



FGV HOLDINGS BERHAD (800165-P)
(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT

**Condensed Consolidated Financial Statements
For The Financial Period Ended 31 March 2019**



FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT

On consolidated results for the quarter ended 31 March 2019

The Directors are pleased to announce the following:

Unaudited Condensed Consolidated Statements of Profit and Loss Amounts in RM thousand unless otherwise stated

| | | Year to date ended 31 March | | % |
|--|------|--------------------------------|----------------|---------------|
| | Note | 2019 | 2018 | + / (-) |
| Revenue | | 3,276,081 | 3,602,716 | (9.1) |
| Cost of sales | | (2,887,979) | (3,201,462) | 9.8 |
| Gross profit | | 388,102 | 401,254 | (3.3) |
| Other operating income | | 30,288 | 45,026 | (32.7) |
| Selling and distribution costs | | (66,293) | (79,409) | 16.5 |
| Administrative expenses | | (238,272) | (197,265) | (20.8) |
| Reversal of impairment on financial assets (net) | | 47,547 | - | >100 |
| Other operating expenses | | (1,371) | (8,212) | 83.3 |
| Commodity gains - net | | 4,860 | 13,544 | (64.1) |
| Operating profit | | 164,861 | 174,938 | (5.8) |
| Fair value changes in Land Lease Agreement ('LLA') liability | | (86,376) | (78,675) | (9.8) |
| Operating profit after LLA | 15 | 78,485 | 96,263 | (18.5) |
| Finance income | | 2,119 | 4,839 | (56.2) |
| Finance costs | | (36,715) | (59,627) | 38.4 |
| Share of results from associates | | (878) | (16,165) | 94.6 |
| Share of results from joint ventures | | (19,579) | 540 | <100 |
| Profit before zakat and taxation | | 23,432 | 25,850 | (9.4) |
| Zakat | | (374) | (1,167) | 68.0 |
| Taxation | 16 | (13,880) | (16,498) | 15.9 |
| Profit for the financial period | | 9,178 | 8,185 | 12.1 |
| Profit attributable to: | | | | |
| -Owners of the Company | | (3,374) | 1,126 | <100 |
| -Non-controlling interests | | 12,552 | 7,059 | 77.8 |
| | | <u>9,178</u> | <u>8,185</u> | <u>12.1</u> |
| Earnings per share for profit attributable to the owners of the Company: | | | | |
| Basic (sen) | 20 | (0.09) | 0.03 | |



FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 31 March 2019 (continued)

Unaudited Condensed Consolidated Statements of Comprehensive Income
Amounts in RM thousand unless otherwise stated

| | Year to date ended 31 March | | |
|--|--|-----------------|----------------------|
| | 2019 | 2018 | % + / (-) |
| Profit for the financial period | 9,178 | 8,185 | 12.1 |
| Other comprehensive (loss)/income | | | |
| Share of other comprehensive loss of joint ventures | (1,703) | (7,364) | |
| Actuarial gain on defined benefit plan | 680 | 86 | |
| Fair value changes in financial assets at fair value through other comprehensive income | 70 | (2,368) | |
| Currency translation differences | (8,777) | (42,774) | |
| Cash flow hedges | (1,877) | 426 | |
| Other comprehensive loss for the financial period, net of tax | (11,607) | (51,994) | |
| Total comprehensive loss for the financial period | (2,429) | (43,809) | 94.5 |
| Total comprehensive loss attributable to: | | | |
| - Owners of the Company | (13,831) | (49,392) | 72.0 |
| - Non-controlling interests | 11,402 | 5,583 | >100 |
| Total comprehensive loss for the financial period | (2,429) | (43,809) | 94.5 |

The unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to this quarterly report and the audited financial statements for the financial year ended 31 December 2018.



FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 31 March 2019 (continued)

Unaudited Condensed Consolidated Statement of Financial Position
Amounts in RM thousand unless otherwise stated

| | Note | Unaudited As at 31 March 2019 | Unaudited As at 31 December 2018 | Unaudited As at 1 January 2018 |
|---|------|--|---|---|
| <u>Non-current assets</u> | | | | |
| Property, plant and equipment | | 8,536,365 | 8,501,173 | 8,391,626 |
| Investment properties | | 115,290 | 118,370 | 118,169 |
| Intangible assets | | 990,359 | 996,021 | 1,536,568 |
| Interests in associates | | 99,526 | 101,082 | 275,478 |
| Interests in joint ventures | | 470,810 | 488,175 | 585,773 |
| Rights of use | | 2,328,885 | 2,378,521 | 2,469,891 |
| Amount due from a significant shareholder | | - | 134,982 | - |
| Amount due from a joint venture | | 67,853 | 62,929 | 26,941 |
| Amounts due from related companies | | - | 126,334 | - |
| Deposit and other receivables | | 74,929 | 76,211 | 88,057 |
| Derivative financial assets | 18 | - | 561 | 717 |
| Deferred tax assets | | 650,252 | 615,864 | 750,701 |
| Available-for-sale financial assets | | - | - | 157,877 |
| Financial assets through other comprehensive income | | 86,300 | 86,224 | - |
| Loans due from joint ventures | | 49,375 | 70,201 | 71,431 |
| | | <u>13,469,944</u> | <u>13,756,648</u> | <u>14,473,229</u> |
| <u>Current assets</u> | | | | |
| Inventories | | 1,915,823 | 2,063,235 | 2,132,303 |
| Receivables | | 1,704,212 | 1,235,861 | 1,373,976 |
| Biological assets | | 41,804 | 42,446 | 54,338 |
| Amount due from a significant shareholder | | 174,703 | 27,610 | 215,389 |
| Amounts due from joint ventures | | 171,879 | 326,389 | 472,938 |
| Amounts due from related companies | | 248,982 | 50,206 | 146,789 |
| Tax recoverable | | 134,205 | 202,006 | 203,309 |
| Available-for-sale financial assets | | - | - | 6,409 |
| Financial assets at fair value through profit or loss | | 49,988 | 46,055 | 49,321 |
| Derivative financial assets | 18 | 261 | 3,706 | 6,875 |
| Contract assets | | 54,613 | 33,733 | 13,091 |
| Deposits, cash and bank balances | | 1,237,749 | 1,220,351 | 1,740,658 |
| | | <u>5,734,219</u> | <u>5,251,598</u> | <u>6,415,396</u> |
| Assets held for sale | | 10,055 | 4,829 | 72,239 |
| | | <u>5,744,274</u> | <u>5,256,427</u> | <u>6,487,635</u> |
| Total assets | | <u><u>19,214,218</u></u> | <u><u>19,013,075</u></u> | <u><u>20,960,864</u></u> |
| <u>Equity</u> | | | | |
| Share capital | | 7,029,889 | 7,029,889 | 7,029,889 |
| Treasury shares | | (3,884) | (705) | (1,484) |
| Reserves | | (2,602,244) | (2,588,413) | (1,444,060) |
| Equity attributable to owners of the Company | | <u>4,423,761</u> | <u>4,440,771</u> | <u>5,584,345</u> |
| Non-controlling interests | | 2,150,955 | 2,141,816 | 2,255,932 |
| Total equity | | <u><u>6,574,716</u></u> | <u><u>6,582,587</u></u> | <u><u>7,840,277</u></u> |



FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 31 March 2019 (continued)

Unaudited Condensed Consolidated Statement of Financial Position (continued)
Amounts in RM thousand unless otherwise stated

| | Note | Unaudited As at 31 March 2019 | Unaudited As at 31 December 2018 | Unaudited As at 1 January 2018 |
|--|------|--|---|---|
| <u>Non-current liabilities</u> | | | | |
| Borrowings | 17 | 751,338 | 991,506 | 733,234 |
| Loans due to a significant shareholder | 17 | 1,072,675 | 1,074,045 | 1,222,765 |
| LLA liability | | 4,091,123 | 4,079,836 | 4,067,794 |
| Derivative financial liabilities | 18 | 1,317 | - | - |
| Provision for asset retirement | | 31,828 | 31,810 | 32,725 |
| Provision for defined benefit plan | | 84,127 | 82,961 | 87,768 |
| Lease liability | | 322,216 | 336,192 | 386,820 |
| Deferred tax liabilities | | 732,374 | 735,370 | 812,363 |
| | | <u>7,086,998</u> | <u>7,331,720</u> | <u>7,343,469</u> |
| <u>Current liabilities</u> | | | | |
| Payables | | 1,197,273 | 1,227,785 | 1,178,883 |
| Loans due to a significant shareholder | 17 | 98,999 | 85,058 | 164,551 |
| Amount due to a significant shareholder | | 167,880 | 187,582 | 483,166 |
| Amounts due to associates | | 113 | 210 | 37 |
| Amounts due to joint ventures | | - | 249 | - |
| Amounts due to related companies | | 1,522 | 2,559 | 128,641 |
| Borrowings | 17 | 3,721,105 | 3,252,605 | 3,376,922 |
| Derivative financial liabilities | 18 | 3,086 | 7,545 | 1,039 |
| Provision for asset retirement | | 654 | 662 | 648 |
| Other provision | | 35,541 | 35,541 | 32,841 |
| LLA liability | | 262,351 | 248,172 | 325,486 |
| Contract liabilities | | 33,870 | 41,209 | 58,714 |
| Current tax liabilities | | 29,402 | 8,606 | 3,712 |
| | | <u>5,551,796</u> | <u>5,097,783</u> | <u>5,754,640</u> |
| Liabilities related to assets held for sale | | <u>708</u> | <u>985</u> | <u>22,478</u> |
| | | <u>5,552,504</u> | <u>5,098,768</u> | <u>5,777,118</u> |
| Total liabilities | | <u>12,639,502</u> | <u>12,430,488</u> | <u>13,120,587</u> |
| Total equity and liabilities | | <u>19,214,218</u> | <u>19,013,075</u> | <u>20,960,864</u> |
| Net assets per share attributable to owners of the Company | | <u>1.21</u> | <u>1.22</u> | <u>1.53</u> |

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to this quarterly report and the audited financial statements for the financial year ended 31 December 2018.



FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT (CONTINUED)

Unaudited Condensed Consolidated Statement of Changes in Equity **Amounts in RM thousand unless otherwise stated**

| | <u>Share capital</u> | <u>Treasury shares</u> | <u>Foreign exchange reserve</u> | <u>Re-organisation reserve</u> | <u>Other reserve</u> | <u>Retained earnings</u> | <u>Total</u> | <u>Non-controlling interests</u> | <u>Total equity</u> |
|---|----------------------|------------------------|---------------------------------|--------------------------------|----------------------|--------------------------|--------------|----------------------------------|---------------------|
| Year to date ended 31 March 2019 | | | | | | | | | |
| At 1 January 2019 (Note 1(b)) | 7,029,889 | (705) | 103,551 | (3,089,497) | (31,003) | 428,536 | 4,440,771 | 2,141,816 | 6,582,587 |
| (Loss)/profit for the financial period | - | - | - | - | - | (3,374) | (3,374) | 12,552 | 9,178 |
| Other comprehensive income/(loss) for the financial period, net of tax: | | | | | | | | | |
| <u>Item that will not be reclassified to profit or loss</u> | | | | | | | | | |
| - actuarial gain on defined benefit plan | - | - | - | - | - | 680 | 680 | - | 680 |
| - fair value changes in financial assets at fair value through other comprehensive income | - | - | - | - | 53 | - | 53 | 17 | 70 |
| <u>Items that will be subsequently reclassified to profit or loss</u> | | | | | | | | | |
| - currency translation differences | - | - | (8,530) | - | - | - | (8,530) | (247) | (8,777) |
| - share of other comprehensive loss of joint ventures | - | - | (1,703) | - | - | - | (1,703) | - | (1,703) |
| - cash flow hedge reserves | - | - | - | - | (957) | - | (957) | (920) | (1,877) |
| | - | - | (10,233) | - | (957) | - | (11,190) | (1,167) | (12,357) |
| Total other comprehensive (loss)/income for the financial period | - | - | (10,233) | - | (904) | (2,694) | (13,831) | 11,402 | (2,429) |
| Treasury shares | - | (3,179) | - | - | - | - | (3,179) | - | (3,179) |
| Dividend paid to non-controlling interests of subsidiary | - | - | - | - | - | - | - | (2,263) | (2,263) |
| Total transaction with owners | - | (3,179) | - | - | - | - | (3,179) | (2,263) | (5,442) |
| At 31 March 2019 | 7,029,889 | (3,884) | 93,318 | (3,089,497) | (31,907) | 425,842 | 4,423,761 | 2,150,955 | 6,574,716 |



FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT (CONTINUED)

Unaudited Condensed Consolidated Statement of Changes in Equity (continued)

Amounts in RM thousand unless otherwise stated

| | Share capital | Treasury shares | Foreign exchange reserve | Re- organisation reserve | Other reserve | Retained earnings | Total | Non- controlling interests | Total equity |
|--|------------------|--------------------|--------------------------------|--------------------------------|------------------|----------------------|-----------|----------------------------------|-----------------|
| Year to date ended 31 March 2018 | | | | | | | | | |
| At 1 January 2018 (Note 1(b)) | 7,029,889 | (1,484) | 119,077 | (3,089,497) | (5,453) | 1,531,813 | 5,584,345 | 2,255,932 | 7,840,277 |
| Change in accounting policy based on MFRS 1 short-term exemption applied on items within scope of MFRS 9 | - | - | - | - | (6,576) | (24,892) | (31,468) | 496 | (30,972) |
| | 7,029,889 | (1,484) | 119,077 | (3,089,497) | (12,029) | 1,506,921 | 5,552,877 | 2,256,428 | 7,809,305 |
| Profit for the financial period | - | - | - | - | - | 1,126 | 1,126 | 7,059 | 8,185 |
| Other comprehensive (loss)/income for the financial year, net of tax: | | | | | | | | | |
| <u>Item that will not be reclassified to profit or loss</u> | | | | | | | | | |
| - actuarial gain on defined benefit plan | - | - | - | - | - | 86 | 86 | - | 86 |
| - fair value changes in financial assets at fair value through other comprehensive income | - | - | - | - | (2,368) | - | (2,368) | - | (2,368) |
| <u>Items that will be subsequently reclassified to profit or loss</u> | | | | | | | | | |
| - currency translation differences | - | - | (41,089) | - | - | - | (41,089) | (1,685) | (42,774) |
| - share of other comprehensive loss of joint ventures | - | - | (7,364) | - | - | - | (7,364) | - | (7,364) |
| - cash flow hedge reserves | - | - | - | - | 217 | - | 217 | 209 | 426 |
| | - | - | (48,453) | - | 217 | - | (48,236) | (1,476) | (49,712) |
| Total other comprehensive loss/(income) for the financial period | - | - | (48,453) | - | (2,151) | 1,212 | (49,392) | 5,583 | (43,809) |
| At 31 March 2018 | 7,029,889* | (1,484) | 70,624 | (3,089,497) | (14,180) | 1,508,133 | 5,503,485 | 2,262,011 | 7,765,496 |

* Includes 1 Special Share of RM1.00 held by Minister of Finance (Incorporated).

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to this quarterly report and the audited financial statements for the financial year ended 31 December 2018.



FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT (CONTINUED)

Unaudited Condensed Consolidated Statement of Cash Flows
Amounts in RM thousand unless otherwise stated

| | Year to date ended | |
|--|---------------------------|-------------|
| | 31 March | |
| | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit for the financial period | 9,178 | 8,185 |
| Adjustments for non-cash items | 299,290 | 336,724 |
| Operating profit before working capital changes | 308,468 | 344,909 |
| Changes in working capital | (298,541) | 63,707 |
| Cash generated from operations | 9,927 | 408,616 |
| Interest received | 2,119 | 4,839 |
| Taxation refund/(paid) | 32,610 | (15,411) |
| Zakat paid | (374) | (1,167) |
| Retirement benefits paid | (758) | (30) |
| Net cash generated from operating activities | 43,524 | 396,847 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (165,460) | (210,335) |
| Purchase of intangible asset | (1,487) | (7,204) |
| Proceeds from disposal of property, plant and equipment | 13 | 19 |
| Proceeds from sales of financial assets at fair value through other comprehensive income | - | 6,253 |
| Proceeds from sale of financial assets at fair value through profit or loss | 8,738 | - |
| Additions of financial assets at fair value through other comprehensive income | - | (2,004) |
| Additions of financial assets at fair value through profit or loss | (5,343) | - |
| Payment for asset retirement obligations | - | (13) |
| Dividend received from associates | 652 | 309 |
| Dividend received from joint ventures | 1,365 | 8,727 |
| Dividend received from financial assets at fair value through other comprehensive income | 950 | 2 |
| Net cash used in investing activities | (160,572) | (204,246) |



FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT (CONTINUED)

Unaudited Condensed Consolidated Statement of Cash Flows (continued)

Amounts in RM thousand unless otherwise stated

| | Year to date ended 31 March | |
|---|--|------------------|
| | 2019 | 2018 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Drawdown of borrowings | 1,651,757 | 1,380,357 |
| Repayment of borrowings | (1,424,407) | (1,545,243) |
| Repayment of LLA liability | (60,910) | (71,966) |
| Dividend paid to non-controlling interest | (2,263) | - |
| Finance costs paid | (36,356) | (58,706) |
| Repayment of loan from a jointly controlled entity | 22,510 | - |
| Purchase of treasury stock | (3,179) | - |
| Net cash generated from/(used in) financing activities | 147,152 | (295,558) |
| Net increase/(decrease) in cash and cash equivalents | 30,104 | (102,957) |
| Effect of foreign exchange rate changes | (12,706) | (19,802) |
| Cash and cash equivalents at beginning of the financial year | 1,096,007 | 1,693,318 |
| Cash and cash equivalents at end of the financial period | 1,113,405 | 1,570,559 |
| Deposits, cash and bank balances | 1,237,749 | 1,617,497 |
| Less: Restricted cash | (124,344) | (47,340) |
| Less: Assets held for sale | - | 402 |
| Cash and cash equivalents at end of the financial period | 1,113,405 | 1,570,559 |

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to this quarterly report and the audited financial statements for the financial year ended 31 December 2018.

**FGV HOLDINGS BERHAD**

(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT (CONTINUED)**Explanatory Notes on the Quarterly Report – 31 March 2019**

Amounts in RM thousand unless otherwise stated

This interim financial information of FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad) ('FGV' or 'Group') is prepared in accordance with the requirements of paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complies with the requirements of the Malaysian Financial Reporting Standard ('MFRS') No. 134 – Interim Financial Reporting.

The Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with FGV audited financial statements for the financial year ended 31 December 2018. These explanatory notes attached to the Unaudited Condensed Consolidated Interim Financial Information provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018.

1. Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The accounting policies and presentation adopted for this Unaudited Condensed Consolidated Interim Financial Information are mainly consistent with those of the Group's audited financial statements for the financial year ended 31 December 2018, except for the following:

(a) MFRS 16 "Leases"

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 affects primarily the accounting by lessees and results in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating leased (off balance sheet) and finance leases (on balance sheet) and requires a lessee to recognise a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payments for virtually all lease contracts. The only exceptions are for short-term and low-value leases.

The standard affects primarily the accounting for the Group and Company's leases previously recognised as operating leases under MFRS 117.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' ('MFRS 116') and the lease liability is accreted over time with interest expense recognised in the income statement. The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, as operating expense is replaced with interest and depreciation, key metrics like earnings before interest, taxation, depreciation and amortisation ("EBITDA") would have changed. Operating cash flows are higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently. The financial impact of the adoption of MFRS 16 on the financial statements of the Group are disclosed in Note 1(b).



FGV HOLDINGS BERHAD

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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2019 (continued)

Amounts in RM thousand unless otherwise stated

1. Basis of Preparation (continued)

Effective for annual periods beginning on or after 1 January 2019 with earlier application permitted (continued)

Amendments to existing standards and other accounting pronouncements that are not expected to have any significant impact on the financial statements of the Group and Company:

- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Amendments to MFRS 128 'Investments in Associates and Joint Ventures' - Long-Term Interests in Associates and Joint Ventures
- Amendments to MFRS 9 'Financial Instruments' - Prepayment Features with Negative Compensation
- Amendments to MFRS 119 'Employee Benefits' - Plan Amendment, Curtailment or Settlement
- Annual Improvements to MFRS 3 'Business Combinations'
- Annual Improvements to MFRS 11 'Joint Arrangements'
- Annual Improvements to MFRS 112 'Income Taxes'
- Annual Improvements to MFRS 123 'Borrowing Costs'



FGV HOLDINGS BERHAD

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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2019 (continued)

Amounts in RM thousand unless otherwise stated

1. Basis of Preparation (continued)

- (b) The effects of the new accounting policies and the restatement of comparative figures are as follows:

| <u>Consolidated</u> <u>Statements of Profit and Loss:</u> | Restatement of comparative figures | | |
|---|---|-------------------------------|------------------------|
| | Quarter ended 31 March 2018 | | |
| | As previous stated | Effects of MFRS 16 | As restated |
| Administrative expenses | (202,711) | 5,446 | (197,265) |
| Operating profit after LLA | 90,817 | 5,446 | 96,263 |
| Finance costs (Note 24) | (63,951) | (5,820) | (69,771) |
| Profit before zakat and taxation | 26,224 | (374) | 25,850 |
| Taxation | (16,588) | 90 | (16,498) |
| Profit for the financial period | 8,469 | (284) | 8,185 |
| Profit attributable to: | | | |
| – Owners of the Company | 1,330 | (204) | 1,126 |
| – Non-controlling interests | 7,139 | (80) | 7,059 |
| | 8,469 | (284) | 8,185 |
| Earnings per share for profit attributable to the owners of the Company: | | | |
| Basic (sen) | 0.04 | (0.01) | 0.03 |



FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2019 (continued)

Amounts in RM thousand unless otherwise stated

1. Basis of Preparation (continued)

(b) The effects of new accounting policies and the restatement of comparative figures are as follows: (continued)

| <u>Consolidated Statement of Financial Position</u> | Restatement of comparative figures | | | | | |
|--|---|-------------------------------|------------------------|-----------------------------------|-------------------------------|------------------------|
| | As at 31 December 2018 | | | As at 1 January 2018 | | |
| | As previous stated | Effects of MFRS 16 | As restated | As previous stated | Effects of MFRS 16 | As restated |
| <u>Non-current assets</u> | | | | | | |
| Property, plant and equipment | 10,521,000 | (2,019,827) | 8,501,173 | 10,446,122 | (2,054,496) | 8,391,626 |
| Prepaid lease payments | 67,089 | (67,089) | - | 71,666 | (71,666) | - |
| Rights of use | - | 2,378,521 | 2,378,521 | - | 2,469,891 | 2,469,891 |
| Deferred tax assets | 605,163 | 10,701 | 615,864 | 740,359 | 10,342 | 750,701 |
| <u>Non-current liabilities</u> | | | | | | |
| Lease liabilities | - | 336,192 | 336,192 | - | 386,820 | 386,820 |
| <u>Equity</u> | | | | | | |
| Retained earnings | 462,422 | (33,886) | 428,536 | 1,564,562 | (32,749) | 1,531,813 |



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2. Seasonal or Cyclical Factors

Global sales of oils and fats products follow a similar pattern where sales increases ahead of festivities due to increased consumer demand. In addition, the harvest of fresh fruit bunches (“FFB”) at palm oil plantations tends to increase in the second half of the financial year as a result of the rainfall pattern in Malaysia, which leads to a greater supply of CPO and PK during the second half of the financial year as FFB is immediately processed following its harvest.

Sales of refined oils and sugar products in Malaysia typically increase slightly during the months leading up to major holidays and festivals in Malaysia, especially Hari Raya and Chinese New Year, due to increased consumer demand for cooking oil and refined sugar.

3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no other material or unusual items affecting FGV’s assets, liabilities, equity, net income or cash flows during the financial period under review.

4. Material Changes in Estimates

There were no other material changes in the estimates of amounts reported in the prior interim period of the current financial year or the interim period of the previous financial year that have a material effect on the results for the current quarter under review.

5. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period under review.

6. Dividends

No dividend has been paid during the quarter ended 31 March 2019.



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7. Segment Information

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision maker (“CODM”), which is the Group Management Committee (“GMC”) (formerly known as Executive Committee).

The GMC considers the business by product related activities. The reportable segments for the financial year ended 31 March 2019 have been identified as follows:

- Plantation Sector - Plantation estates activities including cultivation, harvesting and production of fresh fruit bunches (“FFB”) and processing of FFB into crude palm oil (“CPO”) and palm kernel (“PK”), refining of CPO, fractionation of refined bleached deodorised palm oil (“RBDPO”) and Palm Olein (“PO”), crushing of PK, production of oleochemicals namely fatty acid and glycerine, production of graphene and nanotubes, processing and sales of biodiesel products, production of consumer bulk and packed products, trading of CPO, research and development activities, fertilisers processing, rubber processing and production and sale of planting materials.
- Sugar Sector - Sugar refining, sales and marketing of refined sugar and molasses.
- Logistics and Support Business (“LSB”) Sector - Bulking and transportation facilities and services, engineering services, information technology, security and travel.

The reportable segments have changed from the financial year ended 31 December 2018 due to the changes in the internal management reporting structure to the CODM. Comparatives have been restated to conform to the revised reportable segments.

Corporate HQ and Elimination mainly relates to the inclusion of investment holding companies within the Group and Group consolidation adjustments, which are not part of the operating segments.

The GMC assesses the performance of the operating segments based on profit before zakat and taxation.



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7. Segment Information (continued)

The segment information provided to the GMC for the reportable segments of FGV for the financial period is as follows:

| | | Plantation | Sugar | Logistics and Support Business | Corporate HQ and Elimination | Total |
|---|--|------------|----------|--------------------------------------|------------------------------------|-------------|
| Year to date ended 31 March 2019 | | | | | | |
| Total segment revenue | | 3,622,126 | 533,811 | 176,574 | 1,056,429 | 5,388,940 |
| Less : Inter-segment revenue | | (907,690) | (48,194) | (100,546) | (1,056,429) | (2,112,859) |
| Revenue from external customers | | 2,714,436 | 485,617 | 76,028 | - | 3,276,081 |
| Finance income | | 2,656 | 1,040 | 17 | (1,594) | 2,119 |
| Finance costs | | (28,406) | (4,818) | (118) | (3,373) | (36,715) |
| Depreciation and amortisation | | (144,234) | (15,047) | (22,540) | (3,191) | (185,012) |
| Fair value changes in LLA liability | | (86,376) | - | - | - | (86,376) |
| Reversal/(impairment) of financial assets | | 63,642 | 788 | (16,883) | - | 47,547 |
| Share of results of joint ventures | | (19,579) | - | - | - | (19,579) |
| Share of results of associates | | 243 | - | - | (1,121) | (878) |
| Profit/(loss) before zakat and taxation for the financial period | | 39,827 | (2,865) | (16,819) | 3,289 | 23,432 |
| Disaggregation of the Group's revenue is as follows: | <u>Timing of revenue recognition</u> | | | | | |
| Sales of Palm Products Oils | At a point in time | 1,884,889 | - | 76,028 | - | 1,960,917 |
| Sales of Sugar | At a point in time | - | 485,617 | - | - | 485,617 |
| Others | At a point in time/ over time | 829,547 | - | - | - | 829,547 |
| | | 2,714,436 | 485,617 | 76,028 | - | 3,276,081 |



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7. Segment Information (continued)

The segment information provided to the GMC for the reportable segments of FGV for the financial period is as follows: (continued)

| | | Plantation | Sugar | Logistics and Support Business | Corporate HQ and Elimination | Total |
|---|--|------------------|----------------|--------------------------------------|------------------------------------|------------------|
| Year to date ended 31 March 2018 | | | | | | |
| Total segment revenue | | 4,754,811 | 592,185 | 207,956 | 1,952,236 | 7,507,188 |
| Less : Inter-segment revenue | | (1,801,429) | (52,482) | (98,325) | (1,952,236) | (3,904,472) |
| Revenue from external customers | | <u>2,953,382</u> | <u>539,703</u> | <u>109,631</u> | <u>-</u> | <u>3,602,716</u> |
| Finance income | | 6,542 | 921 | 2,374 | (4,998) | 4,839 |
| Finance costs | | (14,996) | (17,769) | (8,107) | (18,755) | (59,627) |
| Depreciation and amortisation | | (140,354) | (9,819) | (22,895) | (3,696) | (176,764) |
| Fair value changes in LLA liability | | (78,675) | - | - | - | (78,675) |
| Share of results of joint ventures | | (11,640) | - | - | 12,180 | 540 |
| Share of results of associates | | <u>349</u> | <u>-</u> | <u>-</u> | <u>(16,514)</u> | <u>(16,165)</u> |
| Profit/(loss) before zakat and taxation for the financial year | | <u>19,457</u> | <u>22,013</u> | <u>23,817</u> | <u>(39,437)</u> | <u>25,850</u> |
| Disaggregation of the Group's revenue is as follows: | <u>Timing of revenue recognition</u> | | | | | |
| Sales of Palm Products Oils | At a point in time | 2,168,476 | 227 | - | - | 2,168,703 |
| Sales of Sugar | At a point in time | - | 539,476 | - | - | 539,476 |
| | At a point in time/ over time | | | | | |
| Others | | <u>784,906</u> | <u>-</u> | <u>109,631</u> | <u>-</u> | <u>894,537</u> |
| | | <u>2,953,382</u> | <u>539,703</u> | <u>109,631</u> | <u>-</u> | <u>3,602,716</u> |

**FGV HOLDINGS BERHAD***(Formerly known as Felda Global Ventures Holdings Berhad)***QUARTERLY REPORT (CONTINUED)****Explanatory Notes on the Quarterly Report – 31 March 2019 (continued)****Amounts in RM thousand unless otherwise stated****8. Capital Commitments**

Authorised capital expenditure not provided for are as follows:

| | As at 31 March 2019 | As at 31 December 2018 |
|--|------------------------------------|---------------------------------------|
| Capital expenditure approved and contracted for: | | |
| - Property, plant and equipment | 423,071 | 404,636 |
| - Intangible assets | 24 | 2,941 |
| | <u>423,095</u> | <u>407,577</u> |

9. Significant Related Party Transactions

Federal Land Development Authority (“FELDA”), a significant shareholder of the Group, effectively owns 33.7% of the issued share capital of the Company. FELDA is a statutory body corporate set up under the Land Development Act 1956, and controlled by the Malaysian Government. The Group considers that, for the purpose of MFRS 124 – “Related Party Disclosures”, FELDA and the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as “government-related entities”) are related parties of the Group.

The Group have collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

- (i) Purchasing of goods and services, including use of public utilities and amenities
- (ii) Placing of bank deposits with government-related financial institutions

These transactions are conducted in the ordinary course of the Group’s business on terms consistently applied in accordance with the Group’s internal policies and processes. These terms do not depend on whether the counterparties are government-related entities or not.



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9. Significant Related Party Transactions (continued)

- (I) Related party transactions for the financial period ended 31 March 2019 and 31 March 2018 are as follows:

(a) Sales of goods and services

| | Year to date ended 31 March | |
|--|--|-------------|
| | 2019 | 2018 |
| (i) Transactions with joint ventures | | |
| Sales of Palm Processed Oil (“PPO”) and Palm Fatty Acid Distillate (“PFAD”) by FGV Palm Industries Sdn. Bhd. (formerly known as Felda Palm Industries Sdn. Bhd.) (“FPI”) to Felda Iffco Sdn. Bhd. (“FISB Group”) | - | 28,916 |
| Sales of CPO by FPI to FISB Group | 245,585 | 353,653 |
| Sales of Crude Palm Kernel Oil (“CPKO”), Refined Bleached Deodorised Palm Kernel Oil (“RBDPKO”) and Palm Kernel Fatty Acid Distillate (“PKFAD”) by FGV Kernel Products Sdn. Bhd. (formerly known as Felda Kernel Products Sdn. Bhd.) (“FKPSB”) to FISB Group and FPG Oleochemicals Sdn. Bhd. (“FPG”) | 227,291 | 373,273 |
| Sales of CPO by FPI to MAPAK Edible Oil Pvt. Ltd. (“MAPAK”) | 74,829 | 73,308 |
| (ii) Transaction with associates | | |
| Sales of CPO and PPO by FPI to F.K.W. Global Commodities (Private) Limited (“FKW”) | 7,632 | 4,333 |



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9. Significant Related Party Transactions (continued)

(I) Related party transactions for the financial period ended 31 March 2019 and 31 March 2018 are as follows: (continued)

(a) Sales of goods and services (continued)

| | Year to date ended 31 March | |
|--|--|-------------|
| | 2019 | 2018 |
| (iii) Transactions with FELDA and its subsidiaries | | |
| Sales of fertiliser by FGV Fertiliser Sdn. Bhd. (formerly known as FPM Sdn. Bhd.) ("FPM SB") | 25,290 | 26,617 |
| Maintenance and consultancy services by Felda Engineering Services Sdn. Bhd. ("FESSB") | - | 1,206 |

(b) Purchase of goods and services

Transactions with FELDA and its subsidiaries:

| | | |
|--|---------|---------|
| LLA liability paid by FGVP | 60,910 | 71,966 |
| Interest expense charged by FELDA | 13,941 | 16,802 |
| Purchase of cup lump by FGV Rubber Industries Sdn. Bhd. (formerly known as Felda Rubber Industries Sdn. Bhd.) ("FRISB") | 31,594 | 34,308 |
| Purchase of FFB by FPI | 637,730 | 843,035 |
| Building rental charged by FELDA | 969 | 6,989 |

(c) Transactions with Government related entities

Transactions between subsidiaries and other
government agencies:

| | | |
|---|-------|-------|
| Cooking oil subsidy received from Malaysia Palm Oil Board ("MPOB") | 3,580 | 8,239 |
|---|-------|-------|



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10. Effect of Significant Changes in the Composition of FGV

There were no changes in the composition of the Group for the current financial period under review.

11. Contingent Liabilities and Material Litigation

On 21 September 2017, Delima Oil Products Sdn. Bhd. (“DOP”), an indirect subsidiary of the Company, was sued by a company in China known as Chengdu Azonda International Trading Co., Ltd. (“Azonda”). The Plaintiff claims that they have incurred damages due to the alleged shipment issues in 2016 and 2017 amounting to RM7.0 million as well as loss of future profits approximately RM46.0 million.

On 3 November 2017, DOP filed its Statement of Defence and Counterclaim and Azonda filed its Reply to Defence and Defence to Counterclaim on 15 November 2017. The Court had heard part trial the matter on 15 January 2019 and continued another part heard on 4 March 2019 to 6 March 2019. The matter which was fixed for continued trial on 12 April 2019 was vacated as the Judge was on medical leave. The Court has yet to fix dates for continued hearing.

Based on available information and on legal advice received, the Directors are of the view that there is a good chance of defending the above claim and therefore, no provision has been made in the financial statements.

The remaining claims are not material to be disclosed in the financial statements and deemed remote by the Directors.



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12. Review of Group Performance

| | Year to date ended 31 March | | % |
|--|--|------------------|----------------|
| | 2019 | 2018 | + / (-) |
| Revenue | <u>3,276,081</u> | <u>3,602,716</u> | (9.1) |
| Plantation | 39,827 | 19,457 | >100 |
| Sugar | (2,865) | 22,013 | <100 |
| Logistics and Support Business ("LSB") | <u>(16,819)</u> | <u>23,817</u> | <100 |
| Sector results | 20,143 | 65,287 | (69.1) |
| Corporate HQ and elimination | <u>3,289</u> | <u>(39,437)</u> | >100 |
| Profit before zakat and taxation | 23,432 | 25,850 | (9.4) |
| Zakat | (374) | (1,167) | 68.0 |
| Taxation | <u>(13,880)</u> | <u>(16,498)</u> | 15.9 |
| Profit for the financial period | <u>9,178</u> | <u>8,185</u> | |
| (Loss)/profit attributable to: | | | |
| Owners of the Company | (3,374) | 1,126 | <100 |
| Non-controlling interests | <u>12,552</u> | <u>7,059</u> | 77.8 |
| Profit for the financial period | <u>9,178</u> | <u>8,185</u> | 12.1 |

Overall

Group revenue decreased by 9.1% to RM3.30 billion for the financial period ended 31 March 2019 against previous corresponding period while the Group posted a profit before zakat and taxation of RM23.43 million, lower by 9.4% compared to RM25.85 million in previous year.

Better operational performance was reported in Plantation Sector, but partially offset with lower average CPO price realised in the first quarter 2019. The Group's result was affected by provision of separation scheme of RM27.36 million mainly in LSB Sector.



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Explanatory Notes on the Quarterly Report – 31 March 2019 (continued) **Amounts in RM thousand unless otherwise stated**

12. Review of Group Performance (continued)

(a) Plantation Sector

Plantation Sector posted higher profit of RM39.83 million for the financial period ended 31 March 2019 compared to RM19.46 million in previous corresponding period. This was mainly attributed to increased contribution from downstream segment as higher margin was achieved in kernel crushing and fatty acid business.

FFB production rose by 6.6% to 1.06 million mt compared to 0.99 million mt in first quarter 2018 with a yield of 4.38 mt per hectare. Whilst operations has reported higher contributions with improving sales volume by 11%, the Sector results was affected by lower CPO price realised of RM1,986 per mt compared to RM2,472 per mt in previous year. OER was reported higher at 20.76% compared to 19.75% achieved in the previous year.

Improvement in the results was also associated with the reversal of impairment of RM64 million due to settlements received from customers.

(b) Sugar Sector

Sugar Sector registered a loss of RM2.86 million compared to RM22.01 million profit in previous financial period due to lower average selling price and higher refining costs.

(c) LSB Sector

In line with the Group's initiatives to focus on core business, LSB Sector recorded a loss of RM16.82 million for the financial period due to the effect of proposed closure of two entities in Support Business and also change in business model of its travel division. Due to these initiatives, the Sector recorded RM25.0 million provision for separation scheme. In addition, RM16.3 million impairment was recorded on overdue balances in line with MFRS 9 "Financial Instrument" requirement.

Without this provision, the Sector would have recorded a profit of RM24.48 million at par with the profit of RM23.82 million in previous year.



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13. Material Changes in the Quarterly Results Compared to Preceding Quarter

| | Quarter ended | | % |
|---|----------------------|--------------------|----------------|
| | 31 March | 31 December | + / (-) |
| | 2019 | 2018 | |
| Revenue | <u>3,276,081</u> | <u>3,231,136</u> | 1.4 |
| Plantation | 39,827 | (110,361) | >100 |
| Sugar | (2,865) | (12,805) | 77.6 |
| LSB | <u>(16,819)</u> | <u>8,084</u> | <100 |
| Sector results | 20,143 | (115,082) | >100 |
| Corporate HQ and elimination | <u>3,289</u> | <u>(24,198)</u> | >100 |
| Profit/(loss) before zakat and taxation | 23,432 | (139,280) | >100 |
| Zakat | (374) | (3,117) | 88.0 |
| Taxation | <u>(13,880)</u> | <u>(95,525)</u> | 85.5 |
| Profit/(loss) for the financial period | <u>9,178</u> | <u>(237,922)</u> | >100 |
| Loss attributable to: | | | |
| Owners of the Company | (3,374) | (208,799) | 98.4 |
| Non-controlling interests | <u>12,552</u> | <u>(29,123)</u> | >100 |
| Profit/(loss) for the financial period | <u>9,178</u> | <u>(237,922)</u> | >100 |

Overall

The Group registered a profit of RM23.43 million on the back of RM3.28 billion revenue compared to a loss of RM139.28 million in the preceding quarter largely attributed to profit in Plantation Sector partially offset by the losses in Sugar and LSB Sector.



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13. Material Changes in the Quarterly Results Compared to Preceding Quarter (continued)

(a) Plantation Sector

The Plantation Sector's result improved from a loss of RM110.36 million in the preceding quarter to a profit of RM39.83 million in the current quarter largely due to the higher impairment recognised in the preceding quarter.

Operationally, the Sector's Average CPO price realised was RM1,986 per mt compared to RM2,053 per mt in the preceding quarter with a slight reduction in CPO sales volume by 0.8%. The FFB production declined to 1.06 million mt from 1.15 million mt in the preceding quarter whilst OER was higher at 20.76% in the current quarter compared to 20.70% achieved in the preceding quarter.

The Sector reversed the impairment of RM64 million in relation to MFRS 9 "Financial Instrument" in the current quarter due to settlements received from customers. Additionally, the Sector registered a lower share of results in joint ventures and recorded higher LLA fair value charge of RM86.38 million compared to RM24.14 million in preceding quarter.

(b) Sugar Sector

Sugar Sector's recorded a loss of RM2.87 million due to lower sales volume coupled with the decrease in average selling price and higher raw material cost.

(c) LSB Sector

In line with the Group's initiatives to focus on core business, LSB Sector recorded a loss of RM16.82 million in the quarter due to the effect of proposed closure of two entities in Support Business and also change in business model of its travel division. Due to these initiatives, the sector recorded RM25.0 million provision for separation scheme. In addition, RM16.3 million impairment was recorded on overdue balances in line with MFRS 9 "Financial Instrument" requirement.

Without this provision, the Sector would have recorded a profit of RM24.48 million compared to a profit of RM8.08 million in preceding quarter.



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14. Variance of Actual Profit from Profit Forecast or Profit Guarantee

Not applicable as there was no profit forecast or profit guarantee issued.

15. Operating profit after LLA

| | Year to date ended 31 March | |
|--|--|--------------|
| | 2019 | 2018 |
| Included in operating profit after LLA are: | | |
| Depreciation of property, plant and equipment | 173,984 | 163,886 |
| Property, plant and equipment written off | 1,235 | 2,754 |
| Depreciation of investment properties | 3,080 | 3,057 |
| Amortisation of intangible assets | 7,023 | 9,094 |
| Amortisation of prepaid lease payments | 925 | 727 |
| Impairment of property, plant and equipment | 11,730 | - |
| Reversal of impairment of financial assets (net) | (47,547) | - |
| Net unrealised foreign exchange (gain)/loss | <u>(3,374)</u> | <u>7,860</u> |

16. Taxation

| | Year to date Ended 31 March | |
|-----------------------------|--|-----------------|
| | 2019 | 2018 |
| Malaysian income tax | | |
| Current financial period | (50,227) | (13,944) |
| Foreign income tax | | |
| Current financial period | (1,037) | (931) |
| Deferred tax | <u>37,384</u> | <u>(1,623)</u> |
| | <u>(13,880)</u> | <u>(16,498)</u> |

The effective tax rate for the financial year ended 31 March 2019 is higher than the Malaysian income tax rate of 24% due to certain expenses which are not allowable and deferred tax assets not recognised on losses in certain subsidiaries.



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17. Borrowings

| | As at 31 March 2019 | | | | | |
|-------------------------------------|---------------------|---------------|------------------|---------------|------------------|---------------|
| | Long term | | Short term | | Total borrowings | |
| | Foreign currency | RM Equivalent | Foreign currency | RM Equivalent | Foreign currency | RM Equivalent |
| <u>Secured</u> | | | | | | |
| Islamic term loans | - | 745,389 | - | 380,430 | - | 1,125,819 |
| Term loans | - | 363 | - | 158 | - | 521 |
| Islamic short term trade financing | - | - | - | 810,000 | - | 810,000 |
| Short term trade financing | | | | | | |
| - United States Dollar | - | - | 6,947 | 28,378 | 6,947 | 28,378 |
| - Thai Baht | - | - | 61,636 | 7,930 | 61,636 | 7,930 |
| <u>Unsecured</u> | | | | | | |
| Loan due to significant shareholder | - | 1,072,675 | - | 98,999 | - | 1,171,674 |
| Islamic term loans | - | 5,586 | - | 86,162 | - | 91,748 |
| Islamic short term trade financing | | | | | | |
| - Ringgit Malaysia | - | - | - | 1,366,281 | - | 1,366,281 |
| - United States Dollar | - | - | 106,801 | 436,284 | 106,801 | 436,284 |
| - Great Britain Pound | - | - | 11,687 | 62,171 | 11,687 | 62,171 |
| - Singapore Dollar | - | - | 1,020 | 3,074 | 1,020 | 3,074 |
| Short term trade financing | - | - | - | 540,237 | - | 540,237 |
| Total borrowings | | 1,824,013 | | 3,820,104 | | 5,644,117 |

Exchanges rates applied as at 31 March 2019

| | |
|----------------------|---------|
| United States Dollar | 4.0850 |
| Thai Baht | 12.8661 |
| Great Britain Pound | 5.3199 |
| Singapore Dollar | 3.0142 |

As at 31 March 2019, certain short term trade financing is secured over certain property, plant and equipment, benefits of an insurance covering finished goods, and guaranteed by some of the Directors and/or shareholders of certain subsidiary companies. Islamic term loans are secured against a leasehold land, debenture and certain bank balances of the Group.



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18. Derivative Financial Instruments

FGVH uses forward foreign exchange contracts and commodity contracts to manage its exposure to various financial risks. The outstanding contractual/notional amounts and fair values of these derivatives as at 31 March 2019 are as follows:

| | Contractual/ Notional Amount | Fair Value | |
|---------------------------|------------------------------------|------------|-------------|
| | | Assets | Liabilities |
| <u>Non-current</u> | | | |
| Islamic profit rate swap | 479,167 | - | 1,317 |
| <u>Current</u> | | | |
| Foreign currency forwards | 346,328 | 55 | 950 |
| Palm oil futures | 40,605 | 206 | 2,136 |
| | 386,933 | 261 | 3,086 |
| | 866,100 | 261 | 4,403 |

19. Fair Value Changes of Financial Instruments

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the last financial year ended 31 December 2018. The maturity periods of the above derivatives are less than one year. The following table presents the Group's assets and liabilities that are measured at fair value at 31 March 2019.

31 March 2019

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|----------------|--------------|
| <u>Assets</u> | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| - Derivatives | 206 | 55 | - | 261 |
| - Trading securities | 49,988 | - | - | 49,988 |
| | 50,194 | 55 | - | 50,249 |
| Financial assets at fair value through other comprehensive income | 3,666 | - | 82,634 | 86,300 |
| Total assets | 53,860 | 55 | 82,634 | 136,549 |
| <u>Liabilities</u> | | | | |
| Financial liabilities at fair value through profit or loss: | | | | |
| - LLA liability | - | - | 4,353,474 | 4,353,474 |
| - Derivatives | 2,136 | 2,267 | - | 4,403 |
| Total liabilities | 2,136 | 2,267 | 4,353,474 | 4,357,877 |



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Explanatory Notes on the Quarterly Report – 31 March 2019 (continued)

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19. Fair Value Changes of Financial Instruments (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments listed in Bursa Malaysia Securities Berhad or foreign stock exchanges classified as trading securities or available for sale and commodity derivatives quoted on Bursa Malaysia Derivatives Berhad (formerly known as Malaysia Derivatives Exchange Berhad (“MDEX”)) for palm oil and other foreign commodity exchanges.

The fair value of financial instruments that are not traded in an active market (for example, foreign currency forward contracts) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Instruments included in Level 2 comprise foreign currency forward contracts.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Instruments included in Level 3 comprise LLA liability and unquoted available-for-sale financial assets.

The following table presents the changes in Level 3 instruments during the financial year:

| | Financial year ended <u>31 March 2019</u> | Financial year ended <u>31 December 2018</u> |
|--|---|--|
| <u>LLA liability</u> | | |
| 1 January | 4,328,008 | 4,393,280 |
| Fair value changes charged to profit or loss | 86,376 | 233,379 |
| Repayment during the financial period/year | (60,910) | (298,651) |
| 31 March/31 December | <u>4,353,474</u> | <u>4,328,008</u> |
| <u>Financial assets through other comprehensive income</u> | | |
| 1 January | 82,634 | 69,880 |
| Addition | - | 31,425 |
| Fair value changes | - | (18,671) |
| 31 March/31 December | <u>82,634</u> | <u>82,634</u> |

Fair value changes for the LLA liability has been measured based on assumptions made on crude palm oil prices, palm kernel prices, average yield of fresh fruit bunches and mature and immature estate costs. Any changes on assumptions used will cause a material variation of the liability.

**FGV HOLDINGS BERHAD***(Formerly known as Felda Global Ventures Holdings Berhad)***QUARTERLY REPORT (CONTINUED)****Explanatory Notes on the Quarterly Report – 31 March 2019 (continued)****Amounts in RM thousand unless otherwise stated****20. Earnings Per Share**

| | Year to date ended 31 March | |
|--|--|--------------|
| | 2019 | 2018 |
| Basic earnings per share are computed as follows: | | |
| (Loss)/profit for the financial period attributable to owners of the Company (RM'000) | <u>(3,374)</u> | <u>1,126</u> |
| Weighted average number of ordinary shares in issue (thousands) | 3,648,152 | 3,648,152 |
| Basic earnings per share (sen) | <u>(0.09)</u> | <u>0.03</u> |

21. Status of Corporate Proposals

There was no corporate proposal entered into during the financial period under review.

22. Significant Events

- (i) On 2 January 2019, Dato' Mohd Hairul Abdul Hamid has been appointed as Chief Financial Officer of FGV.
- (ii) On 3 January 2019, in relation to the Termination of the Joint Venture Agreement between FGV Myanmar (L) Pte. Ltd., a wholly owned subsidiary of the Company and Pho La Min Trading Company Limited in 12 May 2017, the Board of Directors of the Company announced that FGV Pho La Min Co., Ltd. ("FGV PLM"), the indirect joint venture of the Company has been terminated. This was following the notification received from The Government of the Republic of the Union of Myanmar, Ministry of Investment and Foreign Economic Relations, Directorate of Investment and Company Administration. As a result, FGV PLM has ceased to be a joint venture company of the Group. The termination will not have material financial impact to the Group for the financial year ending 31 December 2019.
- (iii) On 23 January 2019, Dato' Haris Fadzilah Hassan has been appointed as a new Chief Executive Officer and his appointment has been concurred by the Minister of Finance (Incorporated). With the appointment of Dato' Haris Fadzilah Hassan as Chief Executive Officer, Datuk Wira Azhar Abdul Hamid has resigned as the Interim Chief Executive Officer.



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22. Significant Events (continued)

- (iv) On 12 February 2019, all Defendants to the suit filed by FGV on 23 November 2018 against its former members of the Board of Directors and former employees on the acquisition of APL (“Company suit”) have filed their respective Defences except for one, who is directed by the High Court to file his Defence on or before 4 March 2019.

On 11 February 2019, certain Defendants to the Company suit have filed a counterclaim (“the Counterclaim”) against FGV and the current members of the Board of Directors of FGV (“Counterclaim Defendants”). The Counterclaim seeks reliefs, jointly and severally, against FGV and the Counterclaim Defendants for declaration that FGV and the Counterclaim Defendants are liable for the loss of RM514 million (in the Company’s suit) and for any damages, general damages and interest at 5% per annum to be indemnified by FGV and Counterclaim Defendants. The Company’s solicitors are in the process of reviewing the Counterclaim and advising FGV on the same.

- (v) On 12 February 2019, the member’s voluntary winding up process for Felda Plantations Sdn. Bhd. (“FPSB”), a dormant and indirect subsidiary of the Company has been completed and was deemed fully dissolved pursuant to Section 459(5) of the Companies Act 2016.
- (vi) On 20 February 2019, the process to strike-off the name of Felda Global Ventures Rubber Sdn. Bhd. (“FGVR”), a wholly-owned subsidiary of the Company, from the Register of the Companies Commission of Malaysia under Section 550 of the Companies Act, 2016 (“the Act”) has been duly dissolved under the Act. The dissolution will not have material financial impact to the Group for the financial year ending 31 December 2019.

23. Comparative

The following comparatives have been restated to conform with current financial period presentation which more accurately reflect the nature of the relevant transactions.

| | As <u>previous stated</u> | <u>Reclassification</u> | As <u>restated</u> |
|--|------------------------------|-------------------------|-----------------------|
| Statements of Profit and Loss for the financial period ended 31 March 2018 | | | |
| - Cost of sales (Note 1(b)) | (3,186,758) | (14,704) | (3,201,462) |
| - Selling and distribution | (94,113) | 14,704 | (79,409) |
| - Finance income | 14,983 | (10,144) | 4,839 |
| - Finance costs | (69,771) | 10,144 | (59,627) |



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Explanatory Notes on the Quarterly Report – 31 March 2019 (continued)

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24. Prospects

The CPO price trend in 2019 will continue to be pressured by high inventory level and ample supply of oilseeds (soybean and sunflower) in the market. The exemption of palm oil export duty from May 2019 to December 2019 is expected to increase exports of Malaysian palm oil. In addition, the execution of B10 biodiesel programme for the transportation sector in December 2018 and B7 for the industrial sector in July 2019 is expected to drive palm oil demand and simultaneously reduce nation stockpile.

While the CPO price will have a major impact on the Group's financial performance, efforts to improve the Group's operations have shown positive outcomes by the increase in FFB production and lower CPO production cost in the first quarter of 2019 compared to the corresponding period last year. With Group's focusing on its fundamental and transformation plan, the Board anticipates that the operational performance improvement will continue for the rest of the year.

By Order of the Board

Koo Shuang Yen
Company Secretary

29 May 2019