



FGV HOLDINGS BERHAD

200701042133 (800165-P)

QUARTERLY REPORT

**Condensed Consolidated Financial Statements
For The Financial Period Ended 30 June 2023**



FGV HOLDINGS BERHAD

Unaudited Condensed Consolidated Statement of Comprehensive Income for the Quarter ended 30 June 2023

Note	Quarter ended 30 June			Year to date ended 30 June		
	2023 RM'000	2022 RM'000	% + / (-)	2023 RM'000	2022 RM'000	% + / (-)
Revenue	4,494,841	7,427,055	(39.5)	9,087,436	13,280,816	(31.6)
Cost of sales	(4,205,216)	(6,481,072)		(8,493,618)	(11,496,112)	
Gross profit	289,625	945,983	(69.4)	593,818	1,784,704	(67.0)
Other operating income	42,929	44,295		85,509	74,210	
Selling and distribution costs	(67,096)	(87,439)		(104,472)	(124,610)	
Administrative expenses	(200,251)	(206,975)		(404,288)	(393,547)	
Reversal of impairment / (impairment loss) of financial assets (net)	2,041	(6,178)		1,666	(14,167)	
Other operating expenses	(3,747)	(6,974)		(7,792)	(9,399)	
Commodity (losses)/gains - net	(4,891)	(12,112)		2,927	21,741	
Operating profit	58,610	670,600	(91.3)	167,368	1,338,932	(87.5)
Fair value changes in Land Lease Agreement ("LLA") liability	(27,513)	(57,850)		(59,668)	(216,990)	
Operating profit after LLA	31,097	612,750	(94.9)	107,700	1,121,942	(90.4)
Finance income	9,729	3,009		15,030	7,195	
Finance costs	(31,173)	(27,527)		(60,169)	(63,209)	
Share of results from associates	(461)	530		(854)	1,004	
Share of results from joint ventures	5,200	11,515		12,547	34,408	
Profit before zakat and taxation	14,392	600,277	(97.6)	74,254	1,101,340	(93.3)
Zakat	(266)	(27,661)		(777)	(28,818)	
Taxation	(32,331)	(216,851)		(83,639)	(350,177)	
(Loss)/profit for the financial period	(18,205)	355,765	<100	(10,162)	722,345	<100
(Loss)/profit attributable to:						
- Owners of the Company	(12,897)	374,024	<100	(805)	743,260	<100
- Non-controlling interests	(5,308)	(18,259)		(9,357)	(20,915)	
	(18,205)	355,765	<100	(10,162)	722,345	<100
Other comprehensive income/(loss)						
Actuarial gains on defined benefit plan	86	51		191	108	
Fair value changes of financial assets at fair value through other comprehensive income ("FVOCI")	(93)	(474)		3,098	5,610	
Share of other comprehensive (loss)/income of joint ventures	(97)	2,202		(264)	3,597	
Currency translation differences	51,785	28,550		33,695	30,109	
Realisation of forex exchange reserve upon liquidation of a subsidiary	-	-		970	-	
Cash flow hedges	57	2,091		82	2,482	
Other comprehensive income for the financial period, net of tax	51,738	32,420		37,772	41,906	
Total comprehensive income for the financial period	33,533	388,185	(91.4)	27,610	764,251	(96.4)
Total comprehensive income attributable to:						
- Owners of the Company	39,896	407,213	(90.2)	44,082	787,987	(94.4)
- Non-controlling interests	(6,363)	(19,028)		(16,472)	(23,736)	
Total comprehensive income for the financial period	33,533	388,185	(91.4)	27,610	764,251	(96.4)
Earnings per share for profit attributable to the Owners of the Company:						
Basic (sen)	(0.4)	10.3		(0.0)	20.4	

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 2022.



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Unaudited Condensed Consolidated Statement of Financial Position as at 30 June 2023

	Note	Unaudited As at 30 June 2023 RM'000	Audited As at 31 December 2022 RM'000
<u>Non-current assets</u>			
Property, plant and equipment		7,783,233	7,727,964
Right-of-use assets		2,175,493	2,150,803
Investment properties		69,942	73,779
Intangible assets		938,519	939,983
Interests in associates		61,232	63,631
Interests in joint ventures		580,673	567,412
Deposit and other receivables		127,157	123,557
Deferred tax assets		172,430	231,316
Financial assets at fair value through profit or loss	19	5,375	6,588
Financial assets through other comprehensive income	19	169,163	162,670
Biological assets		739	1,491
		12,083,956	12,049,194
<u>Current assets</u>			
Inventories		1,945,077	2,361,423
Receivables		1,332,813	1,615,069
Biological assets		79,106	86,698
Amount due from ultimate holding company		58,841	25,654
Amounts due from joint ventures		151,399	146,887
Amount due from an associate		38	4,300
Amounts due from related companies		240,488	260,895
Tax recoverable		24,131	10,129
Financial assets at fair value through profit or loss	19	75,610	74,767
Derivative financial assets	18	3,045	3,165
Contract assets		39,914	47,298
Deposits, cash and bank balances		1,232,460	1,397,106
		5,182,922	6,033,391
Assets held for sale		11,398	28,041
		5,194,320	6,061,432
Total assets		17,278,276	18,110,626
<u>Equity</u>			
Share capital		7,029,889	7,029,889
Reserves		(1,155,447)	(798,232)
Equity attributable to owners of the Company		5,874,442	6,231,657
Non-controlling interests		1,623,651	1,653,028
Total equity		7,498,093	7,884,685



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Unaudited Condensed Consolidated Statement of Financial Position as at 30 June 2023 (continued)

	Note	Unaudited As at 30 June 2023 RM'000	Audited As at 31 December 2022 RM'000
<u>Non-current liabilities</u>			
Borrowings	17	794,301	844,066
LLA liability		3,289,746	3,264,463
Derivative financial liabilities	18	124	193
Provision for asset retirement		32,850	32,119
Provision for defined benefit plan		49,319	47,981
Lease liability		279,010	293,738
Deferred tax liabilities		536,972	577,718
		4,982,322	5,060,278
<u>Current liabilities</u>			
Payables		1,404,663	1,941,029
Loans due to ultimate holding company	17	332,682	333,316
Amount due to ultimate holding company		158,754	239,203
Amounts due to joint ventures		1,078	42
Amounts due to associates		1,118	331
Amounts due to related companies		10,780	24,350
Borrowings	17	2,433,749	1,881,578
Derivative financial liabilities	18	1,954	17,742
Provision for asset retirement		746	702
Lease liability		84,868	37,621
LLA liability		274,208	415,891
Contract liabilities		78,243	109,359
Current tax liabilities		15,018	164,499
		4,797,861	5,165,663
Total liabilities		9,780,183	10,225,941
Total equity and liabilities		17,278,276	18,110,626
Net assets per share attributable to owners of the Company		1.61	1.71

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 2022.



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Unaudited Condensed Consolidated Statement of Changes in Equity

	Share capital 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 2023								
At 1 January 2023	7,029,889	68,156	(3,089,497)	29,495	2,193,614	6,231,657	1,653,028	7,884,685
Loss for the financial period	-	-	-	-	(805)	(805)	(9,357)	(10,162)
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	-	-	-	-	191	191	-	191
- fair value changes in financial assets at FVOCI	-	-	-	3,177	-	3,177	(79)	3,098
<u>Items that will be subsequently reclassified to profit or loss</u>								
- currency translation differences	-	40,771	-	-	-	40,771	(7,076)	33,695
- share of other comprehensive loss of joint ventures	-	(264)	-	-	-	(264)	-	(264)
- realisation of forex exchange reserve upon liquidation of a subsidiary	-	970	-	-	-	970	-	970
- cash flow hedge reserves	-	-	-	42	-	42	40	82
	-	41,477	-	42	-	41,519	(7,036)	34,483
Total other comprehensive income/(loss) for the financial period	-	41,477	-	3,219	(614)	44,082	(16,472)	27,610
<u>Transactions with owners</u>								
Dividend paid for the financial year ended 31 December 2022 (final)	-	-	-	-	(401,297)	(401,297)	-	(401,297)
Liquidation of a subsidiary	-	-	-	-	-	-	(1,061)	(1,061)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	(11,844)	(11,844)
Total transactions with owners	-	-	-	-	(401,297)	(401,297)	(12,905)	(414,202)
At 30 June 2023	7,029,889	109,633	(3,089,497)	32,714	1,791,703	5,874,442	1,623,651	7,498,093



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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 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 for the financial year ended 31 December 2021 (final)	-	-	-	-	-	(291,852)	(291,852)	-	(291,852)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(31,034)	(31,034)
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

* 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 2022.



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Unaudited Condensed Consolidated Statement of Cash Flows

	Year to date ended 30 June	
	2023 RM'000	2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit for the financial period	(10,162)	722,345
Adjustments for non-cash items	585,895	975,879
Operating profit before working capital changes	575,733	1,698,224
Changes in working capital	9,709	(1,110,029)
Cash generated from operations	585,442	588,195
Interest received	15,030	7,195
Taxation paid, net	(220,754)	(168,867)
Zakat paid	(777)	(28,818)
Retirement benefits paid	(332)	(1,512)
Net cash generated from operating activities	378,609	396,193
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(381,170)	(321,130)
Purchase of intangible asset	(1,270)	(2,453)
Proceeds from disposal of assets held for sale	25,113	-
Proceeds from disposal of property, plant and equipment	229	454
Proceed from disposal of financial assets at fair value through profit or loss	207,830	36,384
Net cash outflow from liquidation of subsidiary	(92)	-
Additions of financial assets at fair value through profit or loss (net)	(217,200)	(43,159)
Additions of financial assets at FVOCI	-	(2,067)
Dividend received from financial assets FVOCI	-	77
Dividend received from an associate	1,545	1,302
Dividend received from joint ventures	-	3,502
Net cash used in investing activities	(365,015)	(327,090)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	3,761,383	3,395,328
Repayment of borrowings	(3,260,335)	(3,570,090)
Repayment of LLA liability	(176,068)	(247,934)
Dividend paid to shareholders	(401,297)	(291,852)
Dividend paid to non-controlling interest	(11,844)	(31,034)
Finance costs paid	(76,666)	(78,346)
Payments of lease liabilities	(29,978)	(22,980)
Net cash generated used in financing activities	(194,805)	(846,908)
Net decrease in cash and cash equivalents	(181,211)	(777,805)
Effect of foreign exchange rate changes	16,565	25,275
Cash and cash equivalents at beginning of the financial period	1,397,106	2,031,666
Cash and cash equivalents at end of the financial period	1,232,460	1,279,136

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 2022.



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Explanatory Notes on the Quarterly Report – 30 June 2023

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 2022. 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 2022.

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 2022.

- (i) Accounting pronouncements that are effective and have been adopted by the Group

The Group has considered the Agenda Decision on demand deposits with restrictions on use, arising from a contract with third party and has included the cash pledged in order to obtain certain bank facilities as a component of cash and cash equivalents.

- (ii) 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 for annual periods beginning on or after 1 January 2023

- 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 relating to assets and liabilities arising from a single transaction'

- (iii) Amendments to existing standards that are not yet effective and have not been early adopted by the Group:

Effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 101 'Classification of liabilities as current or non current' (2020 amendments) and 'Non current liabilities with covenants' (2022 amendments)

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 2023 (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

The final single tier dividend of 11.0 sen per share on 3,648,151,500 ordinary shares under single-tier system for the financial year ended 31 December 2022 amounting to RM401.3 million was paid on 13 April 2023.



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Explanatory Notes on the Quarterly Report – 30 June 2023 (continued)

7. Segment Information

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 2023

	Plantation RM'000	Sugar RM'000	Logistics and Others RM'000	Corporate HQ and Elimination RM'000	Total RM'000
Total segment revenue	11,011,739	1,402,983	367,429	167,569	12,949,720
Less: Inter-segment revenue	(3,478,433)	(68,406)	(170,906)	(144,539)	(3,862,284)
Revenue from external customers	7,533,306	1,334,577	196,523	23,030	9,087,436

Finance income	9,025	3,673	1,582	750	15,030
Finance costs	(16,541)	(19,836)	(1,439)	(22,353)	(60,169)
Depreciation and amortisation	(287,054)	(39,256)	(41,121)	(9,436)	(376,867)
Fair value changes in LLA liability	(59,668)	-	-	-	(59,668)
Reversal of impairment/ (impairment of):					
- financial assets	2,708	102	(1,144)	-	1,666
- non-financials assets	(40,859)	-	-	(500)	(41,359)
Share of results of joint ventures	12,547	-	-	-	12,547
Share of results of associates	887	-	-	(1,741)	(854)

**Profit/(loss) before zakat and taxation
for the financial period**

75,651	(45,476)	60,861	(16,782)	74,254
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Disaggregation of the Group's revenue
is as follows:

Sales of Palm Oil Products
Sales of Refined Sugar

Others

Timing of revenue
recognition

At a point in time
At a point in time
At a point in
time/over time

6,203,397	-	-	-	6,203,397
-	1,334,577	-	-	1,334,577
1,329,909	-	196,523	23,030	1,549,462
7,533,306	1,334,577	196,523	23,030	9,087,436



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Explanatory Notes on the Quarterly Report – 30 June 2023 (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 2022					
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 Oil Products	9,887,199	-	-	-	9,887,199
Sales of Refined 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 2023 (continued)

8. Capital Commitments

	As at 30 June 2023 RM'000	As at 31 December 2022 RM'000
Capital expenditure approved and contracted for:		
- Property, plant and equipment	258,466	407,048
	258,466	407,048

9. Significant Related Party Transactions

(l) Related party transactions for the financial year ended 30 June 2023 and 30 June 2022 are as follows:

(a) Sales of goods and services

	Year to date ended 30 June	
	2023 RM'000	2022 RM'000
(i) Transactions with joint ventures		
Sales of CPO by FGV Trading Sdn. Bhd. ("FGVT") to FGV Iffco Sdn. Bhd. Group ("FISB Group")	496,499	439,591
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	101,232	222,138
Sales of CPO by FGVT and FGV Palm Industries Sdn. Bhd. ("FGVPI") to MAPAK Edible Oil Pvt. Ltd. ("MAPAK")	35,053	117,682
(ii) Transactions with Federal Land Development Authority ("FELDA") and its subsidiaries		
Sales of fertiliser by FGV Fertiliser Sdn. Bhd. ("FGVFSB")	274,686	144,072
IT services rendered by FGV Prodata Systems Sdn. Bhd ("Prodata")	9,719	12,755
Security services rendered by FGV Security Services Sdn. Bhd ("FSSSB")	10,939	10,719



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Explanatory Notes on the Quarterly Report – 30 June 2023 (continued)

9. Significant Related Party Transactions (continued)

(i) Related party transactions for the financial year ended 30 June 2023 and 30 June 2022 are as follows:
(continued)

(b) Purchase of goods and services

	Year to date ended 30 June	
	2023 RM'000	2022 RM'000
Transactions with FELDA and its subsidiaries:		
LLA liability paid by FGV Plantations (Malaysia) Sdn. Bhd. ("FGVPM")	176,068	247,934
Interest expense charged by FELDA	7,809	15,951
Purchase of cup lump by FGV Rubber Industries Sdn. Bhd. ("FRISB")	58,371	59,360
Purchase of FFB by FGVT	1,882,095	3,897,528
Joint Consultative Committee payment by FGVT	7,180	8,524

(c) Transactions with Government related entities

Transactions between subsidiaries and other government agencies:

Cooking oil subsidy received from Kementerian Perdagangan Dalam Negeri dan Kos Sara Hidup	83,650	287,838
Windfall tax paid/payable to Royal Malaysian Custom Department	34,567	168,867
CESS payment to Malaysia Palm Oil Board	17,530	19,917

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 2023 (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 9 November 2022, Prodata has informed the Judge that Prodata is not agreeable to record a consent order on VDSL’s protective order application. On 16 December 2022, the Judge recorded the consent order between VDSL and Felda in respect of both VDSL’s protective order application and Felda’s discovery application.

The Judge dismissed the security for costs applications filed by Prodata and Felda respectively, with costs of RM5,000 (subject to allocator fee of RM200, therefore totaling RM5,200) payable by each of Prodata and Felda to VDSL.

On 9 January 2023, Prodata has filed an appeal to Court of Appeal against the High Court’s dismissal of Prodata’s application for security for costs. On 18 January 2023, during the case management, parties were informed as follows:

- (i) Both Felda & Prodata are appealing the High Court’s decision on the Security for Costs applications;
- (ii) Felda also filed an appeal on the High Court’s decision on Felda’s Striking Out application;
- (iii) VDSL would like to file an application to amend its Amended Statement of Claim

The Court of Appeal (against the High Court’s dismissal of Prodata’s application for security for costs) has fixed case management on 10 April 2023. The purpose of this case management is to fix a date for hearing of Prodata’s appeal.

On 14 March 2023, the High Court was informed that FGV Prodata and FELDA would like to oppose VDSL’s application to amend the statement of claim. The High Court fixed 16 May 2023 for hearing before the judge but was further rescheduled to 25 July 2023. However, the hearing scheduled on 25 July 2023 was again vacated and adjourned to 12 September 2023.

Separately, On 10 August 2023, the Court of Appeal has granted the application for security for costs by Prodata and Felda and directed VDSL to pay a sum of RM100,000 as security for costs each to the respective solicitors for Prodata and Felda respectively within 21 days from 10 August 2023. The Court of Appeal also has ordered VDSL to pay a sum of RM10,000 as costs (subject to allocatur fee) each to Prodata and Felda respectively.

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



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Explanatory Notes on the Quarterly Report – 30 June 2023 (continued)

11. Contingent Liabilities and Material Litigation (continued)

- (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. 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 (new civil court) and no official letter of the direction from the new judge.

On 5 October 2022, the Federal Court did not allow the Plaintiff’s application for Leave to Appeal and therefore, the Main Action and the Counterclaim will proceed to trial in the High Court. The Court has fixed new trial dates on 17 to 19 April 2023 and fixed for a case management and hearing for 10th to 14th Defendants amendment application on the counter claim on 22 February 2023.

On 22 February 2023, the Judge indicated that this case would be more suitable to be heard in a Commercial Court (the case was filed in a Civil Court). Hence, the case management and hearing of 10th to 14th Defendants amendment application on the counter claim could not proceed. Additionally, the 1st Defendant has filed an application to amend his defence.

The case has been transferred to the Commercial Court. On 31 March 2023, the Court has fixed the 1st Defendant’s Amendment Application and 10th to 14th Defendants Amendment Application for Hearing on 27 November 2023.



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Explanatory Notes on the Quarterly Report – 30 June 2023 (continued)

11. Contingent Liabilities and Material Litigation (continued)

- (iii) On 10 April 2023, Sri Kehuma Sdn. Bhd. and Yapidmas Plantation Sdn. Bhd., indirect subsidiaries of the Company, (“the Defendants”) had been served with a sealed Writ of Summons dated 13 March 2023 (“the Writ”) by Euggne Kousai (“the Plaintiff”).

The plaintiff, among others, is claiming for damages amounting to RM24,924,000 due to the Defendants’ alleged fraudulent transaction and the continuing trespass of forty one (41) parcels of lands under Native Title, which are under lease agreements, which the Plaintiff claims to be the registered owner.

The Plaintiff had further filed an application under Order 14A of the Rules of Court 2012 to request the Court to dispose the suit without the need for full trial.

The hearing before the Judge has fixed on 5 October 2023.

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 2023 (continued)

12. Review of Group Performance

	Quarter ended 30 June			Quarter ended 31 March		Year to date ended 30 June		
	2023 RM'000	2022 RM'000	% +/-)	2023 RM'000	% +/-)	2023 RM'000	2022 RM'000	% +/-)
Revenue	4,494,841	7,427,055	(39.5)	4,592,595	(2.1)	9,087,436	13,280,816	(31.6)
Plantation	13,758	620,816	(97.8)	61,893	(77.8)	75,651	1,138,684	(93.4)
Sugar	(13,745)	(28,876)	52.4	(31,731)	56.7	(45,476)	(59,656)	23.8
Logistics and Others	23,218	14,017	65.6	37,643	(38.3)	60,861	35,938	69.3
Sector results	23,231	605,957	(96.2)	67,805	(65.7)	91,036	1,114,966	(91.8)
Corporate HQ and elimination	(8,839)	(5,680)		(7,943)		(16,782)	(13,626)	
Profit before zakat and taxation	14,392	600,277	(97.6)	59,862	(76.0)	74,254	1,101,340	(93.3)
Zakat	(266)	(27,661)		(511)		(777)	(28,818)	
Taxation	(32,331)	(216,851)		(51,308)		(83,639)	(350,177)	
(Loss)/profit for the financial period	(18,205)	355,765	>(100)	8,043	>(100)	(10,162)	722,345	>(100)
(Loss)/profit attributable to:								
Owners of the Company	(12,897)	374,024	>(100)	12,092	>(100)	(805)	743,260	>(100)
Non-controlling interests	(5,308)	(18,259)		(4,049)		(9,357)	(20,915)	
(Loss)/profit for the financial period	(18,205)	355,765	>(100)	8,043	>(100)	(10,162)	722,345	>(100)



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Explanatory Notes on the Quarterly Report – 30 June 2023 (continued)

12. Review of Group Performance (continued)

(A) Current Quarter Ended 30 June 2023 against Previous Year's Corresponding Quarter Ended 30 June 2022

Overall

The revenue of the Group reduced by 40% to RM4.49 billion on the back of lower average CPO price realised in current quarter. The Group's profit before zakat and taxation declined to RM14.39 million for the current quarter compared to profit before zakat and taxation of RM600.28 million in the corresponding quarter of the previous year largely attributed to lower profit registered in Plantation Sector. The lower profit was partially mitigated by improvement reported in Logistic and Others Sector and lower loss in Sugar Sector in current quarter.

(a) Plantation Sector

Profit in Plantation Sector plummeted to RM13.76 million from RM620.82 million in corresponding quarter of the previous year mainly attributed to lower average CPO price realised of RM4,000 per MT compared to RM5,254 per MT registered in previous year's corresponding quarter coupled with lower CPO sales volume by 17% and higher CPO production costs ex-mill by 37%.

In addition, the Sector's results were further eroded by lower margin achieved in downstream business and impairment loss of property, plant and equipment amounting to RM48.68 million recognised which included impairment of Indonesian plantation assets of RM47.29 million.

The lower profit in the current quarter was partially offsetted by lower fair value charge on LLA of RM27.51 million compared to RM57.85 million in corresponding quarter of the previous year.

Operationally, FFB production reduced to 0.78 million MT from 0.96 million MT, while yield decreased to 2.91 MT per hectare from 3.50 MT per hectare in corresponding quarter of the previous year. OER achieved in current quarter was 20.84%, improved from 20.63% registered in corresponding quarter of the previous year.

(b) Sugar Sector

Sugar Sector reported a lower loss of RM13.75 million compared to RM28.88 million loss in corresponding quarter of the previous year. The improvement was attributable to increase in the overall average selling price, gain on disposal of asset held for sale of RM8.33 million, gain from translation of USD balances of RM9.67 million, gain from USD forward contracts of RM7.09 million as well as lower freight cost and better capacity utilisation.

(c) Logistics and Others Sector

Logistic and Others Sector reported a higher profit of RM23.22 million compared to RM14.02 million reported in the corresponding quarter of the previous year mainly attributable to lower loss in Others Sector. In the previous corresponding quarter, Others Sector recognised an impairment loss on receivables amounting to RM7.13 million.

Logistic division reported marginal increase in profit by 1% compared to the corresponding quarter of the previous year mainly due to increase in handling rate in bulking segment in current quarter.



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Explanatory Notes on the Quarterly Report – 30 June 2023 (continued)

12. Review of Group Performance (continued)

(B) Current Financial Period Ended 30 June 2023 against the Previous Financial Period Ended 30 June 2022

Overall

The revenue of the Group declined by 32% to RM9.09 billion compared to previous corresponding financial period while the profit before zakat and taxation of the Group decreased significantly to RM74.25 million for the financial period under review compared to RM1.10 billion reported in previous financial period. The performance of the Group in current financial period was pulled down by the lower profit registered in Plantation Sector but was partially mitigated by the improvement in Logistic and Others Sector.

(a) **Plantation Sector**

The profit in Plantation Sector was down to RM75.65 million for the financial period ended 30 June 2023 from RM1,138.68 million recorded in previous financial corresponding period. This was in tandem with the lower average CPO price realised of RM3,995 per mt against RM5,165 per mt registered in previous corresponding financial period and pressured by higher CPO production costs ex-mill by 41%.

The Sector was also affected by the squeezed margin in downstream and fertiliser businesses, lower share of profit recorded from joint ventures from RM34.41 million to RM12.55 million in current financial period and net impairment loss of property, plant and equipment amounting to RM40.86 million. The impairment was mainly due to the impairment of Indonesian plantation assets of RM47.29 million.

The lower profit was partially cushioned by lower fair value charge on LLA of RM59.67 million against RM216.99 million registered in previous year.

FFB production decreased by 11% to 1.60 million MT from 1.78 million MT, thus led to lower yield of 5.95 mt per hectare compared to 6.51 mt per hectare recorded in the previous financial period. OER achieved was lower at 20.30% compared to 20.48% registered in the previous financial period.

(b) **Sugar Sector**

Sugar Sector registered a lower loss of RM45.48 million compared to RM59.66 million loss in previous corresponding financial. This was attributable to increase in the overall average selling price, gain on disposal of asset held for sale of RM8.33 million, gain from translation of USD balances of RM10.96 million, gain from USD forward contracts of RM14.13 million as well as lower freight cost.

(c) **Logistic and Others Sector**

Logistic and Others Sector recorded 69% increase in profit to RM60.86 million from RM35.94 million registered in previous financial period. Profit from Logistic division increased by 9% mainly driven by higher bulking income underpinned by higher handling rate while profit from Others Sector improved on the back of higher income reported in IT business. Included in the Others Sector in the previous financial period was impairment loss recognised in its receivables of RM7.20 million.



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Explanatory Notes on the Quarterly Report – 30 June 2023 (continued)

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

Overall

The Group recorded a revenue of RM4.49 billion and a lower profit before zakat and taxation RM14.39 million compared to RM59.86 million registered in preceding quarter. The declined performance was mainly attributable to the lower profit registered in Plantation and Logistics and Other Sectors in current quarter.

(a) Plantation Sector

Plantation Sector recorded a lower profit of RM13.76 million compared to RM61.89 million in preceding quarter. This was mainly attributed to impairment loss recognised on financial assets amounting to RM48.68 million which includes impairment in Indonesian plantation assets of RM47.29 million compared to the reversal of impairment of RM7.82 million recorded in preceding quarter. Without the impairment, the Sector recorded a marginal decline of RM52.84 million compared to RM54.07 million recorded in the preceding quarter partially affected by lower margin achieved in downstream business.

Operationally, average CPO price realised in current quarter was at RM4,000 per MT compared to RM3,998 per MT in preceding quarter. FFB production decreased to 0.78 million MT from 0.82 million MT, hence the lower yield of 2.91 MT per hectare compared to 3.04 MT per hectare in preceding quarter. Higher OER at 20.84% was achieved in current quarter compared to 19.81% registered in the preceding quarter.

(b) Sugar Sector

Sugar Sector reported a lower loss of RM13.75 million compared to RM31.73 million loss in preceding quarter mainly attributed to higher overall average selling price, gain on disposal of asset held for sale of RM8.33 million, gain from translation of USD balances of RM8.39 million as well as lower natural gas and better capacity utilisation.

(c) Logistics and Others Sector

Logistic and Others Sector recorded a lower profit of RM23.22 million compared to profit of RM37.64 million in preceding quarter mainly due to lower contribution from Logistic Sector by 21% on the back of lower throughput in current quarter.



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Explanatory Notes on the Quarterly Report – 30 June 2023 (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	
	2023 RM'000	2022 RM'000
Included in operating profit after LLA are:		
Depreciation of property, plant and equipment	329,881	339,591
Depreciation of right-of-use assets	37,698	30,684
Depreciation of investment properties	3,836	6,098
Property, plant and equipment written off	3,806	1,829
Amortisation of intangible assets	5,452	5,738
Gain on disposal of asset held for sale	(8,332)	-
Impairment loss/(reversal of impairment) on property, plant and equipment - net	41,359	(1,029)
Reversal of impairment on right-of-use assets	-	(159)
Reversal of impairment on asset held for sale	-	(15,100)
Net unrealised foreign exchange gain	(11,850)	(11,854)

16. Taxation

	Quarter Ended 30 June		Year to date Ended 30 June	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Malaysian income tax				
Current financial period	(37,488)	(171,883)	(57,271)	(309,581)
Foreign income tax				
Current financial period	(3,995)	(5,380)	(8,228)	(9,574)
Deferred tax				
	9,152	(39,588)	(18,140)	(31,022)
	(32,331)	(216,851)	(83,639)	(350,177)

The effective tax rate for the financial period ended 30 June 2023 is more than 100%, higher than the Malaysian income tax rate of 24% due to certain expenses which are not allowable and deferred tax assets not recognised on losses in certain subsidiaries.



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Explanatory Notes on the Quarterly Report – 30 June 2023 (continued)

17. Borrowings

	As at 30 June 2023					
	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	-	347,525	-	148,050	-	495,575
Short term trade financing						
- Thai Baht	-	-	40,000	5,257	40,000	5,257
Unsecured						
Loan due to ultimate holding company	-	-	-	332,682	-	332,682
Sukuk	-	397,979	-	50,000	-	447,979
Islamic short term trade financing						
- Ringgit Malaysia	-	-	-	1,543,694	-	1,543,694
- United States Dollar	-	-	30,434	141,974	30,434	141,974
Short term trade financing	-	-	-	538,465	-	538,465
Hire purchase	-	48,797	-	6,309	-	55,106
Total borrowings		794,301		2,766,431		3,560,732

Exchanges rates applied as at 30 June 2023

United States Dollar	4.6650
Thai Baht	13.1247

As at 30 June 2023, 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 2023 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 2023 are as follows:

	Contractual/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
<u>Non-current</u>			
Islamic profit rate swap	83,333	-	124
<u>Current</u>			
Foreign currency forwards	368,798	1,105	489
Palm oil futures	4,203	1,940	-
Brent crude oil option futures	1,517	-	1,465
	374,518	3,045	1,954
	457,851	3,045	2,078



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Explanatory Notes on the Quarterly Report – 30 June 2023 (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 2022. 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 2023.

<u>30 June 2023</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	1,940	1,105	-	3,045
- Trading securities	80,985	-	-	80,985
Financial assets at FVOCI	<u>2,922</u>	<u>-</u>	<u>166,241</u>	<u>169,163</u>
Total assets	<u>85,847</u>	<u>1,105</u>	<u>166,241</u>	<u>253,193</u>
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
- LLA liability	-	-	3,563,954	3,563,954
- Derivatives	<u>1,465</u>	<u>613</u>	<u>-</u>	<u>2,078</u>
Total liabilities	<u>1,465</u>	<u>613</u>	<u>3,563,954</u>	<u>3,566,032</u>

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

	Financial period ended 30 June 2023 RM'000	Financial year ended 31 December 2022 RM'000
<u>LLA liability</u>		
1 January	3,680,354	3,804,790
Fair value changes charged to profit or loss	59,668	352,870
Repayment during the financial period/year:		
- Fixed lease payments	(121,780)	(243,624)
- Share of profits	<u>(54,288)</u>	<u>(233,682)</u>
30 June / December	<u>3,563,954</u>	<u>3,680,354</u>
<u>Financial assets at FVOCI</u>		
1 January	159,407	198,594
Addition	-	2,706
Disposal	-	(4,648)
Fair value changes	3,439	(35,253)
Currency translation differences	<u>3,395</u>	<u>(1,992)</u>
30 June / December	<u>166,241</u>	<u>159,407</u>



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Explanatory Notes on the Quarterly Report – 30 June 2023 (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 2023.

20. Earnings Per Share

	Quarter ended 30 June		Year to date ended 30 June	
	2023	2022	2023	2022
(Loss)/profit for the financial period attributable to owners of the Company (RM'000)	(12,897)	374,024	(805)	743,260
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)	(0.4)	10.3	(0.0)	20.4

21. Status of Corporate Proposals

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

22. Significant Events

On 30 June 2023, the Board of Directors of FGV and Maybank Investment Bank Berhad announced that the Company proposes to undertake the following:

- (i) proposed bonus issue of up to 364,815,150 new Islamic redeemable preference shares in FGV (“FGV RPS-i”) on the basis of one (1) FGV RPS-i for every ten (10) existing ordinary shares held in FGV on an entitlement date to be determined later (“Proposed Bonus Issue”). The FGV RPS-i will be issued at RM0.10 per FGV RPS-i (“Issue Price”); and
- (ii) proposed amendments to the Constitution of FGV (“Proposed Amendments”).

The main objective of the Proposed Bonus Issue is to provide FGV’s shareholders with better exposure, via preferential dividends, to the distributable profits of the key companies under FGV which are involved in upstream plantation activities namely, FGV Plantations (Malaysia) Sdn Bhd (“FGVPM”), an indirect wholly-owned subsidiary of FGV, and FGV Palm Industries Sdn Bhd (“FGVPI”), a 72% indirect subsidiary of FGV in accordance with the terms of the FGV RPS-i. The Proposed Bonus Issue is subject to being approved by the shareholders of the Company and any other relevant parties.

23. Material events after reporting period

There were no material events after reporting financial period under review.



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Explanatory Notes on the Quarterly Report – 30 June 2023 (continued)

24. Prospects

Despite a recent improvement in labor shortages within estates, the palm oil industry maintains a vigilant stance regarding the potential impact of El Nino weather on the upcoming peak season. Simultaneously, CPO prices are holding steady within the range of RM3,800 to RM4,000 per MT, a situation primarily shaped by adjustments in Indonesia's CPO export quotas. Nevertheless, FGV is resolutely committed to its goals, actively employing strategies such as optimal manuring and cost reduction to mitigate the challenges posed by escalating costs.

Our Sugar Sector expects demand to improve both in the domestic and export markets. However, this Sector will continue to be adversely affected by high raw sugar prices and other input costs. To mitigate the financial impact of higher costs, the Sector's primary focus remains on enhancing its average selling prices, particularly on the domestic wholesale market, while simultaneously minimizing operational expenses.

Our Logistics and Support Businesses will continue to focus on operational efficiency improvement and seek growth opportunities through strategic partnerships.

Simultaneously, FGV is actively engaged in sustainability efforts, collaborating closely with Elevate and the US CBP to address the Withhold Release Order issue. FGV also maintains its certifications under RSPO and MSPO standards while diligently working towards achieving net-zero emissions.

Barring any unforeseen circumstances, the Board anticipates that the Group's financial performance will align with industry expectations.

By Order of the Board

Azni Ariffin
Company Secretary

28 August 2023