



FGV HOLDINGS BERHAD

200701042133 (800165-P)

QUARTERLY REPORT

**Condensed Consolidated Financial Statements
For The Financial Period Ended 30 June 2022**



FGV HOLDINGS BERHAD

Unaudited Condensed Consolidated Statement of Comprehensive Income for the Quarter ended 30 June 2022

Note	Quarter ended 30 June			Year to date ended 30 June		
	2022 RM'000	2021 RM'000	% + / (-)	2022 RM'000	2021 RM'000	% + / (-)
Revenue	7,427,055	4,681,748	58.6%	13,280,816	8,075,239	64.5%
Cost of sales	(6,481,072)	(4,135,916)		(11,496,112)	(7,177,183)	
Gross profit	945,983	545,832	73.3%	1,784,704	898,056	98.7%
Other operating income	44,295	19,203		74,210	61,984	
Selling and distribution costs	(87,439)	(39,646)		(124,610)	(73,115)	
Administrative expenses	(206,975)	(192,808)		(393,547)	(371,503)	
(Impairment loss)/reversal of impairment of financial assets (net)	(6,178)	6,517		(14,167)	(345)	
Other operating expenses	(6,974)	(13,193)		(9,399)	(14,690)	
Commodity (losses)/gains - net	(12,112)	12,489		21,741	23,736	
Operating profit	670,600	338,394	98.2%	1,338,932	524,123	>100%
Fair value changes in Land Lease Agreement ("LLA") liability	(57,850)	180,347		(216,990)	36,597	
Operating profit after LLA	612,750	518,741	18.1%	1,121,942	560,720	>100%
Finance income	3,009	6,051		7,195	10,038	
Finance costs	(27,527)	(35,886)		(63,209)	(68,525)	
Share of results from associates	530	950		1,004	447	
Share of results from joint ventures	11,515	11,527		34,408	13,700	
Profit before zakat and taxation	600,277	501,383	19.7%	1,101,340	516,380	>100%
Zakat	(27,661)	(2,681)		(28,818)	(1,919)	
Taxation	(216,851)	(134,208)		(350,177)	(163,748)	
Profit for the financial period	355,765	364,494	-2.4%	722,345	350,713	>100%
Profit attributable to:						
- Owners of the Company	374,024	338,817	10.4%	743,260	303,396	>100%
- Non-controlling interests	(18,259)	25,677		(20,915)	47,317	
	355,765	364,494	-2.4%	722,345	350,713	>100%
Other comprehensive income/(loss)						
Actuarial gains on defined benefit plan	51	1		108	320	
Fair value changes of financial assets at fair value through other comprehensive income ("FVOCI")	(474)	(4,021)		5,610	(4,397)	
Share of other comprehensive income/(loss) of joint ventures	2,202	(615)		3,597	(673)	
Currency translation differences	28,550	(3,096)		30,109	25,519	
Cash flow hedges	2,091	522		2,482	2,959	
Other comprehensive income/(loss) for the financial period, net of tax	32,420	(7,209)		41,906	23,728	
Total comprehensive income for the financial period	388,185	357,285	8.6%	764,251	374,441	>100%
Total comprehensive income attributable to:						
- Owners of the Company	407,213	333,067	22.3%	787,987	325,560	>100%
- Non-controlling interests	(19,028)	24,218		(23,736)	48,881	
Total comprehensive income for the financial period/year	388,185	357,285	8.6%	764,251	374,441	>100%
Earnings per share for profit attributable to the Owners of the Company:						
Basic (sen)	10.25	9.29		20.37	8.32	

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 2021.



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Unaudited Condensed Consolidated Statement of Financial Position as at 30 June 2022

	Note	Unaudited As at 30 June 2022 RM'000	Audited As at 31 December 2021 RM'000
<u>Non-current assets</u>			
Property, plant and equipment		7,681,533	7,674,392
Right-of-use assets		2,185,989	2,196,084
Investment properties		75,433	81,531
Intangible assets		945,513	948,382
Interests in associates		64,776	65,074
Interests in joint ventures		489,519	454,714
Amount due from ultimate holding company		14,681	14,681
Amount due from related company		9,107	9,107
Deposit and other receivables		131,442	137,066
Deferred tax assets		190,268	295,131
Financial assets at fair value through profit or loss	19	40,389	-
Financial assets through other comprehensive income	19	207,544	201,569
Biological assets		685	2,228
		12,036,879	12,079,959
<u>Current assets</u>			
Inventories		2,279,407	1,914,403
Receivables		1,919,723	1,346,150
Biological assets		133,366	113,791
Amount due from ultimate holding company		24,842	36,521
Amounts due from joint ventures		216,456	205,274
Amounts due from related companies		134,604	66,801
Tax recoverable		10,460	12,762
Financial assets at fair value through profit or loss	19	36,470	79,136
Derivative financial assets	18	14,585	3,539
Contract assets		44,284	42,151
Deposits, cash and bank balances		1,279,136	2,031,666
		6,093,333	5,852,194
Assets held for sale		28,041	24,241
		6,121,374	5,876,435
Total assets		18,158,253	17,956,394
<u>Equity</u>			
Share capital		7,029,889	7,029,889
Treasury shares		-	(518)
Reserves		(1,176,845)	(1,608,770)
Equity attributable to owners of the Company		5,853,044	5,420,601
Non-controlling interests		1,775,357	1,765,917
Total equity		7,628,401	7,186,518



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Unaudited Condensed Consolidated Statement of Financial Position as at 30 June 2022 (continued)

	Note	Unaudited As at 30 June 2022 RM'000	Audited As at 31 December 2021 RM'000
<u>Non-current liabilities</u>			
Borrowings	17	946,609	1,033,140
Loans due to ultimate holding company	17	629,737	632,151
LLA liability		3,289,854	3,314,874
Derivative financial liabilities	18	1,282	3,571
Provision for asset retirement		42,203	41,349
Provision for defined benefit plan		54,288	51,136
Lease liability		277,043	294,581
Deferred tax liabilities		501,899	575,740
Payables		15,196	10,189
		5,758,111	5,956,731
<u>Current liabilities</u>			
Payables		1,218,649	1,414,444
Loans due to ultimate holding company	17	4,566	2,514
Amount due to ultimate holding company		290,562	276,082
Amounts due to associates		1,406	351
Amounts due to related companies		8,797	15,970
Borrowings	17	2,244,497	2,330,357
Derivative financial liabilities	18	8,957	3,749
Provision for asset retirement		705	666
Lease liability		31,696	27,518
LLA liability		483,992	489,916
Contract liabilities		220,264	132,340
Current tax liabilities		257,650	119,238
		4,771,741	4,813,145
Total liabilities		10,529,852	10,769,876
Total equity and liabilities		18,158,253	17,956,394
Net assets per share attributable to owners of the Company		1.60	1.49

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 2021.



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Unaudited Condensed Consolidated Statement of Changes in Equity

	Share capital RM'000	Treasury shares RM'000	Foreign exchange reserve RM'000	Re-organisation reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total Equity RM'000
Year to date ended 30 June 2022									
At 1 January 2022	7,029,889	(518)	54,036	(3,089,497)	67,427	1,359,264	5,420,601	1,765,917	7,186,518
Profit/(loss) for the financial period	-	-	-	-	-	743,260	743,260	(20,915)	722,345
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	-	-	-	-	-	108	108	-	108
- fair value changes in financial assets at FVOCI	-	-	-	-	5,591	-	5,591	19	5,610
<u>Items that will be subsequently reclassified to profit or loss</u>									
- currency translation differences	-	-	34,165	-	-	-	34,165	(4,056)	30,109
- share of other comprehensive income of joint ventures	-	-	3,597	-	-	-	3,597	-	3,597
- cash flow hedge reserves	-	-	-	-	1,266	-	1,266	1,216	2,482
	-	-	37,762	-	1,266	-	39,028	(2,840)	36,188
Total other comprehensive income/(loss) for the financial period	-	-	37,762	-	6,857	743,368	787,987	(23,736)	764,251
<u>Transactions with owners</u>									
Treasury shares	-	518	-	-	-	-	518	-	518
Liquidation of a subsidiary	-	-	-	-	-	(64,210)	(64,210)	64,210	-
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(31,034)	(31,034)
Dividend paid for the financial year ended 31 December 2021 (final)	-	-	-	-	-	(291,852)	(291,852)	-	(291,852)
Total transactions with owners	-	518	-	-	-	(356,062)	(355,544)	33,176	(322,368)
At 30 June 2022	7,029,889	-	91,798	(3,089,497)	74,284	1,746,570	5,853,044	1,775,357	7,628,401



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Unaudited Condensed Consolidated Statement of Changes in Equity (continued)

	Share capital RM'000	Treasury shares RM'000	Foreign exchange reserve RM'000	Re-organisation reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total Equity RM'000
Year to date ended 30 June 2021									
At 1 January 2021	7,029,889	(518)	26,497	(3,089,497)	10,624	284,708	4,261,703	1,838,504	6,100,207
Profit for the financial period	-	-	-	-	-	303,396	303,396	47,317	350,713
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	-	-	-	-	-	197	197	123	320
- fair value changes in financial assets at FVOCI	-	-	-	-	(4,316)	-	(4,316)	(81)	(4,397)
<u>Items that will be subsequently reclassified to profit or loss</u>									
- currency translation differences	-	-	25,447	-	-	-	25,447	72	25,519
- share of other comprehensive loss of joint ventures	-	-	(673)	-	-	-	(673)	-	(673)
- cash flow hedge reserves	-	-	-	-	1,509	-	1,509	1,450	2,959
	-	-	24,774	-	1,509	-	26,283	1,522	27,805
Total other comprehensive income/(loss) for the financial period	-	-	24,774	-	(2,807)	303,593	325,560	48,881	374,441
<u>Transactions with owners</u>									
Dividend paid for the financial year ended 31 December 2020 (final)	-	-	-	-	-	(109,445)	(109,445)	-	(109,445)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(20,946)	(20,946)
Dissolvement of a subsidiary	-	-	-	-	-	-	-	224	224
Total transactions with owners	-	-	-	-	-	(109,445)	(109,445)	(20,722)	(130,167)
At 30 June 2021	7,029,889*	(518)	51,271	(3,089,497)	7,817	478,856	4,477,818	1,866,663	6,344,481

* 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 2021.



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Unaudited Condensed Consolidated Statement of Cash Flows

	Year to date ended 30 June	
	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial period	722,345	350,713
Adjustments for non-cash items	975,879	508,357
Operating profit before working capital changes	1,698,224	859,070
Changes in working capital	(1,110,029)	(426,796)
Cash generated from operations	588,195	432,274
Interest received	7,195	10,038
Taxation paid, net	(168,867)	(52,527)
Zakat paid	(28,818)	(1,919)
Retirement benefits paid	(1,512)	(4)
Net cash generated from operating activities	396,193	387,862
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(321,130)	(183,452)
Purchase of intangible asset	(2,453)	(1,299)
Proceeds from liquidation of a joint venture	-	1,519
Proceeds from disposal of property, plant and equipment	454	7
Proceed from disposal of financial assets at fair value through profit or loss	36,384	-
Additions of financial assets at FVOCI	(2,067)	(1,424)
Additions of financial assets at fair value through profit or loss (net)	(43,159)	-
Dividend received from financial assets FVOCI	77	-
Dividend received from an associate	1,302	540
Dividend received from joint ventures	3,502	2,986
Net cash used in investing activities	(327,090)	(181,123)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	3,395,328	4,189,697
Repayment of borrowings	(3,570,090)	(4,224,411)
Repayment of LLA liability	(247,934)	(179,168)
Dividend paid to shareholders	(291,852)	(109,445)
Dividend paid to non-controlling interest	(31,034)	(20,946)
Finance costs paid	(78,346)	(81,717)
Repayment of loan due to ultimate shareholder	-	(21,323)
Payments of lease liabilities	(22,980)	(4,691)
Increase in restricted cash	(819)	(888)
Net cash used in from financing activities	(847,727)	(452,892)
Net decrease in cash and cash equivalents	(778,624)	(246,153)
Effect of foreign exchange rate changes	25,275	14,354
Cash and cash equivalents at beginning of the financial period	1,967,191	1,665,457
Cash and cash equivalents at end of the financial period	1,213,842	1,433,658
Deposits, cash and bank balances	1,279,136	1,498,283
Less: Restricted cash	(65,294)	(64,625)
Cash and cash equivalents at end of the financial period	1,213,842	1,433,658

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 2021.



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Explanatory Notes on the Quarterly Report – 30 June 2022

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 2021. 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 2021.

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 2021.

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

Effective annual periods beginning on or after 1 January 2022

- Amendments to MFRS 116 'Proceeds before intended use'
- Amendments to MFRS 3 'Reference to Conceptual Framework'
- Annual improvements to MFRS 1 'Subsidiary as First-time Adopter'
- Annual improvements to Illustrative Example Accompanying MFRS 16 Leases 'Lease Incentives'
- Annual improvements to MFRS 141 'Taxation in Fair Value Measurements'
- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities'
- Amendments to MFRS 137 'Onerous Contracts - Cost of Fulfilling a Contract'

The effective accounting pronouncements have been adopted by the Group.

- (ii) Accounting pronouncements that are not yet effective and have not been early adopted by the Group:

Effective annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101 'Classification of liabilities as current and non-current'
- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates
- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

The accounting pronouncements that are not yet effective are not expected to have any significant impact on the financial statements of the Group.

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.



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Explanatory Notes on the Quarterly Report – 30 June 2022 (continued)

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

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

4. Material Changes in Estimates

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

5. Debt and Equity Securities

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

6. Dividends

No dividend has been paid during the quarter ended 30 June 2022.

The Directors declared an interim dividend of 4.0 sen per share on 3,648,151,500 ordinary shares under the single-tier system for the quarter ended 30 June 2022 amounting to RM145.93 million. The dividend is expected to be paid by 29 September 2022.



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Explanatory Notes on the Quarterly Report – 30 June 2022 (continued)

7. Segment Information (continued)

The segment information provided to the Group's Chief Operating Decision Maker which is defined as Group Management Committee for the reportable segments of FGV for the financial period is as follows:

Year to date ended 30 June 2022

	Plantation RM'000	Sugar RM'000	Logistics and Others RM'000	Corporate HQ and Elimination RM'000	Total RM'000
Total segment revenue	17,071,388	1,322,246	328,994	142,109	18,864,737
Less : Inter-segment revenue	(5,195,660)	(102,180)	(160,483)	(125,598)	(5,583,921)
Revenue from external customers	11,875,728	1,220,066	168,511	16,511	13,280,816
Finance income	4,419	1,092	1,355	329	7,195
Finance costs	(14,676)	(17,022)	(1,423)	(30,088)	(63,209)
Depreciation and amortisation	(286,973)	(40,868)	(45,843)	(8,427)	(382,111)
Fair value changes in LLA liability	(216,990)	-	-	-	(216,990)
(Impairment of)/reversal of impairment of:					
- financial assets	(8,537)	1,571	(7,201)	-	(14,167)
- non-financials assets	16,288	-	-	-	16,288
Share of results of joint ventures	34,408	-	-	-	34,408
Share of results of associates	1,863	-	-	(859)	1,004
Profit/(loss) before zakat and taxation for the financial period	1,138,684	(59,656)	35,938	(13,626)	1,101,340
Disaggregation of the Group's revenue is as follows:	<u>Timing of revenue recognition</u>				
Sales of Palm Products Oils	9,887,199	-	-	-	9,887,199
Sales of Sugar	-	1,220,066	-	-	1,220,066
Others	1,988,529	-	168,511	16,511	2,173,551
	11,875,728	1,220,066	168,511	16,511	13,280,816



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Explanatory Notes on the Quarterly Report – 30 June 2022 (continued)

7. Segment Information (continued)

The segment information provided to the Group's Chief Operating Decision Maker which is defined as Group Management Committee for the reportable segments of FGV for the financial period is as follows: (continued)

	Plantation RM'000	Sugar RM'000	Logistics and Others RM'000	Corporate HQ and Elimination RM'000	Total RM'000
Year to date ended 30 June 2021					
Total segment revenue	10,198,977	1,103,992	298,792	139,328	11,741,089
Less : Inter-segment revenue	(3,363,478)	(34,998)	(139,873)	(127,501)	(3,665,850)
Revenue from external customers	6,835,499	1,068,994	158,919	11,827	8,075,239
Finance income	5,166	1,234	2,389	1,249	10,038
Finance costs	(25,748)	(20,027)	(1,251)	(21,499)	(68,525)
Depreciation and amortisation	(266,169)	(39,519)	(39,370)	(7,562)	(352,620)
Fair value changes in LLA liability	36,597	-	-	-	36,597
(Impairment of)/reversal of impairment of:	(1,536)	1,595	(404)	-	(345)
- financial assets					
- non-financials assets	(7,757)	5,129	-	-	(2,628)
Share of results of joint ventures	13,429	-	-	271	13,700
Share of results of associates	1,478	-	-	(1,031)	447
Profit/(loss) before zakat and taxation for the financial period	421,632	73,728	31,884	(10,864)	516,380
Disaggregation of the Group's revenue is as follows:	<u>Timing of revenue recognition</u>				
Sales of Palm Products Oils	5,448,372	-	-	-	5,448,372
Sales of Sugar	-	1,068,994	-	-	1,068,994
Others	1,387,127	-	158,919	11,827	1,557,873
	6,835,499	1,068,994	158,919	11,827	8,075,239



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Explanatory Notes on the Quarterly Report – 30 June 2022 (continued)

8. Capital Commitments

	As at 30 June 2022 RM'000	As at 31 December 2021 RM'000
Capital expenditure approved and contracted for: - Property, plant and equipment	243,470	124,368
	243,470	124,368

9. Significant Related Party Transactions

(l) Related party transactions for the financial year ended 30 June 2022 and 30 June 2021 are as follows:

(a) Sales of goods and services

	Year to date ended 30 June	
	2022 RM'000	2021 RM'000
(i) Transactions with joint ventures		
Sales of CPO by FGV Trading Sdn. Bhd. ("FGVT") to FGV Iffco Sdn. Bhd. Group ("FISB Group")	439,591	191,829
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	222,138	80,063
Sales of CPO by FGVT and FGV Palm Industries Sdn. Bhd. ("FGVPI") to MAPAK Edible Oil Pvt. Ltd. ("MAPAK")	117,682	108,550
(ii) Transactions with Federal Land Development Authority ("FELDA") and its subsidiaries		
Sales of fertiliser by FGV Fertiliser Sdn. Bhd. ("FGVFSB")	144,072	118,846
IT services rendered by FGV Prodata Systems Sdn. Bhd ("Prodata")	12,755	14,140
Security services rendered by FGV Security Services Sdn. Bhd ("FSSSB")	10,719	10,927



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Explanatory Notes on the Quarterly Report – 30 June 2022 (continued)

9. Significant Related Party Transactions (continued)

(i) Related party transactions for the financial year ended 30 June 2022 and 30 June 2021 are as follows:
(continued)

(b) Purchase of goods and services

	Year to date ended 30 June	
	2022 RM'000	2021 RM'000
Transactions with FELDA and its subsidiaries:		
LLA liability paid/payable by FGV Plantations (Malaysia) Sdn. Bhd. ("FGVPM")	247,934	179,168
Interest expense charged by FELDA	15,951	20,769
Compensation received by FGVPM	2,032	15,343
Purchase of cup lump by FGV Rubber Industries Sdn. Bhd. ("FRISB")	59,360	64,421
Purchase of FFB by FGVT	3,897,528	2,176,946

(c) Transactions with Government related entities

Transactions between subsidiaries and other government agencies:

Cooking oil subsidy received from Kementerian Perdagangan Dalam Negeri dan Hal Ehwal Pengguna	287,838	72,080
Windfall tax paid/payable to Royal Malaysian Custom Department	168,867	66,560
CESS payment to Malaysia Palm Oil Board	19,917	18,761

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.



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Explanatory Notes on the Quarterly Report – 30 June 2022 (continued)

11. Contingent Liabilities and Material Litigation

- (i) On 18 May 2021, FGV Prodata System Sdn. Bhd. (“Prodata” or “the 1st Defendant”) an indirect subsidiary of the Company, was served with a sealed Writ of Summons dated 12 May 2021 (“the Writ”) by VDSL Technology Sdn. Bhd. (“VDSL” or “the Plaintiff”).

The Plaintiff claimed for compensation and damages amounting RM170,707,600 due to the 1st Defendant and FELDA’s (“2nd Defendant”) alleged breaches on various arrangements agreed upon by the parties with regard to the Felda Broadband Initiative Project.

On 1 November 2021, VDSL has filed amended statement of claim and case management was held on the same day for the main suit, Prodata’s application for security cost and VDSL’s application for protective order. Pursuant to the hearing on 19 January 2022, the Judge directed the case be fixed for mediation for parties to explore and discuss a possible amicable settlement; while the court proceedings to continue to run its course.

On 11 May 2022, the Mediator acknowledged that the mediation was unsuccessful. No further mediation is fixed. On 19 Aug 2022, the Court adjourned the matter to 5 October 2022 for hearing of other interlocutory applications.

Based on legal opinion, there is a fair chance of Prodata succeeding in defending the claim from VDSL.

- (ii) On 12 February 2019, all Defendants to the suit filed by the Company on 23 November 2018 against its former members of the Board of Directors and former employees on the acquisition of APL (“Company suit”) had filed their respective Defences except for one, who was 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 had filed a counterclaim (“the Counterclaim”) against the Company and the previous members of the Board of Directors of the Company (“Counterclaim Defendants”). The Counterclaim seeks reliefs, jointly and severally, against the Company and the Counterclaim Defendants for declaration that the Company and the Counterclaim Defendants were 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 the Company and Counterclaim Defendants.

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

On 6 September 2021, the Court of Appeal heard and allowed the 10th to 14th Defendants’ appeal and reversed the decision of the High Court. The Company filed an application for leave to appeal to the Federal Court (“Leave Application”).

The Court had on 8 June 2022 informed that the case would be transferred to NCvC 12. The Court has fixed a case management on 6 October 2022 for new direction from the Judge.

Meanwhile, the Federal Court has fixed a hearing date on 5 October 2022.

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



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Explanatory Notes on the Quarterly Report – 30 June 2022 (continued)

12. Review of Group Performance

	Quarter ended 30 June			Quarter ended 31 March		Year to date ended 30 June		
	2022 RM'000	2021 RM'000	% + / (-)	2022 RM'000	% + / (-)	2022 RM'000	2021 RM'000	% + / (-)
Revenue	7,427,055	4,681,748	58.6	5,853,761	26.9	13,280,816	8,075,239	64.5
Plantation	620,816	472,415	31.4	517,868	19.9	1,138,684	421,632	>100
Sugar	(28,876)	23,051	<100	(30,780)	(6.2)	(59,656)	73,728	<100
Logistics and Others	14,017	20,137	(30.4)	21,921	(36.1)	35,938	31,884	12.7
Sector results	605,957	515,603	17.5	509,009	19.0	1,114,966	527,244	>100
Corporate HQ and elimination	(5,680)	(14,220)		(7,946)		(13,626)	(10,864)	
Profit before zakat and taxation	600,277	501,383	19.7	501,063	19.8	1,101,340	516,380	>100
Zakat	(27,661)	(2,681)		(1,157)		(28,818)	(1,919)	
Taxation	(216,851)	(134,208)		(133,326)		(350,177)	(163,748)	
Profit for the financial period	355,765	364,494	(2.4)	366,580	(3.0)	722,345	350,713	>100
Profit attributable to:								
Owners of the Company	374,024	338,817	10.4	369,236	1.3	743,260	303,396	>100
Non-controlling interests	(18,259)	25,677		(2,656)		(20,915)	47,317	
Profit for the financial period	355,765	364,494	(2.4)	366,580	(3.0)	722,345	350,713	>100



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Explanatory Notes on the Quarterly Report – 30 June 2022 (continued)

12. Review of Group Performance (continued)

(A) Current Quarter Ended 30 June 2022 against Previous Year's Corresponding Quarter Ended 30 June 2021

Overall

The revenue of the Group rose significantly by 59% to RM7.43 billion on the back of higher average CPO price realised in current quarter. The Group's profit before zakat and taxation increased to RM600.28 million for the current quarter compared to RM501.38 million in the corresponding quarter of the previous year largely attributed to stronger performance by Plantation Sector. The improvement was partially offset with losses incurred in Sugar and Others Sector in current quarter.

(a) Plantation Sector

Profit in Plantation Sector increased to RM620.82 million from RM472.42 million in corresponding quarter of the previous year on the back of higher average CPO price realised of RM5,254 per MT compared to RM3,333 per MT in previous year's corresponding quarter coupled with better margin in downstream business.

In current quarter under review, the Sector recognised a fair value charge on LLA of RM57.85 million compared to fair value gain of RM180.35 million in corresponding quarter of the previous year resulted from the revision in the yield assumption used in arriving at the LLA liability. Without this, the Sector registered a significantly higher profit of RM678.67 million in the current quarter compared to RM292.07 million registered in previous year.

Operationally, FFB production reduced to 0.96 million MT from 1.06 million MT, while yield decreased to 3.50 MT per hectare in current quarter. OER achieved in current quarter was 20.63%, improved from 20.16% registered in corresponding quarter of the previous year.

(b) Sugar Sector

Sugar Sector reported a loss of RM28.88 million compared to RM23.05 million profit in corresponding quarter of the previous year. This was mainly attributed to high input costs mainly for raw sugar, freight, natural gas and weakening of Ringgit Malaysia despite increase in overall average selling price in the current quarter.

(c) Logistics and Others Sector

Logistic and Others Sector reported a lower profit of RM14.02 million compared to RM20.14 million reported in the corresponding quarter of the previous year mainly attributable to impairment loss on receivables recognised in Others Sector of RM7.13 million.

Logistic division reported an increase in profit by 14% compared to the corresponding quarter of the previous year mainly due to increase in handling rate despite lower throughput in tandem with lower FFB production reported in Plantation Sector in current quarter.



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Explanatory Notes on the Quarterly Report – 30 June 2022 (continued)

12. Review of Group Performance (continued)

(B) Current Financial Period Ended 30 June 2022 against the Previous Financial Period Ended 30 June 2021

Overall

The revenue of the Group increased significantly by 65% to RM13.28 billion compared to previous corresponding financial period while the profit before zakat and taxation of the Group has more than doubled to RM1.10 billion for the financial period under review compared to RM516.38 million reported in previous financial period. The robust performance of the Group was largely contributed by Plantation Sector which realised a higher average CPO price.

(a) Plantation Sector

The profit in Plantation Sector surged to RM1,138.68 million for the financial period ended 30 June 2022 from RM421.63 million recorded in previous financial corresponding period. This was mainly attributable to the higher average CPO price realised of RM5,165 per mt against RM3,268 per mt registered in previous corresponding financial period coupled with higher sales volume by 36%.

The better performance was also contributed by the improved margin in downstream and fertiliser businesses while share of profit from joint ventures improved to RM34.41 million from RM13.43 million registered in previous corresponding financial period.

The Sector registered a fair value charge on LLA of RM216.99 million against a fair value gain of RM36.60 million registered in previous year resulted from the revision in the yield assumption used in arriving at the LLA liability. Excluding the fair value charge of LLA, the Sector would register a much higher profit compared to previous corresponding financial period.

FFB production decreased marginally to 1.78 million MT from 1.80 million MT, thus led to lower yield of 6.51 mt per hectare. OER achieved was higher at 20.48% compared to 20.12% registered in the previous period.

(b) Sugar Sector

Sugar Sector registered a loss of RM59.66 million compared to RM73.73 million profit in previous corresponding financial period mainly attributable to high input costs mainly for raw sugar, freight, natural gas and weakening of Ringgit Malaysia despite increase in overall average selling price.

(c) Logistic and Others Sector

Logistic and Others Sector recorded 13% increase in profit to RM35.94 million from RM31.88 million registered in previous financial year. Profit from Logistic division increased by 37% attributed to the higher throughput and handling rate while Others division incurred losses due to impairment loss recognised in its receivables of RM7.20 million and lower income reported in IT business as some projects have been delayed.



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Explanatory Notes on the Quarterly Report – 30 June 2022 (continued)

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

Overall

The revenue of the Group increased by 27% to RM7.43 billion while the profit before zakat and taxation for the Group increased 20% to RM600.28 million compared to RM501.06 million registered in preceding quarter. The increase in profit was due to higher average CPO price realised in current quarter, but was partially offset by loss in Sugar and lower profit in Logistics and Others Sector.

(a) **Plantation Sector**

Profit in Plantation Sector increased by 20% to RM620.82 million compared to RM517.87 million in preceding quarter. The Sector recorded a lower fair value charge on LLA of RM57.85 million compared to RM159.14 million in preceding quarter. Excluding the fair value on LLA, the Sector reported slight increase in profit to RM678.67 million compared to RM677.01 million reported in preceding quarter mainly attributed to higher average CPO price realised of RM5,254 per MT compared to RM5,058 per MT in preceding quarter.

The increase was partially offset by lower sales volume and margin in fertiliser business, decrease in share of profits from joint ventures to RM11.52 million compared to RM22.89 million recognised in preceding quarter.

Operationally, FFB production increased to 0.96 million MT from 0.83 million MT in preceding quarter, hence yield also improved to 3.50 MT per hectare from 3.02 MT per hectare. Higher OER at 20.63% was achieved in current quarter compared to 20.28% registered in preceding quarter.

(b) **Sugar Sector**

Sugar Sector reported a loss of RM28.88 million in current quarter mainly attributed to high input costs mainly for raw sugar, freight, natural gas and weakening of Ringgit Malaysia despite higher overall sales volume and average selling price.

(c) **Logistics and Others Sector**

Logistic and Others Sector recorded a lower profit of RM14.02 million compared to profit of RM21.92 million in preceding quarter due to impairment loss recognised in its receivables of RM7.13 million. Excluding the impairment, the Sector reported similar results as preceding quarter.



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Explanatory Notes on the Quarterly Report – 30 June 2022 (continued)

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

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

15. Operating profit after LLA

	Year to date ended 30 June	
	2022 RM'000	2021 RM'000
Included in operating profit after LLA are:		
Depreciation of property, plant and equipment	339,591	311,285
Depreciation of right-of-use assets	30,684	27,384
Depreciation of investment properties	6,098	6,129
Property, plant and equipment written off	1,829	562
Amortisation of intangible assets	5,738	7,822
(Reversal of impairment)/impairment loss on property, plant and equipment - net	(1,029)	2,628
Reversal of impairment on right-of-use assets	(159)	-
Reversal of impairment on asset held for sale	(15,100)	-
Net unrealised foreign exchange gain	(11,854)	(5,245)

16. Taxation

	Quarter Ended 30 June		Year to date Ended 30 June	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Malaysian income tax				
Current financial period/year	(171,883)	(47,954)	(309,581)	(88,703)
Foreign income tax				
Current financial period/year	(5,380)	1,222	(9,574)	(466)
Deferred tax				
	(39,588)	(87,476)	(31,022)	(74,579)
	(216,851)	(134,208)	(350,177)	(163,748)

The effective tax rate for the financial period ended 30 June 2022 is 33%, higher than the Malaysian income tax rate of 24% due to impact of "Cukai Makmur", certain expenses which are not allowable and deferred tax assets not recognised on losses in certain subsidiaries.



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Explanatory Notes on the Quarterly Report – 30 June 2022 (continued)

17. Borrowings

	As at 30 June 2022					
	Long term		Short term		Total borrowings	
	Foreign currency	RM'000 Equivalent	Foreign currency	RM'000 Equivalent	Foreign currency	RM'000 Equivalent
Secured						
Islamic term loans	-	467,976	-	137,578	-	605,554
Islamic short term trade financing	-	12,422	-	-	-	12,422
Short term trade financing						
- United States Dollar	-	-	5,949	26,223	5,949	26,223
- Thai Baht	-	-	35,000	4,374	35,000	4,374
Unsecured						
Loan due to to ultimate holding company	-	629,737	-	4,566	-	634,303
Sukuk	-	447,021	-	50,000	-	497,021
Islamic short term trade financing	-	-	-	1,696,274	-	1,696,274
Short term trade financing						
- Ringgit Malaysia	-	-	-	219,848	-	219,848
- United States Dollar	-	-	25,000	110,200	25,000	110,200
Hire purchase	-	19,190	-	-	-	19,190
Total borrowings		1,576,346		2,249,063		3,825,409

Exchanges rates applied as at 30 June 2022

United States Dollar	4.4080
Thai Baht	12.4961

As at 30 June 2022, 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.

The Sukuk issued by the Company has been reflected as an unsecured borrowing as at 30 June 2022 pending completion of certain conditions subsequent. Upon completion of the conditions subsequent, the Sukuk will be reflected as a secured borrowing.

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 30 June 2022 are as follows:

	Contractual/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
<u>Non-current</u>			
Islamic profit rate swap	166,667	-	1,282
<u>Current</u>			
Foreign currency forwards	1,021,195	14,585	4,314
Palm oil futures	54,080	-	2,162
Sugar futures	-	-	1,087
Brent crude oil option futures	2,180	-	1,394
	1,077,455	14,585	8,957
	1,244,122	14,585	10,239



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Explanatory Notes on the Quarterly Report – 30 June 2022 (continued)

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 2021. The maturity periods of the above derivatives are less than one year. The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2022.

<u>30 June 2022</u>	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>				
Financial assets at fair value through profit or loss:				
- Derivatives	-	14,585	-	14,585
- Trading securities	76,859	-	-	76,859
Financial assets at FVOCI	3,058	-	204,486	207,544
Total assets	<u>79,917</u>	<u>14,585</u>	<u>204,486</u>	<u>298,988</u>
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
- LLA liability	-	-	3,773,846	3,773,846
- Derivatives	5,925	4,314	-	10,239
Total liabilities	<u>5,925</u>	<u>4,314</u>	<u>3,773,846</u>	<u>3,784,085</u>

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

	Financial period ended 30 June 2022 RM'000	Financial year ended 31 December 2021 RM'000
<u>LLA liability</u>		
1 January	3,804,790	4,213,824
Fair value changes charged to profit or loss	216,990	3,984
Repayment during the financial period/year:		
- Fixed lease payments	(121,815)	(243,552)
- Share of profits	(126,119)	(169,466)
30 June / December	<u>3,773,846</u>	<u>3,804,790</u>
<u>Financial assets at FVOCI</u>		
1 January	198,594	140,685
Addition	2,067	3,541
Fair value changes	3,825	54,499
Currency translation differences	-	(131)
30 June / December	<u>204,486</u>	<u>198,594</u>



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Explanatory Notes on the Quarterly Report – 30 June 2022 (continued)

19. Fair Value Changes of Financial Instruments (continued)

Fair value changes for the LLA liability has been measured based on assumptions made on discount rate, crude palm oil prices, fresh fruit bunches prices, palm kernel prices, average yield of fresh fruit bunches, inflation rate, total acreage of planted oil palm and rubber, estate replanting fixed cost and capital expenditure; amongst others, on a periodic basis.

The Group adopted the most recent estimated changes then in arriving at the fair value. The key assumptions incorporating the most recent developments, other parameters such as commodity prices have been updated as at June 2022.

20. Earnings Per Share

	Quarter ended 30 June		Year to date ended 30 June	
	2022	2021	2022	2021
Profit for the financial period attributable to owners of the Company (RM'000)	374,024	338,817	743,260	303,396
Weighted average number of ordinary shares in issue (thousands)	3,648,152	3,648,152	3,648,152	3,648,152
Basic earnings per share (sen)	10.25	9.29	20.37	8.32

21. Status of Corporate Proposals

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

22. Significant Events

There were no significant events during the financial period under review.

23. Material events after reporting period

On 6 August 2022, the Board of Directors of the Company announced that FGV Integrated Farming Holdings Sdn Bhd ("FGVIF"), a wholly owned subsidiary, entered into a conditional shareholders' agreement with Baladna for Trading and Investment W.L.L ("BALADNA") (a wholly-owned subsidiary of Baladna Q.P.S.C.), and Touch Group Holdings Sdn Bhd ("TOUCH") to form an incorporated joint venture to carry on the business to develop an integrated dairy farm business in Chuping, Perlis ("Project") ("Proposed Joint Venture").

This Project is aligned with the long-term plan of FGV Group to position FGV Chuping Agro Valley ("FCAV") as one of the leading agro-valley hubs in Malaysia delivering sustainable value for its stakeholder, better living local community, and addressing food security concerns of the country.



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Explanatory Notes on the Quarterly Report – 30 June 2022 (continued)

24. Prospects

The Crude Palm Oil (CPO) price declined sharply in the second quarter of 2022 as a result of Indonesia's policy to lift its export ban. Nevertheless, low supply of substitute edible oils, prolonged Russia-Ukraine conflict, persistent labour shortages are expected to support the CPO price between RM4,500 to RM5,000 per MT.

While intensified effort to recruit foreign workers from host countries such as Indonesia and India continues, our Plantation Sector is also actively sourcing for local workers as it would be crucial to have sufficient manpower for harvesting and crop recovery works during the anticipated higher production in Quarter 3 and Quarter 4.

FGV Sugar Sector expects the current challenging environment due to higher input cost, mainly for raw sugar, freight, natural gas and weakening of Ringgit Malaysia to continue for the remainder of financial year. The Sector remains focused on improving operations to attain lower refining cost with higher efficiency and simultaneously continues to engage the Government for all necessary economic support.

FGV Logistics Sector will continue to find opportunities to diversify and expand its market while enhancing its operational performance.

Barring any unforeseen circumstances, the Board is confident that the strong CPO price for the year will enable the Group to record an encouraging financial results for 2022.

By Order of the Board

Azni Ariffin
Company Secretary

30 August 2022