



FGV HOLDINGS BERHAD (800165-P)

QUARTERLY REPORT

**Condensed Consolidated Financial Statements
For The Financial Period Ended 30 June 2019**



FGV HOLDINGS BERHAD

QUARTERLY REPORT

On consolidated results for the quarter ended 30 June 2019

The Directors are pleased to announce the following:

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

		Quarter ended 30 June			Year to date ended 30 June		
	Note	2019	2018	%	2019	2018	%
				+ / (-)			+ / (-)
Revenue		3,279,337	3,437,324	(4.6)	6,555,418	7,040,040	(6.9)
Cost of sales		(2,989,460)	(3,100,046)	3.6	(5,877,439)	(6,315,542)	6.9
Gross profit		289,877	337,278	(14.1)	677,979	724,498	(6.4)
Other operating income		11,751	15,423	(23.8)	42,039	60,449	(30.5)
Selling and distribution costs		(41,095)	(46,808)	12.2	(107,388)	(112,183)	4.3
Administrative expenses		(176,052)	(201,492)	12.6	(414,324)	(398,757)	(3.9)
Reversal of impairment/ (impairment of) financial assets (net)		18,322	(9,700)	>100	65,869	(9,700)	>100
Other operating expenses		(9,221)	(4,651)	(98.3)	(10,592)	(12,863)	17.7
Commodity gains/(losses) - net		8,702	(11,640)	>100	13,562	1,904	>100
Operating profit		102,284	78,410	30.4	267,145	253,348	5.4
Fair value changes in Land Lease Agreement ('LLA') liability		(78,903)	(28,237)	<100	(165,279)	(106,912)	(54.6)
Operating profit after LLA	15	23,381	50,173	(53.4)	101,866	146,436	(30.4)
Finance income		8,170	4,125	98.1	10,289	8,964	14.8
Finance costs		(77,563)	(37,002)	<100	(114,278)	(96,629)	(18.3)
Share of results from associates		(753)	4,394	<100	(1,631)	(11,771)	86.1
Share of results from joint ventures		(10,022)	(20,814)	51.8	(29,601)	(20,274)	(46.0)
(Loss)/profit before zakat and taxation		(56,787)	876	<100	(33,355)	26,726	<100
Zakat		(1,167)	(13,566)	91.4	(1,541)	(14,733)	89.5
Taxation	16	(8,451)	13,537	<100	(22,331)	(2,961)	<100
(Loss)/profit for the financial period		(66,405)	847	<100	(57,227)	9,032	<100
(Loss)/profit attributable to:							
-Owners of the Company		(52,196)	(23,431)	<100	(55,570)	(22,305)	<100
-Non-controlling interests		(14,209)	24,278	<100	(1,657)	31,337	<100
		(66,405)	847	<100	(57,227)	9,032	<100
Earnings per share for profit attributable to the the owners of the Company:							
Basic (sen)	20	(1.4)	(0.6)	<100	(1.5)	(0.6)	<100



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 30 June 2019 (continued)

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

	Note	Quarter ended 30 June			Year to date ended 30 June		
		2019	2018	% + / (-)	2019	2018	% + / (-)
(Loss)/profit for the financial period		(66,405)	847	<100	(57,227)	9,032	<100
Other comprehensive (loss)/income							
Actuarial gain/(loss) on defined benefit plan		564	(894)		1,244	(808)	
Fair value changes of financial assets at fair value through other comprehensive income		(204)	436		(134)	(1,932)	
Share of other comprehensive (loss)/income of joint ventures		(5,148)	56		(6,851)	(7,308)	
Currency translation differences		919	25,396		(7,858)	(17,378)	
Cash flow hedges		(3,424)	41		(5,301)	467	
Other comprehensive (loss)/income for the financial period, net of tax		(7,293)	25,035		(18,900)	(26,959)	
Total comprehensive (loss)/income for the financial period		<u>(73,698)</u>	<u>25,882</u>	<100	<u>(76,127)</u>	<u>(17,927)</u>	<100
Total comprehensive (loss)/income attributable to:							
- Owners of the Company		(55,054)	1,640	<100	(68,885)	(47,752)	(44.3)
- Non-controlling interests		(18,644)	24,242	<100	(7,242)	29,825	<100
Total comprehensive (loss)/ income for the financial period		<u>(73,698)</u>	<u>25,882</u>	<100	<u>(76,127)</u>	<u>(17,927)</u>	<100

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

QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 30 June 2019 (continued)

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

	Note	Unaudited As at 30 June 2019	Unaudited As at 31 December 2018	Unaudited As at 1 January 2018
<u>Non-current assets</u>				
Property, plant and equipment		8,281,820	8,501,173	8,391,626
Investment properties		112,210	118,370	118,169
Intangible assets		985,047	996,021	1,536,568
Interests in associates		98,738	101,082	275,478
Interests in joint ventures		441,724	488,175	585,773
Rights-of-use assets		2,302,491	2,378,521	2,469,891
Amount due from a significant shareholder		-	134,982	-
Amount due from a joint venture		59,591	62,929	26,941
Amounts due from related companies		-	126,334	-
Deposit and other receivables		79,648	76,211	88,057
Derivative financial assets	18	-	561	717
Deferred tax assets		654,029	615,864	750,701
Available-for-sale financial assets		-	-	157,877
Financial assets through other comprehensive income		89,335	86,224	-
Loans due from joint ventures		49,961	70,201	71,431
		<u>13,154,594</u>	<u>13,756,648</u>	<u>14,473,229</u>
<u>Current assets</u>				
Inventories		1,626,281	2,063,235	2,132,303
Receivables		1,457,548	1,235,861	1,373,976
Biological assets		43,748	42,446	54,338
Amount due from a significant shareholder		158,466	27,610	215,389
Amounts due from joint ventures		158,878	326,389	472,938
Amounts due from related companies		95,543	50,206	146,789
Tax recoverable		96,200	202,006	203,309
Available-for-sale financial assets		-	-	6,409
Financial assets at fair value through profit or loss		50,203	46,055	49,321
Derivative financial assets	18	3,871	3,706	6,875
Contract assets		46,927	33,733	13,091
Deposits, cash and bank balances		1,203,481	1,220,351	1,740,658
		<u>4,941,146</u>	<u>5,251,598</u>	<u>6,415,396</u>
Assets held for sale		284,137	4,829	72,239
		<u>5,225,283</u>	<u>5,256,427</u>	<u>6,487,635</u>
Total assets		<u>18,379,877</u>	<u>19,013,075</u>	<u>20,960,864</u>
<u>Equity</u>				
Share capital		7,029,889	7,029,889	7,029,889
Treasury shares		(3,808)	(705)	(1,484)
Reserves		(2,657,298)	(2,588,413)	(1,444,060)
Equity attributable to owners of the Company		<u>4,368,783</u>	<u>4,440,771</u>	<u>5,584,345</u>
Non-controlling interests		2,132,311	2,141,816	2,255,932
Total equity		<u>6,501,094</u>	<u>6,582,587</u>	<u>7,840,277</u>



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 30 June 2019 (continued)

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

	Note	Unaudited As at 30 June 2019	Unaudited As at 31 December 2018	Unaudited As at 1 January 2018
<u>Non-current liabilities</u>				
Borrowings	17	827,485	991,506	733,234
Loans due to a significant shareholder	17	883,444	1,074,045	1,222,765
LLA liability		4,128,595	4,079,836	4,067,794
Derivative financial liabilities	18	4,741	-	-
Provision for asset retirement		33,537	31,810	32,725
Provision for defined benefit plan		54,266	82,961	87,768
Lease liability		322,575	336,192	386,820
Deferred tax liabilities		715,151	735,370	812,363
		<u>6,969,794</u>	<u>7,331,720</u>	<u>7,343,469</u>
<u>Current liabilities</u>				
Payables		914,076	1,227,785	1,178,883
Loans due to a significant shareholder	17	3,092	85,058	164,551
Amount due to a significant shareholder		259,777	187,582	483,166
Amounts due to associates		93	210	37
Amounts due to joint ventures		47,927	249	-
Amounts due to related companies		4,912	2,559	128,641
Borrowings	17	3,348,435	3,252,605	3,376,922
Derivative financial liabilities	18	4,045	7,545	1,039
Provision for asset retirement		661	662	648
Other provision		35,541	35,541	32,841
LLA liability		241,522	248,172	325,486
Contract liabilities		10,069	41,209	58,714
Current tax liabilities		20,614	8,606	3,712
		<u>4,890,764</u>	<u>5,097,783</u>	<u>5,754,640</u>
Liabilities related to assets held for sale		<u>18,225</u>	<u>985</u>	<u>22,478</u>
		<u>4,908,989</u>	<u>5,098,768</u>	<u>5,777,118</u>
Total liabilities		<u>11,878,783</u>	<u>12,430,488</u>	<u>13,120,587</u>
Total equity and liabilities		<u>18,379,877</u>	<u>19,013,075</u>	<u>20,960,864</u>
Net assets per share attributable to owners of the Company		<u>1.20</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

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 30 June 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 for the financial period	-	-	-	-	-	(55,570)	(55,570)	(1,657)	(57,227)
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	-	-	-	-	-	1,244	1,244	-	1,244
- fair value changes in financial assets at fair value through other comprehensive income	-	-	-	-	(104)	-	(104)	(30)	(134)
<u>Items that will be subsequently reclassified to profit or loss</u>									
- currency translation differences	-	-	(4,901)	-	-	-	(4,901)	(2,957)	(7,858)
- share of other comprehensive loss of joint ventures	-	-	(6,851)	-	-	-	(6,851)	-	(6,851)
- cash flow hedge reserves	-	-	-	-	(2,703)	-	(2,703)	(2,598)	(5,301)
	-	-	(11,752)	-	(2,703)	-	(14,455)	(5,555)	(20,010)
Total other comprehensive loss for the financial period	-	-	(11,752)	-	(2,807)	(54,326)	(68,885)	(7,242)	(76,127)
Treasury shares	-	(3,103)	-	-	-	-	(3,103)	-	(3,103)
Dividend paid to non-controlling interests of subsidiary	-	-	-	-	-	-	-	(2,263)	(2,263)
Total transaction with owners	-	(3,103)	-	-	-	-	(3,103)	(2,263)	(5,366)
At 30 June 2019	7,029,889	(3,808)	91,799	(3,089,497)	(33,810)	374,210	4,368,783	2,132,311	6,501,094



FGV 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 30 June 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
(Loss)/profit for the financial period	-	-	-	-	-	(22,305)	(22,305)	31,337	9,032
Other comprehensive (loss)/income for the financial year, net of tax:									
<u>Item that will not be reclassified to profit or loss</u>									
- actuarial loss on defined benefit plan	-	-	-	-	-	(647)	(647)	(161)	(808)
- fair value changes in financial assets at fair value through other comprehensive income	-	-	-	-	(1,932)	-	(1,932)	-	(1,932)
<u>Items that will be subsequently reclassified to profit or loss</u>									
- currency translation differences	-	-	(15,798)	-	-	-	(15,798)	(1,580)	(17,378)
- share of other comprehensive loss of joint ventures	-	-	(7,308)	-	-	-	(7,308)	-	(7,308)
- cash flow hedge reserves	-	-	-	-	238	-	238	229	467
	-	-	(23,106)	-	238	-	(22,868)	(1,351)	(24,219)
Total other comprehensive (loss)/income for the financial period	-	-	(23,106)	-	(1,694)	(22,952)	(47,752)	29,825	(17,927)
Dividend paid to non-controlling interests of subsidiary	-	-	-	-	-	-	-	(40)	(40)
Total transaction with owners	-	-	-	-	-	-	-	(40)	(40)
At 30 June 2018	7,029,889*	(1,484)	95,971	(3,089,497)	(13,723)	1,483,969	5,505,125	2,286,213	7,791,338

* 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

QUARTERLY REPORT (CONTINUED)

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

	Year to date ended	
	30 June	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit for the financial period	(57,227)	9,032
Adjustments for non-cash items	598,176	622,454
Operating profit before working capital changes	540,949	631,486
Changes in working capital	279,028	12,266
Cash generated from operations	819,977	643,752
Interest received	10,289	8,964
Taxation refund/(paid), net	41,445	(9,706)
Zakat paid	(1,541)	(14,733)
Retirement benefits paid	(4,369)	(155)
Net cash generated from operating activities	865,801	628,122
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(321,272)	(472,317)
Purchase of intangible asset	(2,083)	(11,459)
Proceeds from disposal of property, plant and equipment	32	175
Proceeds from sale of financial assets at fair value through profit or loss	8,731	11,204
Additions of financial assets at fair value through other comprehensive income	(3,240)	-
Additions of financial assets at fair value through profit or loss	(5,339)	(12,709)
Payment for asset retirement obligations	-	(14)
Repayment of loan from a jointly controlled entity	22,510	-
Dividend received from associates	652	309
Dividend received from joint ventures	16,365	23,728
Dividend received from financial assets at fair value through other comprehensive income	1,108	1,559
Net cash used in investing activities	(282,536)	(459,524)



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Unaudited Condensed Consolidated Statement of Cash Flows (continued)

Amounts in RM thousand unless otherwise stated

	Year to date ended 30 June	
	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	2,665,741	3,341,465
Repayment of borrowings	(2,734,155)	(3,217,083)
Repayment of LLA liability	(123,170)	(155,064)
Dividend paid to non-controlling interest	(2,263)	(40)
Finance costs paid	(112,514)	(95,133)
Repayment of loan due to a significant shareholder	(268,688)	(138,143)
Purchase of treasury stock	(3,103)	-
Decrease in restricted cash	89,492	-
Net cash used in financing activities	(488,660)	(263,998)
Net increase/(decrease) in cash and cash equivalents	94,605	(95,400)
Effect of foreign exchange rate changes	(14,692)	(912)
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	1,175,920	1,597,006
Deposits, cash and bank balances	1,203,481	1,644,445
Less: Restricted cash	(34,852)	(47,340)
Add/(less): Assets held for sale	7,291	(99)
Cash and cash equivalents at end of the financial period	<u>1,175,920</u>	<u>1,597,006</u>

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

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 **Amounts in RM thousand unless otherwise stated**

This interim financial information of FGV 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 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 leases (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 leases and leases of low-value assets in which the payments are recognised on a straight line basis as an expense in profit or loss.

The standard affects primarily the accounting for the Group'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 profit or loss. 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 lease payment is replaced with interest on lease liability and amortisation of the right-of-use assets, 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

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)

Amounts in RM thousand unless otherwise stated

1. Basis of Preparation (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:

- 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

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 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:

Consolidated Statements of Profit and Loss:	Quarter ended 30 June 2018			Restatement of comparative figures Year to date ended 30 June 2018		
	As previous stated	Effects of MFRS 16	As restated	As previous stated	Effects of MFRS 16	As restated
Administrative expenses	(206,938)	5,446	(201,492)	(409,649)	10,892	(398,757)
Operating profit after LLA	44,727	5,446	50,173	135,544	10,892	146,436
Finance costs (Note 24)	(31,182)	(5,820)	(37,002)	(84,989)	(11,640)	(96,629)
Profit before zakat and taxation	1,250	(374)	876	27,474	(748)	26,726
Taxation	13,447	90	13,537	(3,141)	180	(2,961)
Profit for the financial period	1,131	(284)	847	9,600	(568)	9,032
Profit attributable to:						
– Owners of the Company	(23,227)	(204)	(23,431)	(21,897)	(408)	(22,305)
– Non-controlling interests	24,358	(80)	24,278	31,497	(160)	31,337
	1,131	(284)	847	9,600	(568)	9,032
Earnings per share for profit attributable to the owners of the Company:						
Basic (sen)	(0.64)	-	(0.64)	(0.60)	(0.01)	(0.61)



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 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)

	Restatement of comparative figures					
	As at 31 December 2018			As at 1 January 2018		
<u>Consolidated Statement of Financial Position</u>	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



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)

Amounts in RM thousand unless otherwise stated

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 30 June 2019.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)

Amounts in RM thousand unless otherwise stated

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 30 June 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 Others (“LO”) Sector - Bulking and transportation facilities and services, engineering services, information technology, 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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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)

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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 Others	Corporate HQ and Elimination	Total
Year to date ended 30 June 2019					
Total segment revenue	7,221,610	1,069,157	314,910	2,050,260	10,655,937
Less : Inter-segment revenue	(1,824,078)	(109,320)	(116,861)	(2,050,260)	(4,100,519)
Revenue from external customers	5,397,532	959,837	198,049	-	6,555,418
Finance income	4,930	4,077	116	1,166	10,289
Finance costs	(59,179)	(39,610)	(248)	(15,241)	(114,278)
Depreciation and amortisation	(286,144)	(31,488)	(40,095)	(6,944)	(364,671)
Fair value changes in LLA liability	(165,279)	-	-	-	(165,279)
Reversal of impairment on financial assets	56,064	1,001	3,387	5,418	65,869
Share of results of joint ventures	(29,601)	-	-	-	(29,601)
Share of results of associates	377	-	-	(2,008)	(1,631)
(Loss)/profit before zakat and taxation for the financial period	(14,275)	(56,030)	26,273	10,677	(33,355)
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	3,592,417	324	-	3,592,741
Sales of Sugar	At a point in time	-	959,457	-	959,457
Others	At a point in time/ over time	1,805,115	56	198,049	2,003,220
		5,397,532	959,837	198,049	6,555,418



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)

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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 Others	Corporate HQ and Elimination	Total
Year to date ended 30 June 2018					
Total segment revenue	8,593,366	1,218,468	356,817	3,128,612	13,297,263
Less : Inter-segment revenue	(2,902,368)	(105,859)	(120,384)	(3,128,612)	(6,257,223)
Revenue from external customers	5,690,998	1,112,609	236,433	-	7,040,040
Finance income	10,079	2,650	(2,085)	(1,680)	8,964
Finance costs	(39,249)	(21,197)	(8,459)	(27,724)	(96,629)
Depreciation and amortisation	(277,982)	(30,291)	(41,912)	(5,347)	(355,532)
Fair value changes in LLA liability	(106,912)	-	-	-	(106,912)
Impairment on financial assets	(9,700)	-	-	-	(9,700)
Share of results of joint ventures	(32,453)	-	-	12,179	(20,274)
Share of results of associates	717	-	-	(12,488)	(11,771)
Profit/(loss) before zakat and taxation for the financial year	26,750	49,914	38,252	(88,190)	26,726
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	4,082,101	398	-	4,082,499
Sales of Sugar	At a point in time	-	1,112,165	-	1,112,165
Others	At a point in time/ over time	1,608,897	46	236,433	1,845,376
		5,690,998	1,112,609	236,433	7,040,040



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)
Amounts in RM thousand unless otherwise stated

8. Capital Commitments

Authorised capital expenditure not provided for are as follows:

	As at 30 June 2019	As at 31 December 2018
Capital expenditure approved and contracted for:		
- Property, plant and equipment	180,142	404,636
- Intangible assets	24	2,941
	<u>180,166</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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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)
Amounts in RM thousand unless otherwise stated

9. Significant Related Party Transactions (continued)

- (I) Related party transactions for the financial period ended 30 June 2019 and 30 June 2018 are as follows:

(a) Sales of goods and services

	Year to date ended 30 June	
	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”)	-	72,290
Sales of CPO by FPI to FISB Group	466,769	780,893
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”)	415,645	650,173
Sales of CPO by FPI to MAPAK Edible Oil Pvt. Ltd. (“MAPAK”)	156,697	134,617
(ii) Transaction with associates		
Sales of CPO and PPO by FPI and FGV Trading Sdn. Bhd. (“FGVT”) to F.K.W. Global Commodities (Private) Limited (“FKW”)	12,609	6,716



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)

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9. Significant Related Party Transactions (continued)

- (I) Related party transactions for the financial period ended 30 June 2019 and 30 June 2018 are as follows: (continued)

(a) Sales of goods and services (continued)

	Year to date ended 30 June	
	2019	2018
(iii) Transactions with FELDA and its subsidiaries		
Sales of fertiliser by FGV Fertiliser Sdn. Bhd. (formerly known as FPM Sdn. Bhd.) ("FPMSSB")	85,253	65,190
IT services rendered by FGV Prodata Systems Sdn. Bhd (formerly known as Felda Prodata Systems Sdn Bhd) ("Prodata")	11,856	12,025
Security services rendered by Felda Security Services Sdn. Bhd ("FSSSB")	10,637	12,114

(b) Purchase of goods and services

Transactions with FELDA and its subsidiaries:

LLA liability paid by FGV Plantations (Malaysia) Sdn. Bhd. ("FGVPM")	123,170	155,064
Interest expense charged by FELDA	25,690	31,611
Purchase of cup lump by FGV Rubber Industries Sdn. Bhd. (formerly known as Felda Rubber Industries Sdn. Bhd.) ("FRISB")	58,011	58,481
Purchase of FFB by FPI	1,283,496	1,539,419

(c) Transactions with Government related entities

Transactions between subsidiaries and other government agencies:

Cooking oil subsidy received from Malaysia Palm Oil Board ("MPOB")	6,621	15,015
CESS payment to MPOB	20,138	17,168



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)
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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 was fixed for decision (after full trial) on 1 August 2019 whereby the High court dismissed the plaintiff claim against DOP and allowed the counter claim made by DOP with costs of RM80,000. This is now pending sealed order from the court (the plaintiff has 30 days from 1 August 2019 to file an appeal to the court of appeal).

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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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)
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12. Review of Group Performance

	Year to date ended 30 June		%
	2019	2018	+ / (-)
Revenue	<u>6,555,418</u>	<u>7,040,040</u>	(6.9)
Plantation	(14,275)	26,750	<100
Sugar	(56,030)	49,914	<100
Logistics and Others	<u>26,273</u>	<u>38,252</u>	(31.3)
Sector results	(44,032)	114,916	<100
Corporate HQ and elimination	<u>10,677</u>	<u>(88,190)</u>	>100
(Loss)/profit before zakat and taxation	(33,355)	26,726	<100
Zakat	(1,541)	(14,733)	(89.5)
Taxation	<u>(22,331)</u>	<u>(2,961)</u>	<100
(Loss)/profit for the financial period	<u>(57,227)</u>	<u>9,032</u>	<100
(Loss)/profit attributable to:			
Owners of the Company	(55,570)	(22,305)	<100
Non-controlling interests	<u>(1,657)</u>	<u>31,337</u>	<100
(Loss)/profit for the financial period	<u>(57,227)</u>	<u>9,032</u>	<100

Overall

The Group registered a loss before zakat and taxation of RM33.36 million for the financial period under review compared to RM26.73 million profit in corresponding period of previous year on the back of lower revenue achieved by 6.9% to RM6.56 billion.

The Group's result was largely affected by the impact of lower average CPO price realised in Plantation Sector for the current period and losses incurred in Sugar Sector.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)
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12. Review of Group Performance (continued)

(a) Plantation Sector

Plantation Sector reported a loss of RM14.28 million for the financial period ended 30 June 2019 compared to RM26.75 million in previous corresponding period. This was mainly attributable to the continuing depressed CPO price realised at RM1,972 per mt, a decline of 19% from RM2,447 per mt in previous corresponding period. In addition, the Sector was also impacted by higher fair value LLA charge of RM165.28 million compared to RM106.91 million in same period previous year.

FFB production rose by 11.1% to 2.20 million mt compared to 1.98 million mt in 2018 with a yield of 9.14 mt per hectare. OER achieved increased to 20.48% from 20.17% in the previous corresponding period.

The impact of the lackluster upstream earnings was softened by the performance of the downstream operations. The higher profit in downstream was driven by higher margin and sales volume posted in kernel crushing and fatty acid business. The Sector's loss was partially offset by the net reversal of impairment of RM56 million due to settlement received from customers.

(b) Sugar Sector

Sugar Sector incurred a loss of RM56.03 million compared to RM49.91 million profit in previous financial period mainly attributable to lower average selling price and decrease in sales volume. The Sector experienced lower gross profit margin and increase in finance costs.

(c) Logistic and Others Sector

Logistic and Others Sector recorded a lower profit of RM26.27 million compared to RM38.25 million in previous corresponding period.

Logistic segment recorded improved contribution due to higher throughput and increase in handling rate in current financial period. However, this was partially offset by the losses incurred in Others segment due to the effect of proposed closure of two entities and provision of separation scheme of RM22.1 million. The proposed closure is in line with the Group's initiatives to focus on core business.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)
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13. Material Changes in the Quarterly Results Compared to Preceding Quarter

	Quarter ended		%
	30 June 2019	31 March 2019	+ / (-)
Revenue	<u>3,279,337</u>	<u>3,276,081</u>	0.1
Plantation	(54,102)	39,827	<100
Sugar	(53,165)	(2,865)	<100
Logistic and Others	<u>43,143</u>	<u>(16,870)</u>	>100
Sector results	(64,124)	20,092	<100
Corporate HQ and elimination	<u>7,337</u>	<u>3,340</u>	>100
(Loss)/profit before zakat and taxation	(56,787)	23,432	<100
Zakat	(1,167)	(374)	<100
Taxation	<u>(8,451)</u>	<u>(13,880)</u>	39.1
(Loss)/profit for the financial period	<u>(66,405)</u>	<u>9,178</u>	<100
(Loss)/profit attributable to:			
Owners of the Company	(52,196)	(3,374)	<100
Non-controlling interests	<u>(14,209)</u>	<u>12,552</u>	<100
(Loss)/profit for the financial period	<u>(66,405)</u>	<u>9,178</u>	<100

Overall

The revenue of the Group increased marginally in current quarter while Group reported a loss of RM56.79 million compared RM23.43 million profit in preceding quarter. The losses were mainly due to lower CPO price realised in current quarter and widening losses in Sugar Sector.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)

Amounts in RM thousand unless otherwise stated

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

(a) Plantation Sector

The Plantation Sector recorded a loss of RM54.10 million compared to RM39.83 million profit in preceding quarter. The Sector was affected by softer average CPO prices realised of RM1,955 per mt compared to RM1,986 per mt in preceding quarter coupled with lower CPO sales volume by 12.8%.

FFB production increased to 1.15 million mt from 1.06 million mt in the preceding quarter whilst yield improved to 4.76 mt per hectare from 4.38 mt per hectare in preceding quarter. However, OER was lower at 20.22% in the current quarter compared to 20.76% achieved in the preceding quarter.

In preceding quarter, the profit was contributed by the reversal of impairment amounting RM64 million in relation to MFRS 9 “Financial Instrument” due to settlement received from customers.

(b) Sugar Sector

Sugar Sector recorded loss of RM53.17 million compared to RM2.87 million losses in preceding quarter due to lower sales volume and selling price. The Sector’s result was further eroded by the increase in finance cost in current quarter following the modification of certain terms in respect of its term loan.

(c) Logistics and Others Sector

Logistic and Others Sector recorded an improvement in profit of RM43.14 million in the current quarter compared to RM16.87 million losses in preceding quarter. This was underpinned by the absence of provision for separation scheme of RM25.0 million recognised in preceding quarter in line with the Group’s initiatives to focus on core business. In addition, the increase in profit was aided by the reversal of impairment of RM19.7 million mainly due to settlement received from customers in current quarter compared to impairment of receivables of RM16.3 million recognised in preceding quarter.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)
Amounts in RM thousand unless otherwise stated

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 30 June	
	2019	2018
Included in operating profit after LLA are:		
Depreciation of property, plant and equipment	343,071	331,993
Property, plant and equipment written off	2,887	6,811
Depreciation of investment properties	6,160	6,114
Amortisation of intangible assets	13,584	15,570
Amortisation of right of use	1,856	1,855
Impairment of property, plant and equipment	16,127	-
Impairment loss on investment in joint venture	-	1,350
Net unrealised foreign exchange (gain)/loss	<u>(4,317)</u>	<u>12,668</u>

16. Taxation

	Quarter Ended 30 June		Year to date Ended 30 June	
	2019	2018	2019	2018
Malaysian income tax				
Current financial period	(26,142)	(31,475)	(76,369)	(45,419)
Prior financial period	-	(1,331)	-	(1,331)
	<u>(26,142)</u>	<u>(32,806)</u>	<u>(76,369)</u>	<u>(46,750)</u>
Foreign income tax				
Current financial period	(3,309)	(704)	(4,346)	(1,635)
Deferred tax	<u>21,000</u>	<u>47,047</u>	<u>58,384</u>	<u>45,424</u>
	<u>(8,451)</u>	<u>13,537</u>	<u>(22,331)</u>	<u>(2,961)</u>

The effective tax rate for the financial year ended 30 June 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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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)

Amounts in RM thousand unless otherwise stated

17. Borrowings

	As at 30 June 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	-	822,074	-	233,298	-	1,055,372
Term loans	-	270	-	190	-	460
Islamic short term trade financing	-	-	-	806,200	-	806,200
Short term trade financing						
- United States Dollar	-	-	7,110	29,389	7,110	29,389
- Thai Baht	-	-	33,720	4,545	33,720	4,545
<u>Unsecured</u>						
Loan due to significant shareholder	-	883,444	-	3,092	-	886,536
Islamic term loans	-	5,141	-	77,898	-	83,039
Islamic short term trade financing						
- Ringgit Malaysia	-	-	-	1,306,023	-	1,306,023
- United States Dollar	-	-	95,725	395,677	95,725	395,677
- Great Britain Pound	-	-	11,687	61,253	11,687	61,253
- Singapore Dollar	-	-	1,020	3,116	1,020	3,116
Short term trade financing	-	-	-	430,846	-	430,846
Total borrowings		1,710,929		3,351,527		5,062,456

Exchanges rates applied as at 30 June 2019

United States Dollar	4.1335
Thai Baht	13.4773
Great Britain Pound	5.2413
Singapore Dollar	3.0563

As at 30 June 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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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)

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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 30 June 2019 are as follows:

	Contractual/ Notional Amount	Fair Value	
		Assets	Liabilities
<u>Non-current</u>			
Islamic profit rate swap	479,167	-	4,741
<u>Current</u>			
Foreign currency forwards	194,986	1,019	3,743
Palm oil futures	114,359	2,852	302
	309,345	3,871	4,045
	788,512	3,871	8,786

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 30 June 2019.

30 June 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	2,852	1,019	-	3,871
- Trading securities	50,203	-	-	50,203
	53,055	1,019	-	54,074
Financial assets at fair value through other comprehensive income	3,461	-	85,874	89,335
Total assets	56,516	1,019	85,874	143,409
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
- LLA liability	-	-	4,370,117	4,370,117
- Derivatives	5,043	3,743	-	8,786
Total liabilities	5,043	3,743	4,370,117	4,378,903



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 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 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 financial assets at fair value through other comprehensive income.

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

	Financial year ended <u>30 June 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	165,279	233,379
Repayment during the financial period/year:		
- Fixed lease payments	(121,920)	(243,930)
- Share of profits	(1,250)	(54,721)
30 June/31 December	<u>4,370,117</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	3,240	(18,671)
30 June/31 December	<u>85,874</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.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)

Amounts in RM thousand unless otherwise stated

20. Earnings Per Share

	Quarter ended 30 June		Year to date ended 30 June	
	2019	2018	2019	2018
Basic earnings per share are computed as follows:				
Loss for the financial period attributable to owners of the Company (RM'000)	<u>(52,196)</u>	<u>(23,431)</u>	<u>(55,570)</u>	<u>(22,305)</u>
Weighted average number of ordinary shares in issue (thousands)	3,648,152	3,648,152	3,648,152	3,648,152
Basic earnings per share (sen)	<u>(1.4)</u>	<u>(0.6)</u>	<u>(1.5)</u>	<u>(0.6)</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.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued) Amounts in RM thousand unless otherwise stated

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 FGV, 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.
- (vii) On 15 May 2019, the process to strike-off the name of FGV Lipid Venture Sdn. Bhd. ("FGVLV"), a subsidiary of FGV, 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.
- (viii) On 14 June 2019, FGV Plantations Sdn. Bhd. (formerly known as Felda Global Ventures Plantations Sdn Bhd) ("FGVP"), a wholly-owned subsidiary of FGV has on 30 May 2019 entered into a Share Sale Agreement to acquire 200,000,000 ordinary shares, representing 100% of the total issued and paid-up share capital of FGV Trading Sdn. Bhd. ("FGVT") from FGV for a total consideration of RM200,000,000.

The above transaction is an internal re-organisation exercise whereby FGVT shall become a direct subsidiary of FGVP and in turn become an indirect subsidiary of FGV.

This exercise is not expected to have any effect on the issued and paid-up capital of FGV or FGV's substantial shareholders' shareholdings or any material effect on the earnings, net assets or gearing of the Company on a consolidated basis.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)

Amounts in RM thousand unless otherwise stated

23. Material events after reporting period

- (i) On 10 July 2019, FGV entered into an Equity Transfer Agreement with Grand Industrial Holding Co., Ltd to dispose of FGV's 100% equity interest in FGV China Oils Ltd ("FGVCO") for a total consideration of RMB165 million (approximately RM100 million) ("Proposed Disposal"). Upon completion of the Proposed Disposal, FGVCO shall cease to be a wholly-owned subsidiary of FGV. The Proposed Disposal is expected to be completed by Quarter 1, 2020. Consequently, FGVCO has been classified as asset held for sale in the statements of financial position as the criteria under MFRS 5 "Non-current Assets Held For Sale And Discontinued Operations" has been met.

24. Comparative

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

	<u>As previous stated</u>	<u>Reclassification</u>	<u>As restated</u>
Consolidated Statements of Profit and Loss for the financial period ended 30 June 2018			
- Cost of sales	(6,271,555)	(43,987)	(6,315,542)
- Selling and distribution	(156,170)	43,987	(112,183)
- Finance income	19,108	(10,144)	8,964
- Finance costs (Note 1(b))	(95,133)	10,144	(84,989)
	<u> </u>	<u> </u>	<u> </u>



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2019 (continued)
Amounts in RM thousand unless otherwise stated

25. Prospects

The Group continues to show significant operational improvements in FFB yields and is committed to reducing its cost of production, in line with operational targets for 2019. The transformation plan is on track, especially with regard to cost saving initiatives and the divestment of non-core assets. The Group is exploring opportunities to venture into other value generating businesses to reduce reliance on CPO and current exposure to commodity price fluctuations.

CPO price is expected to remain volatile in the coming quarters due to high stockpiles, competitive pricing from Indonesia and expectations of high seasonal production. However, the downside pressure may be mitigated by the improved export outlook and strong demand in biodiesel production.

The Sugar Sector will continue to be affected by lower average selling price of refined sugar as a result of excessive supply in the domestic market. The other factor that will be a drag on performance is the high costs associated with MSM's Johor refinery.

The Board expects the Group's operational performance to continue improving. However financial performance will be predicated on CPO price in the near term.

By Order of the Board

Koo Shuang Yen
Company Secretary

28 August 2019