



FGV HOLDINGS BERHAD (800165-P)

QUARTERLY REPORT

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



FGV HOLDINGS BERHAD

QUARTERLY REPORT

On consolidated results for the quarter ended 30 September 2019

The Directors are pleased to announce the following:

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

	Note	Quarter ended 30 September			Year to date ended 30 September		
		2019	2018	% + / (-)	2019	2018	% + / (-)
Revenue		3,549,245	3,193,304	11.1	10,104,663	10,233,344	(1.3)
Cost of sales		(3,242,429)	(2,862,522)	(13.3)	(9,119,868)	(9,178,064)	0.6
Gross profit		306,816	330,782	(7.2)	984,795	1,055,280	(6.7)
Other operating income		32,552	25,936	25.5	74,591	86,385	(13.7)
Selling and distribution costs		(60,438)	(67,936)	11.0	(167,826)	(180,119)	6.8
Administrative expenses		(178,038)	(207,993)	14.4	(592,362)	(606,750)	2.4
Impairment of financial assets (net)		(171,946)	(84,371)	<100	(106,077)	(94,071)	(12.8)
Other operating expenses		(158,323)	(705,217)	77.5	(168,915)	(718,080)	76.5
Commodity (losses)/gains - net		(5,076)	(2,389)	<100	8,486	(485)	>100
Operating (loss)/profit		(234,453)	(711,188)	67.0	32,692	(457,840)	>100
Fair value changes in Land Lease Agreement ('LLA') liability		(113,158)	(102,323)	(10.6)	(278,437)	(209,235)	(33.1)
Operating loss after LLA	15	(347,611)	(813,511)	57.3	(245,745)	(667,075)	63.2
Finance income		11,488	7,979	44.0	21,777	16,943	28.5
Finance costs		(51,283)	(45,649)	(12.3)	(165,561)	(142,278)	(16.4)
Share of results from associates		207	815	(74.6)	(1,424)	(10,956)	87.0
Share of results from joint ventures		24,231	(61,153)	>100	(5,370)	(81,427)	93.4
Loss before zakat and taxation		(362,968)	(911,519)	60.2	(396,323)	(884,793)	55.2
Zakat		1,415	(753)	>100	(126)	(15,486)	99.2
Taxation	16	(1,518)	(1,813)	16.3	(23,849)	(4,774)	<100
Loss for the financial period		(363,071)	(914,085)	60.3	(420,298)	(905,053)	53.6
Loss attributable to:							
-Owners of the Company		(262,410)	(849,460)	69.1	(317,980)	(871,765)	63.5
-Non-controlling interests		(100,661)	(64,625)	(55.8)	(102,318)	(33,288)	<100
		(363,071)	(914,085)	60.3	(420,298)	(905,053)	53.6
Earnings per share for loss attributable to the owners of the Company:							
Basic (sen)	20	(7.2)	(23.3)	69.1	(8.7)	(23.9)	63.5



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

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

	Quarter ended 30 September			Year to date ended 30 September		
	2019	2018	% + / (-)	2019	2018	% + / (-)
Loss for the financial period	(363,071)	(914,085)	60.3	(420,298)	(905,053)	53.6
Other comprehensive income/(loss)						
Actuarial (loss)/gain on defined benefit plan	(2)	369		1,242	(439)	
Fair value changes of financial assets at fair value through other comprehensive income	8,177	1,500		8,043	(432)	
Share of other comprehensive (loss)/income of joint ventures	(7,360)	7,179		(14,211)	(129)	
Currency translation differences	10,796	16,946		2,938	(432)	
Cash flow hedges	1,300	(254)		(4,001)	213	
Other comprehensive income/(loss) for the financial period, net of tax	12,911	25,740		(5,989)	(1,219)	
Total comprehensive loss for the financial period	<u>(350,160)</u>	<u>(888,345)</u>	60.6	<u>(426,287)</u>	<u>(906,272)</u>	53.0
Total comprehensive loss attributable to:						
- Owners of the Company	(252,028)	(824,563)	69.4	(320,913)	(872,315)	63.2
- Non-controlling interests	<u>(98,132)</u>	<u>(63,782)</u>	(53.9)	<u>(105,374)</u>	<u>(33,957)</u>	<100
Total comprehensive loss for the financial period	<u>(350,160)</u>	<u>(888,345)</u>	60.6	<u>(426,287)</u>	<u>(906,272)</u>	53.0

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 September 2019 (continued)

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

	Note	Unaudited As at 30 September 2019	Unaudited As at 31 December 2018	Unaudited As at 1 January 2018
<u>Non-current assets</u>				
Property, plant and equipment		8,094,609	8,501,173	8,391,626
Investment properties		109,129	118,370	118,169
Intangible assets		979,310	996,021	1,536,568
Interests in associates		68,350	101,082	275,478
Interests in joint ventures		459,674	488,175	585,773
Rights-of-use assets		2,310,413	2,378,521	2,469,891
Amount due from a significant shareholder		92,500	134,982	-
Amount due from a joint venture		2,000	62,929	26,941
Amounts due from related companies		-	126,334	-
Deposit and other receivables		79,475	76,211	88,057
Derivative financial assets	18	-	561	717
Deferred tax assets		642,227	615,864	750,701
Available-for-sale financial assets		-	-	157,877
Financial assets through other comprehensive income		97,714	86,224	-
Loans due from joint ventures		-	70,201	71,431
		<u>12,935,401</u>	<u>13,756,648</u>	<u>14,473,229</u>
<u>Current assets</u>				
Inventories		1,497,663	2,063,235	2,132,303
Receivables		1,256,984	1,235,861	1,373,976
Biological assets		53,915	42,446	54,338
Amount due from a significant shareholder		77,895	27,610	215,389
Amounts due from joint ventures		170,493	326,389	472,938
Amounts due from related companies		138,960	50,206	146,789
Tax recoverable		87,490	202,006	203,309
Available-for-sale financial assets		-	-	6,409
Financial assets at fair value through profit or loss		56,970	46,055	49,321
Derivative financial assets	18	417	3,706	6,875
Contract assets		33,030	33,733	13,091
Deposits, cash and bank balances		<u>1,581,024</u>	<u>1,220,351</u>	<u>1,740,658</u>
		<u>4,954,841</u>	<u>5,251,598</u>	<u>6,415,396</u>
Assets held for sale		<u>194,862</u>	<u>4,829</u>	<u>72,239</u>
		<u>5,149,703</u>	<u>5,256,427</u>	<u>6,487,635</u>
Total assets		<u><u>18,085,104</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		(1,031)	(705)	(1,484)
Reserves		(2,909,326)	(2,588,413)	(1,444,060)
Equity attributable to owners of the Company		<u>4,119,532</u>	<u>4,440,771</u>	<u>5,584,345</u>
Non-controlling interests		<u>1,993,719</u>	<u>2,141,816</u>	<u>2,255,932</u>
Total equity		<u><u>6,113,251</u></u>	<u><u>6,582,587</u></u>	<u><u>7,840,277</u></u>



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

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

	Note	Unaudited As at 30 September 2019	Unaudited As at 31 December 2018	Unaudited As at 1 January 2018
<u>Non-current liabilities</u>				
Borrowings	17	793,843	991,506	733,234
Loans due to a significant shareholder	17	886,609	1,074,045	1,222,765
LLA liability		4,162,262	4,079,836	4,067,794
Derivative financial liabilities	18	3,441	-	-
Provision for asset retirement		32,252	31,810	32,725
Provision for defined benefit plan		73,238	82,961	87,768
Lease liability		322,933	336,192	386,820
Deferred tax liabilities		672,271	735,370	812,363
		<u>6,946,849</u>	<u>7,331,720</u>	<u>7,343,469</u>
<u>Current liabilities</u>				
Payables		1,105,070	1,227,785	1,178,883
Loans due to a significant shareholder	17	10,544	85,058	164,551
Amount due to a significant shareholder		208,324	187,582	483,166
Amounts due to associates		161	210	37
Amounts due to joint ventures		8	249	-
Amounts due to related companies		2,134	2,559	128,641
Borrowings	17	3,346,278	3,252,605	3,376,922
Derivative financial liabilities	18	13,258	7,545	1,039
Provision for asset retirement		670	662	648
Other provision		-	35,541	32,841
LLA liability		256,430	248,172	325,486
Contract liabilities		41,743	41,209	58,714
Current tax liabilities		39,710	8,606	3,712
		<u>5,024,330</u>	<u>5,097,783</u>	<u>5,754,640</u>
Liabilities related to assets held for sale		<u>674</u>	<u>985</u>	<u>22,478</u>
		<u>5,025,004</u>	<u>5,098,768</u>	<u>5,777,118</u>
Total liabilities		<u>11,971,853</u>	<u>12,430,488</u>	<u>13,120,587</u>
Total equity and liabilities		<u>18,085,104</u>	<u>19,013,075</u>	<u>20,960,864</u>
Net assets per share attributable to owners of the Company		<u>1.13</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 September 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	-	-	-	-	-	(317,980)	(317,980)	(102,318)	(420,298)
Other comprehensive income/(loss) for the financial period, net of tax:									
<u>Items that will not be reclassified to profit or loss</u>									
- actuarial gain on defined benefit plan	-	-	-	-	-	1,242	1,242	-	1,242
- fair value changes in financial assets at fair value through other comprehensive income	-	-	-	-	8,078	-	8,078	(35)	8,043
<u>Items that will be subsequently reclassified to profit or loss</u>									
- currency translation differences	-	-	7,656	-	-	-	7,656	(1,060)	6,596
- reclassification of foreign exchange reserve upon disposal of a subsidiary	-	-	(3,658)	-	-	-	(3,658)	-	(3,658)
- share of other comprehensive loss of joint ventures	-	-	(14,211)	-	-	-	(14,211)	-	(14,211)
- cash flow hedge reserves	-	-	-	-	(2,040)	-	(2,040)	(1,961)	(4,001)
	-	-	(10,213)	-	(2,040)	-	(12,253)	(3,021)	(15,274)
Total other comprehensive loss for the financial period	-	-	(10,213)	-	6,038	(316,738)	(320,913)	(105,374)	(426,287)
Treasury shares	-	(3,181)	-	-	-	-	(3,181)	-	(3,181)
Employee share grant	-	-	-	-	2,855	-	2,855	-	2,855
Transfer to LTIP reserve	-	2,855	-	-	(2,855)	-	-	-	-
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(42,723)	(42,723)
Total transactions with owners	-	(326)	-	-	-	-	(326)	(42,723)	(43,049)
At 30 September 2019	7,029,889*	(1,031)	93,338	(3,089,497)	(24,965)	111,798	4,119,532	1,993,719	6,113,251



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 September 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 for the financial period	-	-	-	-	-	(871,765)	(871,765)	(33,288)	(905,053)
Other comprehensive (loss)/income for the financial period, net of tax:									
<u>Item that will not be reclassified to profit or loss</u>									
- actuarial loss on defined benefit plan	-	-	-	-	-	(326)	(326)	(113)	(439)
- fair value changes in financial assets at fair value through other comprehensive income	-	-	-	-	(332)	-	(332)	(100)	(432)
<u>Items that will be subsequently reclassified to profit or loss</u>									
- currency translation differences	-	-	129	-	-	-	129	(561)	(432)
- share of other comprehensive loss of joint ventures	-	-	(129)	-	-	-	(129)	-	(129)
- cash flow hedge reserves	-	-	-	-	108	-	108	105	213
	-	-	-	-	108	-	108	(456)	(348)
Total other comprehensive loss for the financial period	-	-	-	-	(224)	(872,091)	(872,315)	(33,957)	(906,272)
Treasury shares	-	(4,920)	-	-	-	-	(4,920)	-	(4,920)
Employee share grant	-	-	-	-	4,848	-	4,848	-	4,848
Transfer to LTIP reserve	-	4,848	-	-	(4,848)	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	(416)	(416)
Dividend paid to non-controlling interests of subsidiary	-	-	-	-	-	-	-	(43,386)	(43,386)
Total transaction with owners	-	(72)	-	-	-	-	(72)	(43,802)	(43,874)
At 30 September 2018	7,029,889*	(1,556)	119,077	(3,089,497)	(12,253)	634,830	4,680,490	2,178,669	6,859,159

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.

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



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 September	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the financial period	(420,298)	(905,053)
Adjustments for non-cash items	1,365,240	1,794,991
Operating profit before working capital changes	944,942	889,938
Changes in working capital	551,330	(102,742)
Cash generated from operations	1,496,272	787,196
Interest received	21,777	12,812
Taxation refund/(paid), net	37,553	(24,904)
Zakat paid	(126)	(15,486)
Retirement benefits paid	(15,260)	(449)
Net cash generated from operating activities	1,540,216	759,169
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(482,810)	(688,820)
Purchase of intangible asset	(3,342)	(13,383)
Proceeds from disposal of property, plant and equipment	19	175
Proceeds from disposal of investment in an associate	-	145,000
Proceeds from sale of financial assets at fair value through profit or loss	8,731	17,978
Additions of financial assets at fair value through other comprehensive income	(3,442)	-
Additions of financial assets at fair value through profit or loss	(5,339)	(23,519)
Net cash inflow from disposal of a subsidiary	37,270	1,173
Payment for asset retirement obligations	-	(14)
Repayment of loan from a jointly controlled entity	22,510	-
Dividend received from associates	1,167	309
Dividend received from joint ventures	21,364	23,728
Dividend received from financial assets at fair value through other comprehensive income	1,405	1,578
Net cash used in investing activities	(402,467)	(535,795)



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 September	
	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	3,787,555	5,465,785
Repayment of borrowings	(3,910,312)	(5,369,756)
Repayment of LLA liability	(187,753)	(219,656)
Dividend paid to non-controlling interest	(42,723)	(43,386)
Finance costs paid	(145,336)	(134,962)
Repayment of loan due to a significant shareholder	(268,688)	(188,143)
Purchase of treasury stock	(3,181)	(4,920)
Decrease in restricted cash	64,602	-
Net cash used in financing activities	(705,836)	(495,038)
Net increase/(decrease) in cash and cash equivalents	431,913	(271,664)
Effect of foreign exchange rate changes	(6,880)	12,840
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	1,521,040	1,434,494
Deposits, cash and bank balances	1,581,024	1,481,834
Less: Restricted cash	(59,742)	(47,307)
Less: Assets held for sale	(242)	(33)
Cash and cash equivalents at end of the financial period	1,521,040	1,434,494

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 September 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 September 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 September 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 September 2018			Restatement of comparative figures Year to date ended 30 September 2018		
	As previously stated	Effects of MFRS 16	As restated	As previously stated	Effects of MFRS 16	As restated
Administrative expenses	(213,439)	5,446	(207,993)	(623,088)	16,338	(606,750)
Operating loss after LLA	(818,957)	5,446	(813,511)	(683,413)	16,338	(667,075)
Finance costs (Note 24)	(39,829)	(5,820)	(45,649)	(124,818)	(17,460)	(142,278)
Loss before zakat and taxation	(911,145)	(374)	(911,519)	(883,671)	(1,122)	(884,793)
Taxation	(1,903)	90	(1,813)	(5,044)	270	(4,774)
Loss for the financial period	(913,801)	(284)	(914,085)	(904,201)	(852)	(905,053)
Loss attributable to:						
– Owners of the Company	(849,256)	(204)	(849,460)	(871,153)	(612)	(871,765)
– Non-controlling interests	(64,545)	(80)	(64,625)	(33,048)	(240)	(33,288)
	(913,801)	(284)	(914,085)	(904,201)	(852)	(905,053)
Earnings per share for profit attributable to the owners of the Company:						
Basic (sen)	(23.28)	-	(23.28)	(23.88)	(0.02)	(23.90)



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 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 Statements of Financial Position</u>	As previously stated	Effects of MFRS 16	As restated	As previously 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 September 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

During the quarter under review, the Group has recognised a provision of RM145.25 million for the impairment of certain plant and machinery of the Sugar Sector following the change in Group’s strategy and future plan of certain assets in response to the challenging business and economic conditions affecting the sugar industry. 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 September 2019.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 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 September 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.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

Amounts in RM thousand unless otherwise stated

7. Segment Information (continued)

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

Year to date ended 30 September 2019		Plantation	Sugar	Logistics and Others	Corporate HQ and Elimination	Total
Total segment revenue		11,729,165	1,787,872	517,279	365,774	14,400,090
Less : Inter-segment revenue		(3,430,979)	(292,241)	(242,506)	(329,701)	(4,295,427)
Revenue from external customers		8,298,186	1,495,631	274,773	36,073	10,104,663
Finance income		9,901	4,920	6,502	454	21,777
Finance costs		(89,841)	(53,555)	(1,177)	(20,988)	(165,561)
Depreciation and amortisation		(423,676)	(76,657)	(58,239)	(10,197)	(568,769)
Fair value changes in LLA liability (Impairment)/reversal of impairment of financial assets		(278,437)	-	-	-	(278,437)
Share of results of joint ventures		(28,678)	701	(23,834)	(54,266)	(106,077)
Share of results of associates		(5,370)	-	-	-	(5,370)
		621	-	-	(2,045)	(1,424)
(Loss)/profit before zakat and taxation for the financial period		(87,312)	(276,000)	21,634	(54,645)	(396,323)
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	5,022,993	324	-	-	5,023,317
Sales of Sugar	At a point in time	-	1,495,251	-	-	1,495,251
Others	At a point in time/over time	3,275,193	56	274,773	36,073	3,586,095
		8,298,186	1,495,631	274,773	36,073	10,104,663



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QUARTERLY REPORT (CONTINUED)

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

Amounts in RM thousand unless otherwise stated

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 September 2018 (restated)					
Total segment revenue	12,294,855	1,846,123	547,411	276,722	14,965,111
Less : Inter-segment revenue	(4,102,387)	(170,181)	(216,586)	(242,613)	(4,731,767)
Revenue from external customers	8,192,468	1,675,942	330,825	34,109	10,233,344
Finance income	12,652	3,156	1,780	(645)	16,943
Finance costs	(72,130)	(13,780)	(8,597)	(47,771)	(142,278)
Depreciation and amortisation	(413,020)	(42,799)	(60,611)	(7,623)	(524,053)
Fair value changes in LLA liability	(209,235)	-	-	-	(209,235)
Impairment on financial assets	(92,340)	(535)	(544)	(652)	(94,071)
Share of results of joint ventures	(93,607)	-	-	12,180	(81,427)
Share of results of associates	1,145	-	-	(12,101)	(10,956)
(Loss)/profit before zakat and taxation for the financial period	(876,865)	71,472	57,111	(136,511)	(884,793)
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	5,659,842	746	-	5,660,588
Sales of Sugar	At a point in time	-	1,675,142	-	1,675,142
Others	At a point in time/ over time	2,532,626	54	330,825	2,897,614
		8,192,468	1,675,942	34,109	10,233,344



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

8. Capital Commitments

Authorised capital expenditure not provided for are as follows:

	As at 30 September 2019	As at 31 December 2018
Capital expenditure approved and contracted for:		
- Property, plant and equipment	161,002	404,636
- Intangible assets	-	2,941
	<u>161,002</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 September 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 September 2019 and 30 September 2018 are as follows:

(a) Sales of goods and services

	Year to date ended 30 September	
	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 FGV Trading Sdn. Bhd. (“FGVT”) and FPI to FISB Group	715,127	1,080,219
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”)	588,991	902,244
Sales of CPO by FGVT and FPI to MAPAK Edible Oil Pvt. Ltd. (“MAPAK”)	174,077	181,963
Provision of storage space for vegetable oil by FBSB to FISB Group and FPG	8,227	10,487
(ii) Transaction with an associate		
Sales of CPO and PPO by FGVT and FPI to F.K.W. Global Commodities (Private) Limited (“FKW”)	18,752	12,202



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 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 September 2019 and 30 September 2018 are as follows: (continued)

(a) Sales of goods and services (continued)

	Year to date ended 30 September	
	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")	157,055	96,554
IT services rendered by FGV Prodata Systems Sdn. Bhd (formerly known as Felda Prodata Systems Sdn Bhd) ("Prodata")	17,981	18,612
Security services rendered by Felda Security Services Sdn. Bhd ("FSSSB")	16,407	18,010
Sales of seedlings and planting materials by Felda Agricultural Services Sdn. Bhd. ("FASSB")	13,583	14,495

(b) Purchase of goods and services

Transactions with FELDA and its subsidiaries:

LLA liability paid by FGV Plantations (Malaysia) Sdn. Bhd. ("FGVPM")	187,753	219,656
Interest expense charged by FELDA	36,235	46,172
Purchase of cup lump by FGV Rubber Industries Sdn. Bhd. (formerly known as Felda Rubber Industries Sdn. Bhd.) ("FRISB")	98,328	93,464
Purchase of FFB by FGVT and FPI	1,936,398	2,164,946
Building rental charged by FELDA	2,215	13,928
Joint Consultative Committee payment by FGVT and FPI to FELDA	10,224	9,079



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 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 September 2019 and 30 September 2018 are as follows: (continued)

(c) Transactions with Government related entities

	Year to date ended 30 September	
	2019	2018
Transactions between subsidiaries and other government agencies:		
Cooking oil subsidy received from Malaysia Palm Oil Board (“MPOB”)	5,882	18,520
CESS payment to MPOB	29,881	26,123

10. Effect of Significant Changes in the Composition of FGV

Disposal of a subsidiary

On 10 September 2019, FGV disposed FGV China Oils Ltd. (“FGVCO”), a wholly-owned subsidiary of FGV for a total consideration of RMB168 million (RM97.15 million) which resulted in a gain on disposal of RM219,000.

The effect of the disposal of FGVCO on the financial position of the Group as at the financial period end is as follows:

<u>Net assets disposed</u>	
Property, plant and equipment	51,887
Rights-of-use assets	24,450
Inventories	4,756
Receivables	4,970
Cash and cash equivalents	14,836
Payables	(3,967)
Net assets disposed	96,932
Gain on disposal of a subsidiary	219
Proceeds from disposal	97,151
Less: Cash and cash equivalents	(14,836)
Less: Deferred consideration receivables	(45,045)
Net cash inflow from disposal of a subsidiary	37,270

On the disposal of FGVCO, the Group recognised a gain of RM3.66 million arising from reclassification of accumulated foreign exchange difference in foreign exchange reserve to profit or loss.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

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. On 10 September 2019, the Solicitor informed that the Plaintiff Solicitor did not serve any notice of appeal.

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



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

12. Review of Group Performance

	Year to date ended 30 September		%
	2019	2018	+ / (-)
Revenue	<u>10,104,663</u>	<u>10,233,344</u>	(1.3)
Plantation	(87,312)	(876,865)	90.0
Sugar	(276,000)	71,472	<100
Logistics and Others	<u>21,634</u>	<u>57,111</u>	(62.1)
Sector results	(341,678)	(748,282)	54.3
Corporate HQ and elimination	<u>(54,645)</u>	<u>(136,511)</u>	60.0
Loss before zakat and taxation	(396,323)	(884,793)	55.2
Zakat	(126)	(15,486)	99.2
Taxation	<u>(23,849)</u>	<u>(4,774)</u>	<100
Loss for the financial period	<u>(420,298)</u>	<u>(905,053)</u>	53.6
Loss attributable to:			
Owners of the Company	(317,980)	(871,765)	63.5
Non-controlling interests	<u>(102,318)</u>	<u>(33,288)</u>	<100
Loss for the financial period	<u>(420,298)</u>	<u>(905,053)</u>	53.6

Overall

The revenue of the Group declined marginally by 1.3% to RM10.10 billion compared to previous corresponding period while the Group reported a lower loss before zakat and taxation of RM396.32 million for the financial period under review compared to RM884.79 million losses in corresponding period of previous year. The significant losses registered in previous financial period was due to impairment losses recognised amounting to RM798 million (2019: net impairment of RM252 million).

Without the impairment, the loss before zakat and taxation for the financial period ended 30 September 2019 reduced to RM144 million compared to RM87 million in 2018. The Group's results were 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 September 2019 (continued)
Amounts in RM thousand unless otherwise stated

12. Review of Group Performance (continued)

(a) Plantation Sector

Plantation Sector reported a lower loss of RM87.31 million for the financial period ended 30 September 2019 compared to RM876.86 million in previous corresponding period.

The huge losses incurred in previous corresponding period was mainly attributable to the recognition of impairment losses amounting to RM778 million (2019: net impairment of RM29 million). Without the impairment, the loss was lower at RM58 million compared to RM99 million losses in previous financial period due to improvement in downstream division on the back of higher margin and sales volume registered in kernel crushing and oleochemicals business. In addition, lower share of loss from joint ventures in current financial period has helped to improve the Sector's performance.

The Sector's results was impacted by the lower average CPO price realised of RM1,975 per mt against RM2,371 per mt in previous year and higher fair value LLA charge of RM278.44 million compared to RM209.24 million in same period previous year.

Operationally, FFB production rose by 12.4% to 3.44 million mt compared to 3.06 million mt with a yield of 14.26 mt per hectare. OER achieved was higher at 20.63% from 20.41% in the previous corresponding period.

(b) Sugar Sector

Sugar Sector registered a loss of RM276.00 million compared to RM71.47 million profit in previous financial period mainly attributable to lower gross profit, higher finance cost incurred following the modification of certain terms in respect of its Islamic term loan and provision of RM145 million for the impairment of plant and machinery.

(c) Logistic and Others Sector

Logistic and Others Sector recorded a lower profit of RM21.63 million compared to RM57.11 million in previous corresponding period.

Logistic division recorded an improved contribution due to higher throughput and increase in handling rate in current financial period. The improvement was offsetted by the losses incurred in Others division due to impairment of receivables of RM24 million coupled with the effect of proposed closure of two entities and provision of separation scheme of RM20 million. The proposed closure is in line with the Group's initiatives to focus on core business.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

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

	Quarter ended		%
	30 September	30 June	+ / (-)
	2019	2019	
Revenue	<u>3,549,245</u>	<u>3,279,337</u>	8.2
Plantation	(73,037)	(54,102)	(35.0)
Sugar	(219,970)	(53,165)	<100
Logistic and Others	(4,639)	43,143	<100
Sector results	<u>(297,646)</u>	<u>(64,124)</u>	<100
Corporate HQ and elimination	(65,322)	7,337	<100
Loss before zakat and taxation	<u>(362,968)</u>	<u>(56,787)</u>	<100
Zakat	1,415	(1,167)	>100
Taxation	(1,518)	(8,451)	82.0
Loss profit for the financial period	<u>(363,071)</u>	<u>(66,405)</u>	<100
Loss attributable to:			
Owners of the Company	(262,410)	(52,196)	<100
Non-controlling interests	(100,661)	(14,209)	<100
Loss for the financial period	<u>(363,071)</u>	<u>(66,405)</u>	<100

Overall

The revenue of the Group reported a growth of 8.2% in current quarter while Group reported a loss before zakat and taxation of RM362.97 million compared to RM56.79 million losses in preceding quarter. Higher losses registered in current quarter was mainly due to losses incurred in Sugar Sector, the recognition of impairment on loan to a joint venture amounting to RM125 million and impairment of property, plant and equipment of RM145 million.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 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 higher loss of RM73.04 million compared to RM54.10 million losses in preceding quarter.

The Sector's result was brought down by net impairment on loan due from a joint venture and receivables of RM70 million and higher fair value LLA charge of RM113.1 million compared to RM78.9 million in preceding quarter. The loss was partially offsetted by the higher average CPO price realised in current quarter of RM1,983 per mt compared to RM1,955 per mt in preceding quarter.

FFB production increased to 1.23 million mt from 1.15 million mt in the preceding quarter whilst yield improved to 5.12 mt per hectare from 4.76 mt per hectare in preceding quarter. OER was higher at 20.91% in the current quarter compared to 20.22% achieved in the preceding quarter.

(b) Sugar Sector

Sugar Sector reported a higher loss of RM219.97 million compared to RM53.17 million losses in preceding quarter mainly attributable to lower average selling price, higher refining cost, higher finance cost incurred and provision of RM145 million for the impairment of plant and machinery. In addition, there was also a provision for closure cost following the proposed disposal of its leasehold lands (refer Note 23(i)).

(c) Logistics and Others Sector

Logistic and Others Sector recorded a loss of RM4.64 million compared to RM43.14 million profit in preceding quarter due to recognition of impairment of receivables amounting to RM28 million in current quarter.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 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 loss after LLA

	Year to date ended 30 September	
	2019	2018
Included in operating profit after LLA are:		
Depreciation of property, plant and equipment	536,667	492,295
Property, plant and equipment written off	10,680	7,012
Depreciation of investment properties	9,241	9,167
Amortisation of intangible assets	20,680	19,814
Amortisation of right-of-use assets	2,181	2,777
Impairment loss on investment in joint venture	-	1,350
Impairment loss on property, plant and equipment - net	146,471	140,104
Impairment loss on investment properties	-	1,218
Impairment loss on intangible assets	179	561,827
Realisation of foreign exchange on disposal of a subsidiary	(3,658)	-
Loss on disposal in an associate	-	18,494
Net unrealised foreign exchange gain	<u>(9,630)</u>	<u>(3,770)</u>

16. Taxation

	Quarter Ended 30 September		Year to date Ended 30 September	
	2019	2018	2019	2018
Malaysian income tax				
Current financial period	(31,698)	(9,921)	(108,067)	(55,340)
Prior financial period	-	1,275	-	(56)
	<u>(31,698)</u>	<u>(8,646)</u>	<u>(108,067)</u>	<u>(55,396)</u>
Foreign income tax				
Current financial period	(898)	(980)	(5,244)	(2,615)
Deferred tax	<u>31,078</u>	<u>7,813</u>	<u>89,462</u>	<u>53,237</u>
	<u>(1,518)</u>	<u>(1,813)</u>	<u>(23,849)</u>	<u>(4,774)</u>

The effective tax rate for the financial year ended 30 September 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 September 2019 (continued)
Amounts in RM thousand unless otherwise stated

17. Borrowings

	As at 30 September 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	-	793,631	-	183,541	-	977,172
Term loans	-	212	-	197	-	409
Islamic short term trade financing	-	-	-	610,000	-	610,000
Short term trade financing						
- United States Dollar	-	-	6,897	28,900	6,897	28,900
- Thai Baht	-	-	55,346	7,583	55,346	7,583
<u>Unsecured</u>						
Loan due to significant shareholder	-	886,609	-	10,544	-	897,153
Islamic term loans	-	-	-	461,280	-	461,280
Islamic short term trade financing						
- Ringgit Malaysia	-	-	-	1,332,736	-	1,332,736
- United States Dollar	-	-	71,809	300,878	71,809	300,878
- Great Britain Pound	-	-	11,687	60,368	11,687	60,368
- Singapore Dollar	-	-	1,020	3,090	1,020	3,090
Short term trade financing	-	-	-	357,705	-	357,705
Total borrowings		1,680,452		3,356,822		5,037,274

Exchanges rates applied as at 30 September 2019

United States Dollar	4.1900
Thai Baht	13.7018
Great Britain Pound	5.1656
Singapore Dollar	3.0304

As at 30 September 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.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

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 September 2019 are as follows:

	Contractual/ Notional Amount	Fair Value	
		Assets	Liabilities
<u>Non-current</u>			
Islamic profit rate swap	416,667	-	3,441
<u>Current</u>			
Foreign currency forwards	162,675	417	902
Palm oil futures	58,457	-	12,356
	221,132	417	13,258
	637,799	417	16,699

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 September 2019.

30 September 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	-	417	-	417
- Trading securities	56,970	-	-	56,970
	56,970	417	-	57,387
Financial assets at fair value through other comprehensive income	3,437	-	94,277	97,714
Total assets	60,407	417	94,277	155,101
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
- LLA liability	-	-	4,418,692	4,418,692
- Derivatives	15,797	902	-	16,699
Total liabilities	15,797	902	4,418,692	4,435,391



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 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 period/year:

	Financial period ended <u>30 September 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	278,437	233,379
Repayment during the financial period/year:		
- Fixed lease payments	(182,851)	(243,930)
- Share of profits	(4,902)	(54,721)
30 September/31 December	<u>4,418,692</u>	<u>4,328,008</u>
<u>Financial assets through other comprehensive income</u>		
1 January	82,634	69,880
Addition	3,442	31,425
Fair value changes	8,201	(18,671)
30 September/31 December	<u>94,277</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 September 2019 (continued) Amounts in RM thousand unless otherwise stated

20. Earnings Per Share

	Quarter ended 30 September		Year to date ended 30 September	
	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>(262,410)</u>	<u>(849,460)</u>	<u>(317,980)</u>	<u>(871,765)</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>(7.2)</u>	<u>(23.3)</u>	<u>(8.7)</u>	<u>(23.9)</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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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 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.

On 8 November 2019, the Counterclaim Defendants filed an application to strike out the Counterclaim. The High Court after hearing both parties, has struck out the Counterclaim and dismissed the 10th to 14th Defendants’ claim with costs. The High Court also directed the Defendants to file and serve their Amended Defence and has fixed the Company’s action for case management on 13 January 2020.

- (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 4 June 2019, Felda Holdings Berhad (“FHB”) a wholly-owned subsidiary of FGV has entered into a Sale and Purchase Agreement with Orient View Sdn Bhd for the disposal of Paragon Yield Sdn Bhd (“Paragon”), an associate of the Group for a total cash consideration of RM29.0 million. Consequently, Paragon 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.

On 20 October 2019, the disposal has been completed and resulting in a loss on disposal of RM1.41 million to the Group.



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QUARTERLY REPORT (CONTINUED)

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

22. Significant Events (continued)

- (ix) 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.

- (ix) 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.

As at 10 September 2019, the disposal has been completed and resulting in a gain on disposal of RM219,000 to the Group.

- (x) On 23 September 2019, the Board of Directors announced that Plantation Resorts Sdn. Bhd. and F.S. Oils Sdn. Bhd., both indirect subsidiaries of FGV have been placed under Members' voluntary winding up pursuant to Section 439(1)(b) of the Companies Act 2016. The liquidators have been appointed for both companies on the same day. The voluntary winding up of the Companies is not expected to have any material impact on the earnings and net assets of the FGV Group for the financial year ending 31 December 2019.

23. Material events after reporting period

- (i) On 8 October 2019, the Board of Directors of MSM Malaysia Holdings Berhad (“MSMH”), a subsidiary of FGV announced that MSM Perlis Sdn Bhd (“MSMP” or “the Vendor”), a wholly owned subsidiary of MSMH has entered into a Sale and Purchase Agreement (“Agreement”) with F&N Agrivalley Sdn Bhd (formerly known as Rimba Perkasa Sdn Bhd) a wholly owned subsidiary of Fraser & Neave Holdings Berhad (“F&N” or “the Purchaser”), for the disposal of nine (9) parcels of leasehold agricultural lands known as “Ladang Chuping” totalling approximately 4,453.92 hectares all located within Mukim of Chuping, District and State of Perlis (collectively, “the Lands”) registered under MSMP to F&N for a total cash consideration of RM156,000,000.00 only (“Purchase Price”) (“Proposed Disposal”).

The proposed disposal is expected to be completed by the second quarter of 2020.



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QUARTERLY REPORT (CONTINUED)

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

23. Material events after reporting period (continued)

- (ii) On 14 November 2019, the Board of Directors announced that Felda Global Ventures Indonesia Sdn. Bhd., a wholly-owned subsidiary of FGV have been placed under Members' voluntary winding up pursuant to Section 439(1)(b) of the Companies Act 2016. The liquidators have been appointed for the company on the same day. The voluntary winding up of the Companies is not expected to have any material impact on the earnings and net assets of the FGV Group for the financial year ending 31 December 2019.
- (iii) On 21 November 2019, the Board of Directors of FGV wishes to announce that the members' voluntary winding-up process for ProXcel Sdn Bhd (In Members' Voluntarily Liquidation) ("ProXcel"), the indirect joint venture company of FGV has been completed and ProXcel is deemed fully dissolved on 21 November 2019 pursuant to Section 459 (5) of the Companies Act, 2016.

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.

	As <u>previous stated</u>	<u>Reclassification</u>	As <u>restated</u>
Consolidated Statements of Profit and Loss for the financial period ended 30 September 2018			
- Cost of sales	(9,132,174)	(45,890)	(9,178,064)
- Other income	90,516	(4,131)	86,385
- Selling and distribution	(226,009)	45,890	(180,119)
- Finance income	22,956	(6,013)	16,943
- Finance costs (Note 1(b))	(134,962)	10,144	(124,818)



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QUARTERLY REPORT (CONTINUED)

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

25. Prospects

The Group's multi-pronged transformation plan is on track with operational performance in the 3rd quarter showing sustained improvement.

CPO price is expected to be favourable for the rest of the financial year, driven by lower production and the impetus provided by the announcement of B20 implementation during Budget 2020. Indonesia's commitment to B30 is also a positive factor that will reduce stock levels of CPO.

The sugar business is still affected by high cost of raw material, refining cost and finance charges. However, the Group is finalising several measures to address these issues.

The Group expects to continue making inroads into procurement processes that will translate into substantial savings.

By Order of the Board

Koo Shuang Yen
Company Secretary

27 November 2019