brought forward	1,500,571	1,390,711
Effect of exchange rate changes	4,909	634
Cash and cash equivalents carried forward	1,469,854	1,281,764
<u>Cash and cash equivalents represented by :</u>		
Cash and bank balances	262,627	163,776
Bank deposits	172,305	128,576
Short-term fund placements	1,035,414	989,596
Bank overdrafts	(492)	(184)
	1,469,854	1,281,764

(The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019)

NOTES

A1. Accounting policies

The interim financial statements of the Group have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") MFRS 134 Interim Financial Reporting and Chapter 9, Part K of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the audited financial statements for the financial year ended 31 December 2019 except for the adoption of the following Amendments to MFRS that are effective for financial periods beginning on or after 1 January 2020 :

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 7 and MFRS 9	Interest Rate Benchmark Reform
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The adoption of the above Amendments to MFRS is not expected to have any material effect on the condensed financial statements in the period of initial application.

A2. Seasonality or cyclicity of interim operations

The Group's operations are not materially affected by any seasonal or cyclical factors.

A3. Exceptional or unusual items

There were no exceptional or unusual items for the financial period ended 30 June 2020.

A4. Nature and amount of changes in estimates

There were no changes in estimates of amounts reported in the previous financial year which have a material effect in the current interim period.

A5. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuances or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period to-date.

A6. Dividends paid

A second interim dividend of 23 sen per share in respect of financial year ended 31 December 2019 was paid on 2 June 2020.

NOTES

A7. Segmental reporting

Performance of the Group’s business segments for the financial period ended 30 June 2020 is as follows :

Business segments : All figures in RM’000	Grains and agribusiness	Consumer products	Film exhibition and distribution	Environmental engineering and utilities	Property	Other operations	Inter- segment elimination	Total
REVENUE								
External revenue	1,507,828	325,832	79,522	57,646	21,687	28,818	-	2,021,333
Inter-segment sales	80,766	363	-	203	460	296	(82,088)	-
Total revenue	1,588,594	326,195	79,522	57,849	22,147	29,114	(82,088)	2,021,333
RESULTS								
Segment results	128,472	21,879	(54,616)	854	(2,020)	13,165	-	107,734
Share of results of associates	52,980	(1,766)	(6,303)	4,204	(1,815)	446,399	-	493,699
Share of results of joint venture	-	-	-	1,821	-	-	-	1,821
Unallocated corporate expenses	-	-	-	-	-	-	-	(12,135)
Profit/(Loss) before taxation	181,452	20,113	(60,919)	6,879	(3,835)	459,564	-	591,119

A8. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the financial period that have not been reflected in the financial statements under review.

A9. Changes in the composition of the Group

FFM Berhad (“FFM”), a subsidiary of the Company, had on 24 June 2020 acquired the remaining 70% equity interest not already owned in FFM Further Processing Sdn Bhd (“FFMP”) from BRF Foods GmbH for RM31.5 million. Arising therefrom, FFMP has become a wholly-owned subsidiary of FFM.

Other than the above, there were no material changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations for the financial period under review.

A10. Changes in contingent liabilities or contingent assets

There were no material changes in contingent assets and liabilities since the end of the previous financial year.

NOTES

A11. Capital and other commitments

Authorised capital and other commitments not provided for in the financial statements as at 30 June 2020 are as follows :

	RM'000
Property, plant and equipment, investment properties and biological assets	
- contracted	29,726
- not contracted	409,920
	439,646
Other commitments	
- contracted	362,723
Total	802,369

A12. Significant related party transactions

Significant related party transactions during the financial period ended 30 June 2020 are as follows :

	RM'000
Transactions with associates	
- Purchase of goods	21,847
Transactions with subsidiaries of the ultimate holding company	
- Sales of goods	23,792
Transactions with subsidiaries of associates	
- Purchase of goods	121,981
- Sales of goods	48,725
- Rental income	1,667
- Other services expenses	6,633
- Supervision fees income	1,347
- Freight cost	86,970

NOTES

B1. Performance analysis

Group financial performance by business segment

Business segments : All figures in RM'000	Grains and agribusiness	Consumer products	Film exhibition and distribution	Environmental engineering and utilities	Property	Other operations	Inter- segment elimination	Total
2Q2020								
REVENUE								
External revenue	737,221	166,030	1,464	25,662	8,972	13,994	-	953,343
Inter-segment sales	42,778	17	-	139	220	192	(43,346)	-
Total revenue	779,999	166,047	1,464	25,801	9,192	14,186	(43,346)	953,343
RESULTS								
Segment results	99,174	20,691	(36,465)	1,500	(1,820)	6,303	-	89,383
Share of results of associates	27,792	(552)	(4,981)	3,084	460	280,929	-	306,732
Share of results of joint venture	-	-	-	237	-	-	-	237
Unallocated corporate expenses	-	-	-	-	-	-	-	(6,155)
Profit/(Loss) before taxation	126,966	20,139	(41,446)	4,821	(1,360)	287,232	-	390,197
2Q2019								
REVENUE								
External revenue	764,172	166,247	146,371	35,838	15,361	24,846	-	1,152,835
Inter-segment sales	44,479	1,084	-	64	317	33	(45,977)	-
Total revenue	808,651	167,331	146,371	35,902	15,678	24,879	(45,977)	1,152,835
RESULTS								
Segment results	11,588	2,753	20,476	1,354	6,610	16,685	-	59,466
Share of results of associates	13,856	(1,746)	951	807	1,561	116,440	-	131,869
Share of results of joint venture	-	-	-	701	-	-	-	701
Unallocated corporate expenses	-	-	-	-	-	-	-	(10,644)
Profit before taxation	25,444	1,007	21,427	2,862	8,171	133,125	-	181,392
Variance								
Revenue (%)	-4%	-1%	-99%	-28%	-41%	-43%	6%	-17%
Profit/(Loss) before taxation (%)	>100%	>100%	n.m.	68%	n.m.	>100%	-	>100%

NOTES

B1. Performance analysis (Cont'd)

Group financial performance by business segment (Cont'd)

Business segments : All figures in RM'000	Grains and agribusiness	Consumer products	Film exhibition and distribution	Environmental engineering and utilities	Property	Other operations	Inter- segment elimination	Total
1H2020								
REVENUE								
External revenue	1,507,828	325,832	79,522	57,646	21,687	28,818	-	2,021,333
Inter-segment sales	80,766	363	-	203	460	296	(82,088)	-
Total revenue	1,588,594	326,195	79,522	57,849	22,147	29,114	(82,088)	2,021,333
RESULTS								
Segment results	128,472	21,879	(54,616)	854	(2,020)	13,165	-	107,734
Share of results of associates	52,980	(1,766)	(6,303)	4,204	(1,815)	446,399	-	493,699
Share of results of joint venture	-	-	-	1,821	-	-	-	1,821
Unallocated corporate expenses	-	-	-	-	-	-	-	(12,135)
Profit/(Loss) before taxation	181,452	20,113	(60,919)	6,879	(3,835)	459,564	-	591,119
1H2019								
REVENUE								
External revenue	1,557,665	330,326	273,817	70,572	28,014	48,827	-	2,309,221
Inter-segment sales	77,287	1,500	-	128	597	145	(79,657)	-
Total revenue	1,634,952	331,826	273,817	70,700	28,611	48,972	(79,657)	2,309,221
RESULTS								
Segment results	55,068	5,723	35,789	3,435	9,020	26,747	-	135,782
Share of results of associates	30,357	(3,059)	3,412	2,611	1,966	309,982	-	345,269
Share of results of joint venture	-	-	-	905	-	-	-	905
Unallocated corporate expenses	-	-	-	-	-	-	-	(20,702)
Profit before taxation	85,425	2,664	39,201	6,951	10,986	336,729	-	461,254
Variance								
Revenue (%)	-3%	-2%	-71%	-18%	-23%	-41%	-3%	-12%
Profit/(Loss) before taxation (%)	>100%	>100%	n.m.	-1%	n.m.	36%	-	28%

NOTES

B1. Performance analysis (Cont'd)

Group performance review

For the second quarter of 2020, the Group recorded total revenue of RM953 million, 17% lower as compared to 2Q2019 of RM1.15 billion. Pre-tax profit was at RM390 million (2Q2019: RM181 million). Profit contribution from Wilmar International Limited (“Wilmar”) increased by RM165 million to RM282 million (2Q2019: RM117 million).

For 1H2020, total Group revenue was lower by 12% to RM2.02 billion (1H2019: RM2.31 billion) as lower revenue was recorded by all core groups segments.

Group pre-tax profit was at RM591 million for 1H2020, 28% higher as compared to RM461 million achieved in 1H2019. This was mainly attributable to higher contribution from Wilmar at RM447 million (1H2019: RM310 million). Core group profit was, however, lower by 4.8%.

Grains and agribusiness

For 2Q2020 and 1H2020, segment revenue was lower by 4% to RM780 million (2Q2019: RM809 million) and 3% to RM1.59 billion (1H2019: RM1.63 billion) respectively. This was mainly attributed to lower sales volume of flour and feed. Segment profit for 2Q2020 and 1H2020 was at RM127 million (2Q2019: RM25 million) and RM181 million (1H2019: RM85 million) respectively. The increase in profit was mainly attributable to lower raw material costs.

Consumer products

Segment revenue for 2Q2020 and 1H2020 remained stable at RM166 million (2Q2019: RM167 million) and RM326 million (1H2019: RM332 million) respectively. Excluding a one-off gain on the step-acquisition of an associate of RM10 million in 2Q2020 as disclosed in Note A9, the **Consumer products** segment recorded a profit for 2Q2020 and 1H2020 of RM10 million (2Q2019: RM1 million, 1H2019: RM3 million). This was mainly attributable to the improved performance at the bakery division.

Film exhibition and distribution

Segment revenue for 2Q2020 and 1H2020 was at RM1 million (2Q2019: RM146 million) and RM80 million (1H2019: RM274 million) respectively. For 2Q2020 and 1H2020, the segment recorded a loss of RM41 million (2Q2019: profit of RM21 million) and RM61 million (1H2019: profit of RM39 million) respectively. Performance of the segment was significantly impacted by the closure of cinemas during the Movement Control Order (“MCO”) period up to 30 June 2020.

Environmental engineering and utilities

Segment revenue for 2Q2020 and 1H2020 were lower at RM26 million (2Q2019: RM36 million) and RM58 million (1H2019: RM71 million) respectively. This was mainly due to works delay during the MCO period. Segment profit for 2Q2020 and 1H2020 was at RM5 million (2Q2019: RM3 million) and RM7 million (1H2019: RM7 million) respectively.

Property

Segment revenue for 2Q2020 and 1H2020 were at RM9 million (2Q2019: RM16 million) and RM22 million (1H2019: RM29 million) respectively. The segment recorded a loss of RM1 million for 2Q2020 (2Q2019: profit of RM8 million) and RM4 million for 1H2020 (1H2019: profit of RM11 million) respectively. This was mainly attributable to lower malls related rental income during the MCO period.

Other operations

The segment achieved a higher profit at RM287 million in 2Q2020 (2Q2019: RM133 million) and RM460 million in 1H2020 (1H2019: RM337 million) respectively. Contribution from Wilmar was higher at RM282 million for 2Q2020 (2Q2019: RM117 million) and RM447 million for 1H2020 (1H2019: RM310 million) respectively.

NOTES

B2. Material changes in the quarterly results compared to the results of the preceding quarter

Group pre-tax profit was higher at RM390 million in 2Q2020 (1Q2020: RM201 million) mainly due to higher contribution from Wilmar at RM282 million (1Q2020: RM165 million) and **Grains and agribusiness** segment at RM127 million (1Q2020: RM54 million).

B3. Prospects

The Malaysian economy contracted by 17.1% (1Q2020: +0.7%) in the second quarter of 2020. The decline reflected the unprecedented impact of the stringent containment measures to control the Covid-19 pandemic globally and domestically.

It is expected to recover gradually in the second half of 2020 as the economy progressively re-opens and external demand improves.

Growth is expected to have troughed in the second quarter of 2020. This outlook is underpinned by the rebound of key indicators such as wholesale and retail trade, industrial production, gross exports, and electricity generation. This improvement in growth is expected to be supported by the recovery in global growth and continued domestic policy support.

The **Grains and agribusiness** segment weathered through a challenging operating environment, with volatility in grain prices and foreign exchange market. Given this segment is in the production and distribution of essential food products, it has not been significantly impacted by the Covid-19 pandemic and is expected to perform satisfactorily in the second half of 2020.

The **Consumer products** segment endeavours to maintain the momentum of sales by focusing on food services channel and other channels via the e-commerce marketplace. The segment is expected to perform satisfactorily in the second half of the year.

The **Film exhibition and distribution** segment will continue to be affected by the Covid-19 pandemic as most movie title releases had been deferred to 2021. The management will continue to implement cost optimisation measures and stringent cash flow management to deal with the current challenging operating environment.

The **Environmental engineering and utilities** segment will continue to focus on replenishing its order book and exploring new project opportunities.

Performance of the **Property** segment will remain challenging, both in investment properties and property development. Various measures are being put in place to address the reduced footfall in our malls as well as slower sales of properties brought about by the Covid-19 pandemic.

The Covid-19 pandemic will continue to weigh on our **Film exhibition and distribution** and **Property** segments, the other main business segments, which are mainly in the production and distribution of essential products and services, are expected to perform satisfactorily. Wilmar's performance will continue to contribute substantially to the overall profitability of the Group.

B4. Variance of actual profit from forecast profit

Not applicable.

NOTES

B5. Profit before taxation

	2nd Quarter ended 30-Jun-20 RM'000	First Half ended 30-Jun-20 RM'000
Profit before taxation was stated after charging/(crediting) :		
Interest income and income from short-term fund placements	(9,199)	(20,200)
Dividend income	(3,584)	(3,642)
Net foreign exchange gain	(26,306)	(22)
Net fair value gain on derivatives	(31,578)	(39,456)
Allowance for doubtful debts and receivables written off	274	585
Depreciation and amortisation	41,737	89,210
Interest expense on lease obligations	2,635	5,283

B6. Tax expense

	2nd Quarter ended 30-Jun-20 RM'000	First Half ended 30-Jun-20 RM'000
Taxation comprises :		
Malaysian taxation		
Current	21,030	33,620
Deferred	(608)	(2,275)
	20,422	31,345
Foreign taxation		
Current	2,803	3,099
Deferred	2,946	4,426
	26,171	38,870
Under/(over) provision in prior year :		
Current	-	797
Deferred Tax	187	(858)
	26,358	38,809

The effective tax rate was higher than the statutory tax rate. This was due mainly to deferred tax asset not recognised by certain subsidiaries and provision for withholding tax on undistributed profits of foreign associates. Deferred tax benefit will only be recognised when it is probable that taxable profits will be available to allow deferred tax benefit to be realised.

NOTES

B7. Status of corporate proposals

There were no corporate proposals announced but not completed as at 20 August 2020.

B8. Group borrowings

Total Group borrowings as at 30 June 2020 were as follows :

	Total RM'000	Secured RM'000	Unsecured RM'000
Long-term bank borrowings			
Long-term bank loans (VND)	1,364	1,364	-
Hire purchase financing	141	141	-
	1,505	1,505	-
Short-term bank borrowings			
Bills payable (IDR)	160,500	-	160,500
Bills payable (USD)	49,342	-	49,342
Short-term loan	200	-	200
Short-term loan (USD)	172,889	3,961	168,928
Short-term loan (VND)	146,000	5,455	140,545
Hire purchase financing	80	80	-
	529,011	9,496	519,515
Bank overdrafts	492	-	492
	529,503	9,496	520,007

B9. Derivative financial instruments

(a) Derivative financial assets and financial liabilities

	As at 30 June 2020	
	Contract/ Notional value RM'000	Fair value - Assets/ Liabilities RM'000
<u>Derivative financial assets</u>		
i) Futures contracts	5,596	331
ii) Forward foreign currency contracts	45,683	99
Total derivative assets		430
<u>Derivative financial liabilities</u>		
i) Options contracts	232,741	10,975
ii) Futures contracts	34,588	891
iii) Forward foreign currency contracts	160,517	2,776
Total derivative liabilities		14,642

All contracts will mature within one year.

NOTES

B9. Derivative financial instruments (Cont'd)

(a) Derivative financial assets and financial liabilities (Cont'd)

Futures and options contracts

The Group is exposed to market risk mainly from fluctuations in the prices of agricultural commodities, namely wheat and corn which are the key raw materials used in the Group's **Grains and agribusiness** segment. Commodity futures and options contracts are entered into with the objective to mitigate and hedge against the volatility of commodity prices. It is the policy of the Group to hedge only in contracts with corresponding underlying commodities that are used in its grains and agribusiness activities.

Forward foreign currency contracts

The Group enters into foreign currency forward contracts to minimise its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency. Under the Group's policy, foreign currency hedging is only considered for committed transactions and shall not exceed 100% of the committed amount.

There have been no significant changes since the end of the previous financial year ended 31 December 2019 in respect of the following :

- (i) the credit risk, market risk and liquidity risk associated with the derivatives;
- (ii) the cash requirements of the derivatives;
- (iii) the policies in place for mitigating or controlling the risks associated with the derivatives; and
- (iv) the related accounting policies.

(b) Fair value changes of financial instruments

The derivative financial instruments are recognised at fair value on contract dates and subsequently re-measured at fair value through profit or loss. The resulting gain or loss from the re-measurement is recognised in the income statement. Fair value changes are dependent on the market prices of derivatives as at liquidation date and end of reporting period.

For the second quarter of 2020, net fair value gain on derivative financial instruments amounted to RM1.0 million (2Q2019: RM1.2 million).

For the first half of 2020, net fair value loss on derivative financial instruments amounted to RM3.1 million (1H2019: RM3.6 million gain).

B10. Material litigation

There were no material litigations as at 20 August 2020.

B11. Dividends

The Board of Directors is pleased to declare an interim dividend for the financial year ending 31 December 2020 of 8 sen per share (2019: 8 sen per share) payable on Tuesday, 29 September 2020.

The entitlement and payment dates of the interim dividend are on 11 September 2020 and 29 September 2020 respectively.

NOTES

B12. Earnings per share

	2 nd Quarter ended 30 June		First Half ended 30 June	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net profit for the period	332,733	159,976	519,999	408,424
Number of ordinary shares in issue ('000)	1,422,599	1,422,599	1,422,599	1,422,599
Basic earnings per share (sen)	23.39	11.25	36.55	28.71

There were no dilutive potential ordinary shares outstanding as at 30 June 2020 and 30 June 2019. As a result, there were no diluted earnings per share for the financial period ended 30 June 2020 and 30 June 2019.

B13. Disclosure of audit report qualification and status of matters raised

The auditors' report for the financial year ended 31 December 2019 was not subject to any qualification.

Kuala Lumpur
27 August 2020

By Order of the Board
Mah Teck Keong
Company Secretary



PPB GROUP BERHAD | 196801000571 (8167-W)

12th Floor, UBN Tower, 10, Jalan P. Ramlee,
50250 Kuala Lumpur, Malaysia

T: 603 2726 0088

F: 603 2726 0099 (General)/603 2726 0198 (Corporate Affairs)

E: corporateaffairs@ppb.com.my