



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

**QUARTERLY REPORT**

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



**FGV HOLDINGS BERHAD**

*(Formerly known as Felda Global Ventures Holdings Berhad)*

**QUARTERLY REPORT**

**On consolidated results for the quarter ended 31 March 2019**

The Directors are pleased to announce the following:

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

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



**FGV HOLDINGS BERHAD**

*(Formerly known as Felda Global Ventures Holdings Berhad)*

**QUARTERLY REPORT (CONTINUED)**

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

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

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

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



**FGV HOLDINGS BERHAD**

(Formerly known as Felda Global Ventures Holdings Berhad)

**QUARTERLY REPORT (CONTINUED)**

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

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

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



**FGV HOLDINGS BERHAD**

*(Formerly known as Felda Global Ventures Holdings Berhad)*

**QUARTERLY REPORT (CONTINUED)**

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

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

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

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



**FGV HOLDINGS BERHAD**

(Formerly known as Felda Global Ventures Holdings Berhad)

**QUARTERLY REPORT (CONTINUED)**

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

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



**FGV HOLDINGS BERHAD**

(Formerly known as Felda Global Ventures Holdings Berhad)

**QUARTERLY REPORT (CONTINUED)**

**Unaudited Condensed Consolidated Statement of Changes in Equity (continued)**

Amounts in RM thousand unless otherwise stated

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

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

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

**FGV HOLDINGS BERHAD***(Formerly known as Felda Global Ventures Holdings Berhad)***QUARTERLY REPORT (CONTINUED)****Unaudited Condensed Consolidated Statement of Cash Flows  
Amounts in RM thousand unless otherwise stated**

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



**FGV HOLDINGS BERHAD***(Formerly known as Felda Global Ventures Holdings Berhad)***QUARTERLY REPORT (CONTINUED)****Unaudited Condensed Consolidated Statement of Cash Flows (continued)****Amounts in RM thousand unless otherwise stated**

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

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



## **FGV HOLDINGS BERHAD**

*(Formerly known as Felda Global Ventures Holdings Berhad)*

### **QUARTERLY REPORT (CONTINUED)**

#### **Explanatory Notes on the Quarterly Report – 31 March 2019**

**Amounts in RM thousand unless otherwise stated**

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

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

#### **1. Basis of Preparation**

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

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

##### **(a) MFRS 16 "Leases"**

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

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

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

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

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



**FGV HOLDINGS BERHAD**

*(Formerly known as Felda Global Ventures Holdings Berhad)*

**QUARTERLY REPORT (CONTINUED)**

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

**1. Basis of Preparation (continued)**

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

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

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

**FGV HOLDINGS BERHAD***(Formerly known as Felda Global Ventures Holdings Berhad)***QUARTERLY REPORT (CONTINUED)****Explanatory Notes on the Quarterly Report – 31 March 2019 (continued)****Amounts in RM thousand unless otherwise stated****1. Basis of Preparation (continued)**

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

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



**FGV HOLDINGS BERHAD**

*(Formerly known as Felda Global Ventures Holdings Berhad)*

**QUARTERLY REPORT (CONTINUED)**

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

**Amounts in RM thousand unless otherwise stated**

**1. Basis of Preparation (continued)**

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

	<b>Restatement of comparative figures</b>					
	<b>As at 31 December 2018</b>			<b>As at 1 January 2018</b>		
<b><u>Consolidated Statement of Financial Position</u></b>	<b>As previous stated</b>	<b>Effects of MFRS 16</b>	<b>As restated</b>	<b>As previous stated</b>	<b>Effects of MFRS 16</b>	<b>As restated</b>
<b><u>Non-current assets</u></b>						
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
<b><u>Non-current liabilities</u></b>						
Lease liabilities	-	336,192	336,192	-	386,820	386,820
<b><u>Equity</u></b>						
Retained earnings	462,422	(33,886)	428,536	1,564,562	(32,749)	1,531,813



**FGV HOLDINGS BERHAD**

*(Formerly known as Felda Global Ventures Holdings Berhad)*

**QUARTERLY REPORT (CONTINUED)**

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

**Amounts in RM thousand unless otherwise stated**

**2. Seasonal or Cyclical Factors**

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

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

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

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

**4. Material Changes in Estimates**

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

**5. Debt and Equity Securities**

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

**6. Dividends**

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



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**7. Segment Information**

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

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

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

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

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

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



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**7. Segment Information (continued)**

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

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





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**7. Segment Information (continued)**

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

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



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**8. Capital Commitments**

Authorised capital expenditure not provided for are as follows:

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

**9. Significant Related Party Transactions**

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

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

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

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

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

(a) Sales of goods and services

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



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**9. Significant Related Party Transactions (continued)**

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

(a) Sales of goods and services (continued)

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

(b) Purchase of goods and services

Transactions with FELDA and its subsidiaries:

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

(c) Transactions with Government related entities

Transactions between subsidiaries and other government agencies:

Cooking oil subsidy received from Malaysia Palm Oil Board (“MPOB”)	3,580	8,239
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**10. Effect of Significant Changes in the Composition of FGV**

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

**11. Contingent Liabilities and Material Litigation**

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

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

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

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



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**12. Review of Group Performance**

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

**Overall**

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

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



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**12. Review of Group Performance (continued)**

**(a) Plantation Sector**

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

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

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

**(b) Sugar Sector**

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

**(c) LSB Sector**

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

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



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

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

**Overall**

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





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

**(a) Plantation Sector**

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

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

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

**(b) Sugar Sector**

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

**(c) LSB Sector**

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

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

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

**15. Operating profit after LLA**

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

**16. Taxation**

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

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



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**17. Borrowings**

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

**Exchanges rates applied as at 31 March 2019**

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

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



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**QUARTERLY REPORT (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 31 March 2019 are as follows:

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

**19. Fair Value Changes of Financial Instruments**

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

<u>31 March 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Financial assets at fair value through profit or loss:				
- Derivatives	206	55	-	261
- Trading securities	49,988	-	-	49,988
	50,194	55	-	50,249
Financial assets at fair value through other comprehensive income	3,666	-	82,634	86,300
Total assets	53,860	55	82,634	136,549
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
- LLA liability	-	-	4,353,474	4,353,474
- Derivatives	2,136	2,267	-	4,403
Total liabilities	2,136	2,267	4,353,474	4,357,877

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

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

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

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

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

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



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**QUARTERLY REPORT (CONTINUED)**

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

**Amounts in RM thousand unless otherwise stated**

**20. Earnings Per Share**

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

**21. Status of Corporate Proposals**

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

**22. Significant Events**

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



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

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**22. Significant Events (continued)**

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

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

(v) On 12 February 2019, the member’s voluntary winding up process for Felda Plantations Sdn. Bhd. (“FPSB”), a dormant and indirect subsidiary of the Company has been completed and was deemed fully dissolved pursuant to Section 459(5) of the Companies Act 2016.

(vi) On 20 February 2019, the process to strike-off the name of Felda Global Ventures Rubber Sdn. Bhd. (“FGVR”), a wholly-owned subsidiary of the Company, from the Register of the Companies Commission of Malaysia under Section 550 of the Companies Act, 2016 (“the Act”) has been duly dissolved under the Act. The dissolution will not have material financial impact to the Group for the financial year ending 31 December 2019.

**23. Comparative**

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

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



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**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2019 (continued)**  
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**24. Prospects**

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

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

By Order of the Board

Koo Shuang Yen  
Company Secretary

29 May 2019