



FGV HOLDINGS BERHAD
200701042133 (800165-P)

QUARTERLY REPORT

**Condensed Consolidated Financial Statements
For The Financial Period Ended 31 March 2020**



FGV HOLDINGS BERHAD

QUARTERLY REPORT

On consolidated results for the quarter ended 31 March 2020

The Directors are pleased to announce the following:

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

		Year to date ended		
		31 March		
	Note	2020	2019	% + / (-)
Revenue		2,783,088	3,276,081	(15.0)
Cost of sales		<u>(2,646,662)</u>	<u>(2,887,979)</u>	8.4
Gross profit		136,426	388,102	(64.8)
Other operating income		18,977	30,288	(37.3)
Selling and distribution costs		(41,874)	(66,293)	36.8
Administrative expenses		(213,698)	(238,272)	10.3
Reversal of impairment of financial assets (net)		13,207	47,547	(72.2)
Other operating expenses		(16,095)	(1,371)	<100
Commodity gains - net		<u>46,737</u>	<u>4,860</u>	>100
Operating (loss)/profit		(56,320)	164,861	<100
Fair value changes in Land Lease Agreement ('LLA') liability		<u>(57,301)</u>	<u>(86,376)</u>	33.7
Operating (loss)/profit after LLA	15	(113,621)	78,485	<100
Finance income		6,171	2,119	>100
Finance costs		(48,159)	(36,715)	(31.2)
Share of results from associates		40	(878)	>100
Share of results from joint ventures		<u>(7,485)</u>	<u>(19,579)</u>	61.8
(Loss)/profit before zakat and taxation		(163,054)	23,432	<100
Zakat		(5,104)	(374)	<100
Taxation	16	<u>(5,711)</u>	<u>(13,880)</u>	52.0
(Loss)/profit for the financial period		<u>(173,869)</u>	<u>9,178</u>	<100
(Loss)/profit attributable :				
-Owners of the Company		(142,349)	(3,374)	<100
-Non-controlling interests		<u>(31,520)</u>	<u>12,552</u>	<100
		<u>(173,869)</u>	<u>9,178</u>	<100
Earnings per share for loss attributable to the owners of the Company:				
Basic (sen)	20	(3.90)	(0.09)	



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QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 31 March 2020 (continued)

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

	Year to date ended 31 March		% + / (-)
	2020	2019	
(Loss)/profit for the financial period	(173,869)	9,178	<100
Other comprehensive income/(loss)			
Actuarial (loss)/gain on defined benefit plan	(1,362)	680	
Fair value changes of financial assets at fair value through other comprehensive income ("FVOCI")	3,606	70	
Share of other comprehensive income/(loss) of joint ventures	1,500	(1,703)	
Currency translation differences	31,496	(8,777)	
Cash flow hedges	(5,864)	(1,877)	
Other comprehensive income/(loss) for the financial period net of tax	29,376	(11,607)	
Total comprehensive loss for the financial period	<u>(144,493)</u>	<u>(2,429)</u>	<100
Total comprehensive (loss)/income attributable to:			
- Owners of the Company	(110,950)	(13,831)	<100
- Non-controlling interests	(33,543)	11,402	<100
Total comprehensive loss for the financial period	<u><u>(144,493)</u></u>	<u><u>(2,429)</u></u>	<100

The unaudited Condensed Consolidated Statement 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 2019.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 31 March 2020 (continued)

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

	Note	Unaudited As at 31 March 2020	Audited As at 31 December 2019
<u>Non-current assets</u>			
Property, plant and equipment		8,133,299	8,190,118
Right-of-use assets		2,175,699	2,213,761
Investment properties		102,974	106,049
Intangible assets		969,934	969,754
Interests in associates		39,356	39,757
Interests in joint ventures		428,139	437,064
Amount due from a significant shareholder		39,635	52,276
Amount due from a joint venture		-	1,017
Amounts due from related companies		-	12,218
Deposit and other receivables		90,296	86,736
Deferred tax assets		613,077	651,301
Financial assets through other comprehensive income		110,852	107,434
		12,703,261	12,867,485
<u>Current assets</u>			
Inventories		1,404,344	1,313,037
Receivables		1,352,028	1,213,217
Biological assets		53,449	45,766
Amount due from a significant shareholder		76,519	70,375
Amounts due from joint ventures		113,788	148,011
Amounts due from related companies		68,442	76,618
Tax recoverable		34,551	51,264
Financial assets at fair value through profit or loss		60,236	58,940
Derivative financial assets	18	28,192	18,388
Contract assets		43,799	28,417
Deposits, cash and bank balances		1,378,684	1,617,622
		4,614,032	4,641,655
Assets held for sale		192,127	192,499
		4,806,159	4,834,154
Total assets		17,509,420	17,701,639
<u>Equity</u>			
Share capital		7,029,889	7,029,889
Treasury shares		(4,552)	(302)
Reserves		(2,967,336)	(2,856,386)
Equity attributable to owners of the Company		4,058,001	4,173,201
Non-controlling interests		1,871,061	1,927,099
Total equity		5,929,062	6,100,300



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 31 March 2020 (continued)

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

	Note	Unaudited As at 31 March 2020	Audited As at 31 December 2019
<u>Non-current liabilities</u>			
Borrowings	17	749,295	766,054
Loans due to a significant shareholder	17	883,176	883,176
LLA liability		4,056,099	4,063,332
Derivative financial liabilities	18	11,283	5,166
Provision for asset retirement		33,565	32,124
Provision for defined benefit plan		84,980	87,801
Lease liability		250,185	258,957
Deferred tax liabilities		616,735	671,954
Payables		12,747	12,000
		6,698,065	6,780,564
<u>Current liabilities</u>			
Payables		1,202,322	906,970
Loans due to a significant shareholder	17	13,827	3,322
Amount due to a significant shareholder		208,621	216,558
Amounts due to associates		298	485
Amounts due to related companies		36,452	1,604
Borrowings	17	3,022,610	3,254,504
Derivative financial liabilities	18	5,725	29,266
Provision for asset retirement		690	655
Lease liability		34,921	41,838
LLA liability		256,430	252,814
Contract liabilities		81,483	77,623
Current tax liabilities		18,492	34,520
		4,881,871	4,820,159
Liabilities related to assets held for sale		422	616
		4,882,293	4,820,775
Total liabilities		11,580,358	11,601,339
Total equity and liabilities		17,509,420	17,701,639
Net assets per share attributable to owners of the Company		1.11	1.14

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 2019.



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 reserves</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Year to date ended 31 March 2020									
At 1 January 2020	7,029,889	(302)	52,218	(3,089,497)	(20,682)	201,575	4,173,201	1,927,099	6,100,300
Loss for the financial period	-	-	-	-	-	(142,349)	(142,349)	(31,520)	(173,869)
Other comprehensive (loss)/income for the financial period, net of tax:									
<u>Items that will not be reclassified to profit or loss</u>									
- actuarial loss on defined benefit plan	-	-	-	-	-	(1,362)	(1,362)	-	(1,362)
- fair value changes in financial assets at FVOCI	-	-	-	-	3,749	-	3,749	(143)	3,606
<u>Items that will be subsequently reclassified to profit or loss</u>									
- currency translation differences	-	-	30,502	-	-	-	30,502	994	31,496
- share of other comprehensive income of joint ventures	-	-	1,500	-	-	-	1,500	-	1,500
- cash flow hedge reserves	-	-	-	-	(2,990)	-	(2,990)	(2,874)	(5,864)
	-	-	32,002	-	(2,990)	-	29,012	(1,880)	27,132
Total other comprehensive income/(loss) for the financial period	-	-	32,002	-	759	(143,711)	(110,950)	(33,543)	(144,493)
<u>Transactions with owners</u>									
Treasury shares	-	(4,250)	-	-	-	-	(4,250)	-	(4,250)
Acquisition of a subsidiary	-	-	-	-	-	-	-	5,785	5,785
Dividend payable to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	(28,280)	(28,280)
Total transactions with owners	-	(4,250)	-	-	-	-	(4,250)	(22,495)	(26,745)
At 31 March 2020	7,029,889*	(4,552)	84,220	(3,089,497)	(19,923)	57,864	4,058,001	1,871,061	5,929,062



FGV 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 reserves</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Year to date ended 31 March 2019									
At 1 January 2019	7,029,889	(705)	103,551	(3,089,497)	(31,003)	452,918	4,465,153	2,138,628	6,603,781
(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>Items 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 FVOCI	-	-	-	-	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)
<u>Transactions with owners</u>									
Treasury shares	-	(3,179)	-	-	-	-	(3,179)	-	(3,179)
Dividend paid to non-controlling interests of subsidiary	-	-	-	-	-	-	-	(2,263)	(2,263)
Total transactions 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)	450,224	4,448,143	2,147,767	6,595,910

* 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 2019.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

	Year to date ended	
	31 March	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit for the financial period	(173,869)	9,178
Adjustments for non-cash items	264,318	309,070
Operating profit before working capital changes	90,449	318,248
Changes in working capital	150,346	(298,541)
Cash generated from operations	240,795	19,707
Interest received	6,171	2,119
Taxation (paid)/refund, net	(23,537)	32,610
Zakat paid	(5,104)	(374)
Retirement benefits paid	(58)	(758)
Net cash generated from operating activities	218,267	53,304
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(81,288)	(165,460)
Purchase of intangible asset	(5,035)	(1,487)
Proceeds from disposal of property, plant and equipment	-	13
Proceeds from sale of financial assets at fair value through profit or loss	-	8,738
Additions of financial assets at fair value through profit or loss	-	(5,343)
Net cash inflow from acquisition of a subsidiary	10 182	-
Dividend received from associates	515	652
Dividend received from joint ventures	-	1,365
Dividend received from financial assets at FVOCI	-	950
Net cash used in investing activities	(85,626)	(160,572)



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	
	31 March	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	875,589	1,651,757
Repayment of borrowings	(1,137,343)	(1,424,407)
Repayment of LLA liability	(60,918)	(60,910)
Dividend paid to non-controlling interest	-	(2,263)
Finance costs paid	(59,598)	(36,356)
Repayment of loan from a jointly controlled entity	-	22,510
Payments of lease liabilities	(15,689)	(9,780)
Purchase of treasury stock	(4,250)	(3,179)
Increase in restricted cash	(6,443)	-
Net cash (used in)/generated from financing activities	<u>(408,652)</u>	<u>137,372</u>
Net (decrease)/increase in cash and cash equivalents	(276,011)	30,104
Effect of foreign exchange rate changes	30,448	(12,706)
Cash and cash equivalents at beginning of the financial period	<u>1,568,447</u>	<u>1,096,007</u>
Cash and cash equivalents at end of the financial period	<u>1,322,884</u>	<u>1,113,405</u>
Deposits, cash and bank balances	1,378,684	1,237,749
Less: Restricted cash	(55,618)	(124,344)
Less: Assets held for sale	(182)	-
Cash and cash equivalents at end of the financial period	<u>1,322,884</u>	<u>1,113,405</u>

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to this quarterly report and the audited financial statements for the financial year ended 31 December 2019.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020
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 2019. 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 2019.

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 2019.

Effective for annual periods beginning on or after 1 January 2020 with earlier application permitted

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

- The Conceptual Framework for Financial Reporting
- Amendments to MFRS 101 'Presentation of Financial Statements' and MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Material
- Amendments to MFRS 3 'Business Combinations' - Definition of Business



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (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, except for the consideration of COVID-19 pandemic as disclosed in the Group prospects (Note 24).

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 2020.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (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”).

The GMC considers the business by product related activities. The reportable segments for the financial period ended 31 March 2020 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.

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/(loss) before zakat and taxation.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (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 31 March 2020		Plantation	Sugar	Logistics and Others	Corporate HQ and Elimination	Total
Total segment revenue		3,201,411	590,421	132,994	120,972	4,045,798
Less : Inter-segment revenue		(1,014,030)	(77,384)	(61,408)	(109,888)	(1,262,710)
Revenue from external customers		<u>2,187,381</u>	<u>513,037</u>	<u>71,586</u>	<u>11,084</u>	<u>2,783,088</u>
Finance income		5,169	604	1,257	(859)	6,171
Finance costs		(26,609)	(13,676)	(1,323)	(6,551)	(48,159)
Depreciation and amortisation		(143,194)	(21,405)	(27,919)	(3,961)	(196,479)
Fair value changes in LLA liability		(57,301)	-	-	-	(57,301)
Reversal of impairment/(impairment of) financial assets		1,460	(1,132)	14,373	(1,494)	13,207
Share of results of joint ventures		(7,485)	-	-	-	(7,485)
Share of results of associates		<u>145</u>	<u>-</u>	<u>-</u>	<u>(105)</u>	<u>40</u>
(Loss)/profit before zakat and taxation for the financial period		<u>(152,088)</u>	<u>(27,894)</u>	<u>9,734</u>	<u>7,194</u>	<u>(163,054)</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	1,383,677	-	-	-	1,383,677
Sales of Sugar	At a point in time	-	513,037	-	-	513,037
Others	At a point in time/over time	803,704	-	71,586	11,084	886,374
		<u>2,187,381</u>	<u>513,037</u>	<u>71,586</u>	<u>11,084</u>	<u>2,783,088</u>



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (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 31 March 2019						
Total segment revenue	3,622,125	533,811	146,615	109,130	4,411,681	
Less : Inter-segment revenue	(907,690)	(48,194)	(71,400)	(108,316)	(1,135,600)	
Revenue from external customers	<u>2,714,435</u>	<u>485,617</u>	<u>75,215</u>	<u>814</u>	<u>3,276,081</u>	
Finance income	2,657	1,040	(9)	(1,569)	2,119	
Finance costs	(28,406)	(4,818)	(118)	(3,373)	(36,715)	
Depreciation and amortisation	(144,234)	(15,047)	(22,229)	(3,502)	(185,012)	
Fair value changes in LLA liability	(86,376)	-	-	-	(86,376)	
Reversal of impairment/(impairment of) financial assets	63,642	788	(16,323)	(560)	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 year	<u>39,827</u>	<u>(2,865)</u>	<u>(16,871)</u>	<u>3,341</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	1,887,123	156	-	-	1,887,279
Sales of Sugar	At a point in time	-	485,434	-	-	485,434
Others	At a point in time/ over time	827,312	27	75,215	814	903,368
		<u>2,714,435</u>	<u>485,617</u>	<u>75,215</u>	<u>814</u>	<u>3,276,081</u>



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (continued)
Amounts in RM thousand unless otherwise stated

8. Capital Commitments

Authorised capital expenditure not provided for are as follows:

	As at 31 March 2020	As at 31 December 2019
Capital expenditure approved and contracted for:		
- Property, plant and equipment	<u>67,642</u>	<u>207,874</u>
	<u>67,642</u>	<u>207,874</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.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (continued)
Amounts in RM thousand unless otherwise stated

9. Significant Related Party Transactions (continued)

(I) Related party transactions for the financial period ended 31 March 2020 and 31 March 2019 are as follows:

(a) Sales of goods and services

	Year to date ended	
	31 March	
	2020	2019
(i) Transactions with joint ventures		
Sales of CPO by FGV Trading Sdn. Bhd. (“FGVT”) and FGV Palm Industries Sdn. Bhd. (“FGVPI”) to FGV Iffco Sdn. Bhd. Group (“FISB Group”)	142,084	245,585
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. (“FKPSB”) to FISB Group and FPG Oleochemicals Sdn. Bhd. (“FPG”)	212,037	227,291
Sales of CPO by FGVT and FPI to MAPAK Edible Oil Pvt. Ltd. (“MAPAK”)	28,195	74,829
(ii) Transactions with FELDA and its subsidiaries		
Sales of fertiliser by FGV Fertiliser Sdn. Bhd. (“FGVFSB”)	40,548	25,290



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (continued)
Amounts in RM thousand unless otherwise stated

9. Significant Related Party Transactions (continued)

(I) Related party transactions for the financial period ended 31 March 2020 and 31 March 2019 are as follows: (continued)

(b) Purchase of goods and services

	Year to date ended	
	31 March	
	2020	2019
Transactions with FELDA and its subsidiaries:		
LLA liability paid by FGV Plantations (Malaysia) Sdn. Bhd. (“FGVPM”)	60,918	60,910
Interest expense charged by FELDA	10,662	13,941
Purchase of cup lump by FGV Rubber Industries Sdn. Bhd. (“FRISB”)	33,190	31,594
Purchase of FFB by FGVT and FPI	558,958	637,730

(c) Transactions with Government related entities

	Year to date ended	
	31 March	
	2020	2019
Transactions between subsidiaries and other government agencies:		
Cooking oil subsidy received from Malaysia Palm Oil Board (“MPOB”)	11,246	3,580



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (continued)
Amounts in RM thousand unless otherwise stated

10. Effect of Significant Changes in the Composition of FGV

Acquisition of a subsidiary

On 19 February 2020, FGV Integrated Farming Holdings Sdn. Bhd. (previously known as FGV Leads Sdn. Bhd.), a wholly-owned subsidiary of FGV, subscribed to 60% equity interest of FGV Dairy Farm Sdn. Bhd. (previously known as Redagri Farm Sdn. Bhd.) for a total subscription consideration of RM10.05 million.

The provisional effect of the acquisition is as follows:

	Carrying value
Property, plant and equipment	11,139
Intangible assets	3,531
Biological assets	1,686
Net current liabilities	<u>(1,893)</u>
Net assets acquired	14,463
Non-controlling interest	<u>(5,785)</u>
Total net assets acquired	8,678
Subscription consideration	<u>10,050</u>
Provisional goodwill on acquisition	<u>1,372</u>

The cash outflow on the acquisition is as follows:

Subscription consideration	10,050
Less: Cash and cash equivalents acquired	<u>(10,232)</u>
Net cash inflow on acquisition	<u>182</u>

The effect of the acquisition on the results of the Group for the financial period ended had the acquisition taken effect at the beginning of the financial year is not material.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (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.

Solicitors have advised that DOP will not be able to enforce a Malaysian Judgment in China as China is not listed as reciprocal part under Malaysian Reciprocal Enforcement of Judgment Act 1958 (“REJA”).

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



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (continued)
Amounts in RM thousand unless otherwise stated

12. Review of Group Performance

	Year to date ended		% + / (-)
	31 March		
	2020	2019	
Revenue	<u>2,783,088</u>	<u>3,276,081</u>	(15.0)
Plantation	(152,088)	39,827	<100
Sugar	(27,894)	(2,865)	<100
Logistics and Others	<u>9,734</u>	<u>(16,871)</u>	>100
Sector results	(170,248)	20,091	<100
Corporate HQ and elimination	<u>7,194</u>	<u>3,341</u>	>100
(Loss)/profit before zakat and taxation	(163,054)	23,432	<100
Zakat	(5,104)	(374)	<100
Taxation	<u>(5,711)</u>	<u>(13,880)</u>	58.9
(Loss)/profit for the financial period	<u>(173,869)</u>	<u>9,178</u>	<100
(Loss)/profit attributable to:			
Owners of the Company	(142,349)	(3,374)	<100
Non-controlling interests	<u>(31,520)</u>	<u>12,552</u>	<100
(Loss)/profit for the financial period	<u>(173,869)</u>	<u>9,178</u>	<100

Overall

The revenue of the Group dropped by 15.0% to RM2.78 billion compared to previous corresponding period while the Group incurred a loss before zakat and taxation of RM163.05 million for the financial period under review compared to a profit of RM23.43 million in previous financial period. This was mainly due to losses registered in Plantation Sector as a result of lower FFB production and lower margin recorded in both Plantation and Sugar Sector.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (continued)
Amounts in RM thousand unless otherwise stated

12. Review of Group Performance (continued)

(a) Plantation Sector

Plantation Sector incurred a loss of RM152.09 million for the financial period ended 31 March 2020 compared to RM39.83 million profit registered in previous financial period.

This was mainly attributable to decrease in FFB production by 32.6% to 0.71 million mt compared to 1.06 million mt reported in previous corresponding period with a lower yield of 2.81 mt per hectare. OER achieved was lower at 20.10% compared to 20.76% registered in the previous year. Higher CPO cost ex-mill at RM2,177 per mt compared to RM1,375 per mt in previous corresponding period has resulted in lower margin. The Sector's result was further eroded by the lower margin in rubber division.

The loss was partially compensated with higher average CPO price realised of RM2,669 per mt against RM1,986 per mt in previous corresponding period despite lower CPO sales volume by 41.2% and lower fair value LLA charge of RM57.30 million compared to RM86.38 million in previous financial period.

Included in previous financial period's profit was a reversal of impairment of RM63 million due to settlements received from customers.

(b) Sugar Sector

Sugar Sector registered a loss of RM27.89 million compared to RM2.87 million loss in previous financial period mainly attributable to lower gross margin, higher finance cost and higher depreciation compared to previous year due to the commercialisation of Johor plant.

(c) Logistic and Others Sector

Logistic and Others Sector recorded a profit of RM9.73 million compared to RM16.87 million loss in previous financial period.

Logistic division recorded lower profit by 28% in tandem with lower FFB production and decrease in rental income received from bulking activities. Some projects were also being put on hold due to the Movement Control Order imposed by the Government since middle of March 2020. The profit in Logistic division was partially offsetted by the reduced losses in Others division by RM32.6 million as there was a provision of separation scheme cost of RM25 million provided in the previous corresponding quarter.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (continued)
Amounts in RM thousand unless otherwise stated

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

	Quarter ended		%
	31 March 2020	31 December 2019	
Revenue	<u>2,783,088</u>	<u>3,154,349</u>	(11.8)
Plantation	(152,088)	78,465	<100
Sugar	(27,894)	(40,129)	30.5
Logistic and Others	9,734	8,577	13.5
Sector results	<u>(170,248)</u>	<u>46,913</u>	<100
Corporate HQ and elimination	7,194	10,582	(32.0)
(Loss)/profit before zakat and taxation	<u>(163,054)</u>	<u>57,495</u>	<100
Zakat	(5,104)	(6,271)	18.6
Taxation	(5,711)	(2,082)	<100
(Loss)/profit for the financial period	<u>(173,869)</u>	<u>49,142</u>	<100
(Loss)/profit attributable to:			
Owners of the Company	(142,349)	71,806	<100
Non-controlling interests	<u>(31,520)</u>	<u>(22,664)</u>	(39.1)
(Loss)/profit for the financial period	<u>(173,869)</u>	<u>49,142</u>	<100

Overall

The Group reported a loss before zakat and taxation of RM163.05 million compared to RM57.50 million profit in preceding quarter on the back of a revenue of RM2.78 billion. This was mainly attributed to losses incurred in Plantation Sector and fair value charge in LLA in current quarter.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 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 reported a loss of RM152.09 million compared to RM78.47 million profit in preceding quarter.

In preceding quarter, the sector registered a fair value gain on LLA of RM41.62 million compared to fair value charge of RM57.30 million in current quarter. Without LLA, the Sector's current quarter result was loss of RM94.79 million compared to RM36.85 million profit in preceding quarter.

The losses were mainly attributable to reduction in FFB production of 0.71 million mt from 1.01 million mt in the preceding quarter while yield was lower at 2.81 mt per hectare compared to 4.18 mt per hectare in preceding quarter. Lower OER was also achieved at 20.10% in the current quarter compared to 20.53% achieved in the preceding quarter.

CPO sales volume for the current quarter was lower by 35% against preceding quarter. However, the loss was partially cushioned by the higher average CPO price realised in current quarter of RM2,669 per mt compared to RM2,159 per mt in preceding quarter.

In addition, there was share of loss of RM7.49 million from joint venture compared to profit of RM14.70 million in preceding quarter.

(b) Sugar Sector

Sugar Sector reported a lower loss of RM27.89 million compared to RM40.13 million losses in preceding quarter mainly due to higher margin in current quarter.

(c) Logistics and Others Sector

Logistic and Others Sector recorded a slightly higher profit of RM9.73 million compared to RM8.58 million in preceding quarter due to net reversal of impairment of property, plant and equipment and receivables of RM7 million.

The higher profit was partially offset with lower throughput in the current quarter in Logistic Sector as a result of Movement Control Order in mid March 2020 with some projects being put on hold.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (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)/profit after LLA

	Year to date ended 31 March	
	2020	2019
Included in operating (loss)/profit after LLA are:		
Depreciation of property, plant and equipment	177,027	164,204
Depreciation of right-of-use assets	9,733	10,705
Property, plant and equipment written off	2,722	1,235
Depreciation of investment properties	3,075	3,080
Amortisation of intangible assets	6,644	7,023
Impairment loss on property, plant and equipment - net	7,061	11,730
Net unrealised foreign exchange gain	<u>(6,648)</u>	<u>(3,374)</u>

16. Taxation

	Year to date Ended 31 March	
	2020	2019
Malaysian income tax		
Current financial period	(24,222)	(50,227)
Foreign income tax		
Current financial period	1,516	(1,037)
Deferred tax	<u>16,995</u>	<u>37,384</u>
	<u>(5,711)</u>	<u>(13,880)</u>

The effective tax rate for the financial period ended 31 March 2020 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.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (continued)
Amounts in RM thousand unless otherwise stated

17. Borrowings

	As at 31 March 2020					
	Long term		Short term		Total borrowings	
	Foreign currency	RM Equivalent	Foreign currency	RM Equivalent	Foreign currency	RM Equivalent
<u>Secured</u>						
Islamic term loans	-	736,479	-	185,129	-	921,608
Short term trade financing						
- United States Dollar	-	-	6,211	26,790	6,211	26,790
- Thai Baht	-	-	50,420	6,625	50,420	6,625
<u>Unsecured</u>						
Loan due to significant shareholder	-	883,176	-	13,827	-	897,003
Islamic short term trade financing						
- Ringgit Malaysia	-	12,816	-	2,231,689	-	2,244,505
- United States Dollar	-	-	76,647	330,581	76,647	330,581
- Great Britain Pound	-	-	11,947	63,436	11,947	63,436
Short term trade financing	-	-	-	178,360	-	178,360
Total borrowings		1,632,471		3,036,437		4,668,908

Exchanges rates applied as at 31 March 2020

United States Dollar	4.3130
Thai Baht	13.1394
Great Britain Pound	5.3100

As at 31 March 2020, 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 – 31 March 2020 (continued)
Amounts in RM thousand unless otherwise stated

18. Derivative Financial Instruments

FGV 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 2020 are as follows:

	Contractual/ Notional Amount	Fair Value	
		Assets	Liabilities
<u>Non-current</u>			
Islamic profit rate swap	416,667	-	11,283
<u>Current</u>			
Foreign currency forwards	362,082	54	5,725
Palm oil futures	27,275	28,138	-
	389,357	28,192	5,725
	806,024	28,192	17,008

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 2019. 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 2020.

<u>31 March 2020</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	28,138	54	-	28,192
- Trading securities	60,236	-	-	60,236
	88,374	54	-	88,428
Financial assets at FVOCI	3,127	-	107,725	110,852
Total assets	91,501	54	107,725	199,280
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
- LLA liability	-	-	4,312,529	4,312,529
- Derivatives	11,283	5,725	-	17,008
Total liabilities	11,283	5,725	4,312,529	4,329,537



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (continued)
Amounts in RM thousand unless otherwise stated

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 non trading equity unit trusts 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 FVOCI.

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

	Financial period ended <u>31 March 2020</u>	Financial year ended <u>31 December 2019</u>
<u>LLA liability</u>		
1 January	4,316,146	4,328,008
Fair value changes charged to profit or loss	57,301	236,821
Repayment during the financial period/year:		
- Fixed lease payments	(60,918)	(243,781)
- Share of profits	-	(4,902)
	<u>4,312,529</u>	<u>4,316,146</u>
<u>Financial assets at FVOCI</u>		
1 January	103,686	82,634
Addition	-	8,034
Fair value changes	4,039	13,018
	<u>107,725</u>	<u>103,686</u>

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



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (continued)
Amounts in RM thousand unless otherwise stated

20. Earnings Per Share

	Year to date ended 31 March	
	2020	2019
Basic earnings per share are computed as follows:		
Loss for the financial period attributable to owners of the Company (RM'000)	<u>(142,349)</u>	<u>(3,374)</u>
Weighted average number of ordinary shares in issue (thousands)	3,648,152	3,648,152
Basic earnings per share (sen)	<u>(3.90)</u>	<u>(0.09)</u>

21. Status of Corporate Proposals

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

22. Significant Events

- (i) On 13 February 2020, the Board of Directors' announced that MEO Trading Sdn. Bhd., an indirect joint venture of the Company has been placed under Members' voluntary winding up pursuant to Section 439(1)(b) of the Companies Act 2016. The liquidator has been appointed for the company on the same day. The voluntary winding up of the company is not expected to have any material impact on the earnings and net assets of the Group for the financial year ended 31 December 2019.
- (ii) On 9 April 2020, the MSMH issued a letter to F&N to exercise its rights to rescind the sale and purchase agreement in respect of the disposal of its leasehold agriculture land located at Chuping, Perlis, entered on 8 October 2019. As of the date of this report, MSMH continues with its plan to sell the leasehold agriculture land with F&N and it is of the view that the sales consideration in the sale and purchase agreement with F&N of RM156,000,000 remains the most reflective market value to be used as fair value less costs to sell for the purposes of measurement of this asset held for sale as at 31 March 2020.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 March 2020 (continued)
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23. Material events after reporting period

On 8 May 2020, the Board of Directors of FGV announced that FGV Trading Sdn Bhd (“FGVT”), a subsidiary of FGV Plantations Sdn Bhd which in turn is a wholly-owned subsidiary of FGV, had entered into an agreement with Pre Unique Pvt Ltd (“PREU”) to establish an operation in India. Within six months from the date of agreement, a company will be incorporated in India, to carry out the intended business.

24. Prospects

The COVID-19 distancing economy will have a profound impact globally until a vaccine is found. FGV will continue its focus on operational turnaround and venture into complementary activities to diversify its revenue base. The Board expects the business environment to remain challenging for the rest of 2020.

By Order of the Board

Koo Shuang Yen
Company Secretary

28 May 2020