



FGV HOLDINGS BERHAD

200701042133 (800165-P)

QUARTERLY REPORT

**Condensed Consolidated Financial Statements
For The Financial Period Ended 30 June 2020**



FGV HOLDINGS BERHAD

QUARTERLY REPORT

On consolidated results for the quarter ended 30 June 2020

The Directors are pleased to announce the following:

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

	Note	Quarter ended 30 June			Year to date ended 30 June		
		2020	2019	% + / (-)	2020	2019	% + / (-)
Revenue		3,294,359	3,279,337	0.5	6,077,447	6,555,418	(7.3)
Cost of sales		(2,958,685)	(2,989,460)	1.0	(5,605,347)	(5,877,439)	4.6
Gross profit		<u>335,674</u>	<u>289,877</u>	15.8	<u>472,100</u>	<u>677,979</u>	(30.4)
Other operating income		14,791	11,751	25.9	33,768	42,039	(19.7)
Selling and distribution costs		(41,338)	(41,095)	(0.6)	(83,212)	(107,388)	22.5
Administrative expenses		(175,373)	(176,052)	0.4	(389,071)	(414,324)	6.1
Reversal of impairment of financial assets (net)		4,170	18,322	(77.2)	17,377	65,869	(73.6)
Other operating expenses		(27,000)	(9,221)	<100	(43,095)	(10,592)	<100
Commodity gains - net		<u>4,260</u>	<u>8,702</u>	(51.0)	<u>50,997</u>	<u>13,562</u>	>100
Operating profit		<u>115,184</u>	<u>102,284</u>	12.6	<u>58,864</u>	<u>267,145</u>	(78.0)
Fair value changes in Land Lease Agreement ('LLA') liability		(75,928)	(78,903)	3.8	(133,229)	(165,279)	19.4
Operating profit/(loss) after LLA	15	<u>39,256</u>	<u>23,381</u>	67.9	<u>(74,365)</u>	<u>101,866</u>	<100
Finance income		6,655	8,170	(18.5)	12,826	10,289	24.7
Finance costs		(40,572)	(77,563)	47.7	(88,731)	(114,278)	22.4
Share of results from associates		(189)	(753)	74.9	(149)	(1,631)	90.9
Share of results from joint ventures		<u>12,671</u>	<u>(10,022)</u>	>100	<u>5,186</u>	<u>(29,601)</u>	>100
Profit/(loss) before zakat and taxation		<u>17,821</u>	<u>(56,787)</u>	>100	<u>(145,233)</u>	<u>(33,355)</u>	<100
Zakat		103	(1,167)	>100	(5,001)	(1,541)	<100
Taxation	16	<u>(5,876)</u>	<u>(8,451)</u>	30.5	<u>(11,587)</u>	<u>(22,331)</u>	48.1
Profit/(loss) for the financial period		<u>12,048</u>	<u>(66,405)</u>	>100	<u>(161,821)</u>	<u>(57,227)</u>	<100
Profit/(loss) attributable:							
-Owners of the Company		20,549	(52,196)	>100	(121,800)	(55,570)	<100
-Non-controlling interests		<u>(8,501)</u>	<u>(14,209)</u>	40.2	<u>(40,021)</u>	<u>(1,657)</u>	<100
		<u>12,048</u>	<u>(66,405)</u>	>100	<u>(161,821)</u>	<u>(57,227)</u>	<100
Earnings/(loss) per share for loss attributable to the the owners of the Company:							
Basic (sen)	20	0.6	(1.4)		(3.3)	(1.5)	



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 30 June 2020 (continued)

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

	Quarter ended 30 June			Year to date ended 30 June		
	2020	2019	% + / (-)	2020	2019	% + / (-)
Profit/(loss) for the financial period	12,048	(66,405)	>100	(161,821)	(57,227)	<100
Other comprehensive income/(loss)						
Actuarial (loss)/gain on defined benefit plan	(49)	564		(1,411)	1,244	
Fair value changes of financial assets at fair value through other comprehensive income ("FVOCI")	8,378	(204)		11,984	(134)	
Share of other comprehensive (loss)/income of joint ventures	(1,024)	(5,148)		476	(6,851)	
Currency translation differences	470	919		31,966	(7,858)	
Cash flow hedges	(437)	(3,424)		(6,301)	(5,301)	
Other comprehensive income/(loss) for the financial period net of tax	7,338	(7,293)		36,714	(18,900)	
Total comprehensive income/(loss) for the financial period	<u>19,386</u>	<u>(73,698)</u>	>100	<u>(125,107)</u>	<u>(76,127)</u>	(64.3)
Total comprehensive income/(loss) attributable to:						
- Owners of the Company	29,516	(55,054)	>100	(81,434)	(68,885)	(18.2)
- Non-controlling interests	<u>(10,130)</u>	<u>(18,644)</u>	45.7	<u>(43,673)</u>	<u>(7,242)</u>	<100
Total comprehensive income/(loss) for the financial period	<u>19,386</u>	<u>(73,698)</u>	>100	<u>(125,107)</u>	<u>(76,127)</u>	(64.3)

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



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 30 June 2020 (continued)

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

	Note	Unaudited As at 30 June 2020	Audited As at 31 December 2019
<u>Non-current assets</u>			
Property, plant and equipment		8,216,484	8,190,118
Right-of-use assets		2,152,622	2,213,761
Investment properties		99,929	106,049
Intangible assets		967,637	969,754
Interests in associates		39,668	39,757
Interests in joint ventures		443,175	437,064
Amount due from a significant shareholder		39,635	52,276
Amount due from a joint venture		-	1,017
Amounts due from related companies		-	12,218
Deposit and other receivables		90,031	86,736
Deferred tax assets		603,412	651,301
Financial assets through other comprehensive income		120,993	107,434
		<u>12,773,586</u>	<u>12,867,485</u>
<u>Current assets</u>			
Inventories		1,399,062	1,313,037
Receivables		1,296,989	1,213,217
Biological assets		69,623	45,766
Amount due from a significant shareholder		51,166	70,375
Amounts due from joint ventures		200,977	148,011
Amounts due from related companies		93,833	76,618
Tax recoverable		43,075	51,264
Financial assets at fair value through profit or loss		58,317	58,940
Derivative financial assets	18	124	18,388
Contract assets		31,719	28,417
Deposits, cash and bank balances		1,844,768	1,617,622
		5,089,653	4,641,655
Assets held for sale		<u>35,298</u>	<u>192,499</u>
		5,124,951	4,834,154
Total assets		<u>17,898,537</u>	<u>17,701,639</u>
<u>Equity</u>			
Share capital		7,029,889	7,029,889
Treasury shares		(4,552)	(302)
Reserves		(3,010,783)	(2,856,386)
Equity attributable to owners of the Company		4,014,554	4,173,201
Non-controlling interests		<u>1,854,065</u>	<u>1,927,099</u>
Total equity		<u>5,868,619</u>	<u>6,100,300</u>



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 30 June 2020 (continued)

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

	Note	Unaudited As at 30 June 2020	Audited As at 31 December 2019
<u>Non-current liabilities</u>			
Borrowings	17	881,974	766,054
Loans due to a significant shareholder	17	882,866	883,176
LLA liability		4,042,454	4,063,332
Derivative financial liabilities	18	12,174	5,166
Provision for asset retirement		32,724	32,124
Provision for defined benefit plan		86,037	87,801
Lease liability		254,518	258,957
Deferred tax liabilities		600,438	671,954
Payables		12,747	12,000
		6,805,932	6,780,564
<u>Current liabilities</u>			
Payables		1,333,456	906,970
Loans due to a significant shareholder	17	3,399	3,322
Amount due to a significant shareholder		313,886	216,558
Amounts due to associates		479	485
Amounts due to related companies		4,203	1,604
Borrowings	17	3,109,147	3,254,504
Derivative financial liabilities	18	14,129	29,266
Provision for asset retirement		685	655
Lease liability		22,065	41,838
LLA liability		285,084	252,814
Contract liabilities		35,942	77,623
Current tax liabilities		27,993	34,520
Dividend payable		72,963	-
		5,223,431	4,820,159
Liabilities related to assets held for sale		555	616
		5,223,986	4,820,775
Total liabilities		12,029,918	11,601,339
Total equity and liabilities		17,898,537	17,701,639
Net assets per share attributable to owners of the Company		1.10	1.14

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



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

	<u>Share capital</u>	<u>Treasury shares</u>	<u>Foreign exchange reserve</u>	<u>Re-organisation reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Year to date ended 30 June 2020									
At 1 January 2020	7,029,889	(302)	52,218	(3,089,497)	(20,682)	201,575	4,173,201	1,927,099	6,100,300
Loss for the financial period	-	-	-	-	-	(121,800)	(121,800)	(40,021)	(161,821)
Other comprehensive (loss)/income for the financial period, net of tax:									
<u>Items that will not be reclassified to profit or loss</u>									
- actuarial loss on defined benefit plan	-	-	-	-	-	(1,331)	(1,331)	(80)	(1,411)
- fair value changes in financial assets at FVOCI	-	-	-	-	11,984	-	11,984	-	11,984
<u>Items that will be subsequently reclassified to profit or loss</u>									
- currency translation differences	-	-	32,450	-	-	-	32,450	(484)	31,966
- share of other comprehensive income of joint ventures	-	-	476	-	-	-	476	-	476
- cash flow hedge reserves	-	-	-	-	(3,213)	-	(3,213)	(3,088)	(6,301)
	-	-	32,926	-	(3,213)	-	29,713	(3,572)	26,141
Total other comprehensive income/(loss) for the financial period	-	-	32,926	-	8,771	(123,131)	(81,434)	(43,673)	(125,107)
<u>Transactions with owners</u>									
Treasury shares	-	(4,250)	-	-	-	-	(4,250)	-	(4,250)
Acquisition of a subsidiary	-	-	-	-	-	-	-	5,785	5,785
Dividend paid for the financial year ended 31 December 2019 (final)	-	-	-	-	-	(72,963)	(72,963)	-	(72,963)
Dividend payable to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	(35,146)	(35,146)
Total transactions with owners	-	(4,250)	-	-	-	(72,963)	(77,213)	(29,361)	(106,574)
At 30 June 2020	7,029,889*	(4,552)	85,144	(3,089,497)	(11,911)	5,481	4,014,554	1,854,065	5,868,619



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Unaudited Condensed Consolidated Statement of Changes in Equity (continued)
Amounts in RM thousand unless otherwise stated

	<u>Share capital</u>	<u>Treasury shares</u>	<u>Foreign exchange reserve</u>	<u>Re-organisation reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Year to date ended 30 June 2019									
At 1 January 2019	7,029,889	(705)	103,551	(3,089,497)	(31,003)	452,918	4,465,153	2,138,628	6,603,781
(Loss)/profit for the financial period	-	-	-	-	-	(55,570)	(55,570)	(1,657)	(57,227)
Other comprehensive income/(loss) for the financial period, net of tax:									
<u>Items that will not be reclassified to profit or loss</u>									
- actuarial gain on defined benefit plan	-	-	-	-	-	1,244	1,244	-	1,244
- fair value changes in financial assets at FVOCI	-	-	-	-	(104)	-	(104)	(30)	(134)
<u>Items that will be subsequently reclassified to profit or loss</u>									
- currency translation differences	-	-	(4,901)	-	-	-	(4,901)	(2,957)	(7,858)
- share of other comprehensive loss of joint ventures	-	-	(6,851)	-	-	-	(6,851)	-	(6,851)
- cash flow hedge reserves	-	-	-	-	(2,703)	-	(2,703)	(2,598)	(5,301)
	-	-	(11,752)	-	(2,703)	-	(14,455)	(5,555)	(20,010)
Total other comprehensive (loss)/income for the financial period	-	-	(11,752)	-	(2,807)	(54,326)	(68,885)	(7,242)	(76,127)
<u>Transactions with owners</u>									
Treasury shares	-	(3,103)	-	-	-	-	(3,103)	-	(3,103)
Dividend paid to non-controlling interests of subsidiary	-	-	-	-	-	-	-	(2,263)	(2,263)
Total transactions with owners	-	(3,103)	-	-	-	-	(3,103)	(2,263)	(5,366)
At 30 June 2019	7,029,889*	(3,808)	91,799	(3,089,497)	(33,810)	398,592	4,393,165	2,129,123	6,522,288

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

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



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

	Year to date ended	
	30 June	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the financial period	(161,821)	(57,227)
Adjustments for non-cash items	583,590	617,736
Operating profit before working capital changes	421,769	560,509
Changes in working capital	296,697	279,028
Cash generated from operations	718,466	839,537
Interest received	12,826	10,289
Taxation (paid)/refund, net	(29,724)	41,445
Zakat paid	(5,001)	(1,541)
Retirement benefits paid	(58)	(4,369)
Net cash generated from operating activities	696,509	885,361
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(186,472)	(321,272)
Purchase of intangible asset	(5,089)	(2,083)
Net cash inflow from acquisition of a subsidiary	182	-
Proceeds from disposal of property, plant and equipment	1,082	32
Proceeds from sale of financial assets at fair value through profit or loss	-	8,731
Additions of financial assets at FVOCI	(1,843)	(3,240)
Additions of financial assets at fair value through profit or loss	-	(5,339)
Additional investment in a joint venture	(1,274)	-
Repayment of loan from a jointly controlled entity	-	22,510
Dividend received from an associate	515	652
Dividend received from joint ventures	-	16,365
Dividend received from financial assets at FVOCI	-	1,108
Net cash used in investing activities	(192,899)	(282,536)



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

	Year to date ended	
	30 June	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	2,027,593	2,665,741
Repayment of borrowings	(2,070,269)	(2,734,155)
Repayment of LLA liability	(60,918)	(123,170)
Dividend paid to non-controlling interest	(35,146)	(2,263)
Finance costs paid	(100,170)	(112,514)
Repayment of loan due to a significant shareholder	(21,323)	(268,688)
Payments of lease liabilities	(24,212)	(19,560)
Purchase of treasury stock	(4,250)	(3,103)
(Increase)/decrease in restricted cash	(8,334)	89,492
Net cash used in financing activities	(297,029)	(508,220)
Net increase in cash and cash equivalents	206,581	94,605
Effect of foreign exchange rate changes	11,836	(14,692)
Cash and cash equivalents at beginning of the financial period	1,568,447	1,096,007
Cash and cash equivalents at end of the financial period	1,786,864	1,175,920
Deposits, cash and bank balances	1,844,768	1,203,481
Less: Restricted cash	(57,509)	(34,852)
Less: Assets held for sale	(395)	7,291
Cash and cash equivalents at end of the financial period	1,786,864	1,175,920

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



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020
Amounts in RM thousand unless otherwise stated

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

The Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with FGV audited financial statements for the financial year ended 31 December 2019. These explanatory notes attached to the Unaudited Condensed Consolidated Interim Financial Information provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2019.

1. Basis of Preparation

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

The accounting policies and presentation adopted for this Unaudited Condensed Consolidated Interim Financial Information are mainly consistent with those of the Group's audited financial statements for the financial year ended 31 December 2019.

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 2020 with earlier application permitted

- The Conceptual Framework for Financial Reporting
- Amendments to MFRS 101 'Presentation of Financial Statements' and MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Material
- Amendments to MFRS 3 'Business Combinations' - Definition of Business
- Amendments to MFRS 9 'Financial Instruments' and MFRS 7 'Financial Instruments – Disclosures' – Interest Rate Benchmark Reform'

Effective for annual periods beginning on or after 1 January 2022 with earlier application permitted

- Amendments to MFRS 101 'Presentation of Financial Statements' – Classification of Liabilities as Current or Non-current



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)

Amounts in RM thousand unless otherwise stated

2. Seasonal or Cyclical Factors

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

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

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

There were no other material or unusual items affecting FGV’s assets, liabilities, equity, net income or cash flows during the financial period under review, except for the consideration of COVID-19 pandemic as disclosed in the Group prospects (Note 24).

4. Material Changes in Estimates

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

5. Debt and Equity Securities

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

6. Dividends

No dividend has been paid during the quarter ended 30 June 2020.

The final single tier dividend of 2.0 sen per share for the financial year ended 31 December 2019 amounting to RM72.96 million was paid on 15 July 2020.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)

Amounts in RM thousand unless otherwise stated

7. Segment Information

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

The GMC considers the business by product related activities. The reportable segments for the financial period ended 30 June 2020 have been identified as follows:

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

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

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



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)

Amounts in RM thousand unless otherwise stated

7. Segment Information (continued)

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

		Plantation	Sugar	Logistics and Others	Corporate HQ and Elimination	Total
Year to date ended 30 June 2020						
Total segment revenue		7,232,281	1,068,467	270,075	229,998	8,800,821
Less : Inter-segment revenue		(2,266,998)	(108,103)	(135,779)	(212,494)	(2,723,374)
Revenue from external customers		<u>4,965,283</u>	<u>960,364</u>	<u>134,296</u>	<u>17,504</u>	<u>6,077,447</u>
Finance income		7,498	1,495	3,450	383	12,826
Finance costs		(38,139)	(26,159)	(1,580)	(22,853)	(88,731)
Depreciation and amortisation		(305,227)	(45,969)	(44,894)	(13,681)	(409,771)
Fair value changes in LLA liability		(133,229)	-	-	-	(133,229)
Reversal of impairment of/(impairment of) financial assets		54	(1,359)	16,503	2,179	17,377
Share of results of joint ventures		5,186	-	-	-	5,186
Share of results of associates		<u>489</u>	<u>-</u>	<u>-</u>	<u>(638)</u>	<u>(149)</u>
(Loss)/profit before zakat and taxation for the financial period		<u>(104,977)</u>	<u>(54,419)</u>	<u>22,624</u>	<u>(8,461)</u>	<u>(145,233)</u>
Disaggregation of the Group's revenue is as follows:	<u>Timing of revenue recognition</u>					
Sales of Palm Products Oils	At a point in time	3,368,856	-	-	-	3,368,856
Sales of Sugar	At a point in time	-	960,364	-	-	960,364
Others	At a point in time/over time	1,596,427	-	134,296	17,504	1,748,227
		<u>4,965,283</u>	<u>960,364</u>	<u>134,296</u>	<u>17,504</u>	<u>6,077,447</u>



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)

Amounts in RM thousand unless otherwise stated

7. Segment Information (continued)

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

	Plantation	Sugar	Logistics and Others	Corporate HQ and Elimination	Total	
Year to date ended 30 June 2019						
Total segment revenue	7,221,610	1,069,157	314,910	2,050,260	10,655,937	
Less : Inter-segment revenue	(1,824,078)	(109,320)	(116,861)	(2,050,260)	(4,100,519)	
Revenue from external customers	<u>5,397,532</u>	<u>959,837</u>	<u>198,049</u>	<u>-</u>	<u>6,555,418</u>	
Finance income	4,930	4,077	116	1,166	10,289	
Finance costs	(59,179)	(39,610)	(248)	(15,241)	(114,278)	
Depreciation and amortisation	(286,144)	(31,488)	(40,095)	(6,944)	(364,671)	
Fair value changes in LLA liability	(165,279)	-	-	-	(165,279)	
Reversal of impairment financial assets	56,064	1,001	3,387	5,417	65,869	
Share of results of joint ventures	(29,601)	-	-	-	(29,601)	
Share of results of associates	377	-	-	(2,008)	(1,631)	
(Loss)/profit before zakat and taxation for the financial period	<u>(14,275)</u>	<u>(56,030)</u>	<u>26,273</u>	<u>10,677</u>	<u>(33,355)</u>	
Disaggregation of the Group's revenue is as follows:	<u>Timing of revenue recognition</u>					
Sales of Palm Products Oils	At a point in time	3,592,417	324	-	-	3,592,741
Sales of Sugar	At a point in time	-	959,457	-	-	959,457
Others	At a point in time/ over time	1,805,115	56	198,049	-	2,003,220
		<u>5,397,532</u>	<u>959,837</u>	<u>198,049</u>	<u>-</u>	<u>6,555,418</u>



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)
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8. Capital Commitments

Authorised capital expenditure not provided for are as follows:

	As at 30 June 2020	As at 31 December 2019
Capital expenditure approved and contracted for:		
- Property, plant and equipment	<u>90,840</u>	<u>207,874</u>
	<u>90,840</u>	<u>207,874</u>

9. Significant Related Party Transactions

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

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

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

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



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)
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9. Significant Related Party Transactions (continued)

(I) Related party transactions for the financial period ended 30 June 2020 and 30 June 2019 are as follows:

(a) Sales of goods and services

	Year to date ended 30 June	
	2020	2019
(i) Transactions with joint ventures		
Sales of CPO by FGV Trading Sdn. Bhd. (“FGVT”) and FGV Palm Industries Sdn. Bhd. (“FGVPI”) to FGV Iffco Sdn. Bhd. Group (“FISB Group”)	315,341	466,769
Sales of Crude Palm Kernel Oil (“CPKO”), Refined Bleached Deodorised Palm Kernel Oil (“RBDPKO”) and Palm Kernel Fatty Acid Distillate (“PKFAD”) by FGV Kernel Products Sdn. Bhd. (“FKPSB”) to FISB Group and FPG Oleochemicals Sdn. Bhd. (“FPG”)	397,785	415,645
Sales of CPO by FGVT and FPI to MAPAK Edible Oil Pvt. Ltd. (“MAPAK”)	96,710	156,697
(ii) Transactions with FELDA and its subsidiaries		
Sales of fertiliser by FGV Fertiliser Sdn. Bhd. (“FGVFSB”)	79,905	85,253
IT services rendered by FGV Prodata Systems Sdn. Bhd (“Prodata”)	11,979	11,856
Security services rendered by FGV Security Services Sdn. Bhd (“FSSSB”)	10,073	10,637



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)
Amounts in RM thousand unless otherwise stated

9. Significant Related Party Transactions (continued)

(I) Related party transactions for the financial period ended 30 June 2020 and 30 June 2019 are as follows: (continued)

(b) Purchase of goods and services

	Year to date ended 30 June	
	2020	2019
Transactions with FELDA and its subsidiaries:		
LLA liability paid/payable by FGV Plantations (Malaysia) Sdn. Bhd. (“FGVPM”)	121,837	123,170
Interest expense charged by FELDA	21,323	25,690
Purchase of cup lump by FGV Rubber Industries Sdn. Bhd. (“FRISB”)	57,713	58,011
Purchase of FFB by FGVT and FPI	996,445	1,283,496

(c) Transactions with Government related entities

	Year to date ended 30 June	
	2020	2019
Transactions between subsidiaries and other government agencies:		
Cooking oil subsidy received from Malaysia Palm Oil Board (“MPOB”)	15,466	6,621
CESS payment to MPOB	17,098	20,138



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)
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10. Effect of Significant Changes in the Composition of FGV

Acquisition of a subsidiary

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

The provisional effect of the acquisition is as follows:

	Carrying value
Property, plant and equipment	12,825
Intangible assets	3,531
Net current liabilities	(1,893)
Net assets acquired	14,463
Non-controlling interest	(5,785)
Total net assets acquired	8,678
Subscription consideration	10,050
Provisional goodwill on acquisition	1,372

The cash inflow on the acquisition is as follows:

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

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



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)
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11. Contingent Liabilities and Material Litigation

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

On 3 November 2017, DOP filed its Statement of Defence and Counterclaim and Azonda filed its Reply to Defence and Defence to Counterclaim on 15 November 2017. The Court had heard part of the trial on the matter on 15 January 2019 and continued another part heard on 4 March 2019 to 6 March 2019. The matter was fixed for decision (after full trial) on 1 August 2019 whereby the High Court dismissed the plaintiff claim against DOP and allowed the counter claim made by DOP with cost of RM80,000. On 10 September 2019, the Solicitor informed that the Plaintiff Solicitor did not serve any notice of appeal.

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

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



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)
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12. Review of Group Performance

	Year to date ended		%
	30 June		
	2020	2019	+ / (-)
Revenue	<u>6,077,447</u>	<u>6,555,418</u>	(7.3)
Plantation	(104,977)	(14,275)	<100
Sugar	(54,419)	(56,030)	2.9
Logistics and Others	<u>22,624</u>	<u>26,273</u>	(13.9)
Sector results	(136,772)	(44,032)	<100
Corporate HQ and elimination	<u>(8,461)</u>	<u>10,677</u>	<100
Loss before zakat and taxation	(145,233)	(33,355)	<100
Zakat	(5,001)	(1,541)	<100
Taxation	<u>(11,587)</u>	<u>(22,331)</u>	48.1
Loss for the financial period	<u>(161,821)</u>	<u>(57,227)</u>	<100
Loss attributable to:			
Owners of the Company	(121,800)	(55,570)	<100
Non-controlling interests	<u>(40,021)</u>	<u>(1,657)</u>	<100
Loss for the financial period	<u>(161,821)</u>	<u>(57,227)</u>	<100

Overall

The revenue of the Group dropped by 7.3% to RM6.08 billion compared to previous corresponding period while the Group incurred a loss before zakat and taxation of RM145.23 million for the financial period under review compared to a loss of RM33.36 million in previous financial period. This was mainly due to higher losses registered in Plantation Sector as a result of lower sales volume in Plantation Sector, but this was partially compensated with lower fair value charge of RM133.2 million compared to RM165.3 million registered in previous year.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)
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12. Review of Group Performance (continued)

(a) Plantation Sector

Plantation Sector registered higher loss of RM104.98 million for the financial period ended 30 June 2020 compared to RM14.28 million loss recorded in previous corresponding financial period.

This was mainly attributable to the decrease in CPO sales volume by 21.7% in tandem with the lower FFB production by 13.8% to 1.90 million mt, translated into a lower yield of 7.51 mt per hectare compared to 2.20 million mt production with a yield of 9.14 mt reported in previous corresponding period. CPO cost ex-mill was higher at RM1,711 per mt compared to RM1,416 per mt in previous corresponding period partially due to the lower production. OER achieved was lower at 20.05% compared to 20.48% registered in the previous year. The Sector's result was further eroded by the lower margin in rubber division.

The loss was partially compensated with higher average CPO price realised of RM2,453 per mt against RM1,972 per mt in previous corresponding period despite lower CPO sales volume, lower fair value LLA charge by RM32.05 million and improved share of results from joint ventures of RM5.19 million profit compared to RM29.60 million losses recorded in previous year.

Included in previous financial period's profit was a reversal of impairment of RM56 million due to settlement received from customers.

(b) Sugar Sector

Sugar Sector registered a lower loss of RM54.42 million compared to RM56.03 million loss in previous financial period mainly attributable to higher gross margin and lower finance cost related to loan modification of the Islamic term loan.

(c) Logistic and Others Sector

Logistic and Others Sector recorded a lower profit of RM22.62 million compared to RM26.27 million profits in previous financial period.

Logistic division recorded lower profit by 16% in tandem with lower FFB production and decrease in rental income received from bulking activities. Some projects were also being put on hold due to the Movement Control Order imposed by the Government in middle March 2020. The lower profit in Logistic division was partially offsetted by the reduced losses in Others division by 20.3% as there was a provision of separation scheme cost of RM22.1 million provided in the previous corresponding period.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)
Amounts in RM thousand unless otherwise stated

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

	Quarter ended		%
	30 June 2020	31 March 2020	+ / (-)
Revenue	<u>3,294,359</u>	<u>2,783,088</u>	18.4
Plantation	47,111	(152,088)	>100
Sugar	(26,525)	(27,894)	4.9
Logistic and Others	<u>12,890</u>	<u>9,734</u>	32.4
Sector results	<u>33,476</u>	<u>(170,248)</u>	>100
Corporate HQ and elimination	<u>(15,655)</u>	<u>7,194</u>	<100
Profit/(loss) before zakat and taxation	<u>17,821</u>	<u>(163,054)</u>	>100
Zakat	103	(5,104)	>100
Taxation	<u>(5,876)</u>	<u>(5,711)</u>	(2.9)
Profit/(loss) for the financial period	<u><u>12,048</u></u>	<u><u>(173,869)</u></u>	>100
Profit/(loss) attributable to:			
Owners of the Company	20,549	(142,349)	>100
Non-controlling interests	<u>(8,501)</u>	<u>(31,520)</u>	73.0
Profit/(loss) for the financial period	<u><u>12,048</u></u>	<u><u>(173,869)</u></u>	>100

Overall

The Group reported a profit before zakat and taxation of RM17.82 million compared to RM163.05 million loss in preceding quarter on the back of higher revenue of RM3.29 billion and improvement in Plantation and Logistic and Others Sector's results in current quarter.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)
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13. Material Changes in the Quarterly Results Compared to Preceding Quarter (continued)

(a) Plantation Sector

The Plantation Sector reported a profit of RM47.11 million compared to RM152.09 million loss in preceding quarter. This was mainly due to increase in FFB production in current quarter by 66.9% to 1.19 million mt and higher yield was achieved at 4.69 mt per hectare compared to 2.81 mt per hectare in preceding quarter. OER was however lower at 20.02% in current quarter compared to 20.10% registered in preceding quarter. In addition, there was share of profit of RM12.67 million from joint venture compared to loss of RM7.90 million in preceding quarter.

The Sector's profit was affected by the lower average CPO price realised in current quarter of RM2,309 per mt compared to RM2,669 per mt in preceding quarter and higher fair value charge on LLA of RM75.93 million compared to RM57.30 million in preceding quarter.

(b) Sugar Sector

Sugar Sector reported a lower loss of RM26.53 million compared to RM27.89 million losses in preceding quarter mainly due to higher gross margin and lower operating expenses in current quarter.

(c) Logistics and Others Sector

Logistic and Others Sector recorded higher profit of RM12.89 million compared to RM9.73 million in preceding quarter in tandem with higher FFB production and net reversal of impairment of RM3 million in current quarter.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)
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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/(loss)after LLA

	Year to date ended 30 June	
	2020	2019
Included in operating profit/(loss) after LLA are:		
Depreciation of property, plant and equipment	364,350	323,511
Depreciation of right-of-use assets	26,510	21,416
Property, plant and equipment written off	2,605	2,887
Depreciation of investment properties	6,120	6,160
Amortisation of intangible assets	12,791	13,584
Impairment loss on property, plant and equipment - net	21,776	16,127
Impairment loss on right-of-use assets	3,650	-
Net unrealised foreign exchange gain	<u>(5,525)</u>	<u>(4,317)</u>

16. Taxation

	Quarter Ended 30 June		Year to date Ended 30 June	
	2020	2019	2020	2019
Malaysian income tax				
Current financial period	(7,164)	(26,142)	(31,386)	(76,369)
Foreign income tax				
Current financial period	(5,344)	(3,309)	(3,828)	(4,346)
Deferred tax	<u>6,632</u>	<u>21,000</u>	<u>23,627</u>	<u>58,384</u>
	<u>(5,876)</u>	<u>(8,451)</u>	<u>(11,587)</u>	<u>(22,331)</u>

The effective tax rate for the financial period ended 30 June 2020 is higher than the Malaysian income tax rate of 24% due to certain expenses which are not allowable and deferred tax assets not recognised on losses in certain subsidiaries.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)
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17. Borrowings

	As at 30 June 2020					
	Long term		Short term		Total borrowings	
	Foreign currency	RM Equivalent	Foreign currency	RM Equivalent	Foreign currency	RM Equivalent
<u>Secured</u>						
Islamic term loans	-	868,415	-	138,624	-	1,007,039
Short term trade financing						
- United States Dollar	-	-	6,212	26,602	6,212	26,602
- Thai Baht	-	-	40,000	5,549	40,000	5,549
<u>Unsecured</u>						
Loan due to significant shareholder	-	882,866	-	3,399	-	886,265
Islamic short term trade financing						
- Ringgit Malaysia	-	13,559	-	2,282,822	-	2,296,381
- United States Dollar	-	-	77,097	330,170	77,097	330,170
- Great Britain Pound	-	-	11,947	62,790	11,947	62,790
Short term trade financing	-	-	-	262,590	-	262,590
Total borrowings		1,764,840		3,112,546		4,877,386

Exchanges rates applied as at 30 June 2020

United States Dollar	4.2825
Thai Baht	13.8727
Great Britain Pound	5.2559

As at 30 June 2020, certain short term trade financing is secured over certain property, plant and equipment, benefits of an insurance covering finished goods, and guaranteed by some of the Directors and/or shareholders of certain subsidiary companies. Islamic term loans are secured against a leasehold land, debenture and certain bank balances of the Group.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)
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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 2020 are as follows:

	Contractual/ Notional Amount	Fair Value	
		Assets	Liabilities
<u>Non-current</u>			
Islamic profit rate swap	416,667	-	12,174
<u>Current</u>			
Foreign currency forwards	560,927	124	3,665
Palm oil futures	77,794	-	10,464
	638,721	124	14,129
	1,055,388	124	26,303

19. Fair Value Changes of Financial Instruments

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the last financial year ended 31 December 2019. The maturity periods of the above derivatives are less than one year. The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2020.

<u>30 June 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Financial assets at fair value through profit or loss:				
- Derivatives	-	124	-	124
- Trading securities	58,317	-	-	58,317
	58,317	124	-	58,441
Financial assets at FVOCI	3,400	-	117,593	120,993
Total assets	61,717	124	117,593	179,434
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
- LLA liability	-	-	4,327,538	4,327,538
- Derivatives	10,464	15,839	-	26,303
Total liabilities	10,464	15,839	4,327,538	4,353,841



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)
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19. Fair Value Changes of Financial Instruments (continued)

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

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

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

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

	Financial period ended <u>30 June 2020</u>	Financial year ended <u>31 December 2019</u>
<u>LLA liability</u>		
1 January	4,316,146	4,328,008
Fair value changes charged to profit or loss	133,229	236,821
Repayment/(payable) during the financial period/year:		
- Fixed lease payments	(121,837)	(243,781)
- Share of profits	-	(4,902)
	<u>4,327,538</u>	<u>4,316,146</u>
<u>Financial assets at FVOCI</u>		
1 January	103,686	82,634
Addition	1,843	8,034
Fair value changes	12,064	13,018
	<u>117,593</u>	<u>103,686</u>

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



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Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)
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20. Earnings Per Share

	Quarter ended 30 June		Year to date ended 30 June	
	2020	2019	2020	2019
Basic earnings per share are computed as follows:				
Profit/(loss) for the financial period attributable to owners of the Company (RM'000)	<u>20,549</u>	<u>(52,196)</u>	<u>(121,800)</u>	<u>(55,570)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>3,648,152</u>	<u>3,648,152</u>	<u>3,648,152</u>	<u>3,648,152</u>
Basic earnings/(loss) per share (sen)	<u>0.6</u>	<u>(1.4)</u>	<u>(3.3)</u>	<u>(1.5)</u>

21. Status of Corporate Proposals

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

22. Significant Events

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



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2020 (continued)
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23. Material events after reporting period

On 24 July 2020, the Board of Directors of FGV announced that the Minister of Finance (Incorporated), being the Special Shareholder of the Company, has extended Datuk Wira Azhar Abdul Hamid's tenure as Government Appointed Director and Chairman of the Board of Directors of FGV effective 8 September 2020.

24. Prospects

The Group expects a stronger second half for its Plantation Sector as FFB and CPO production across its operations normalise after a slow start earlier this year. Demand for CPO is poised to recover as global markets open up from strict lockdowns in the first half of 2020.

Sugar Sector will continue to be challenging and will focus on its turnaround plan, product diversification and export market.

The Board expects the overall business environment to remain uncertain and volatile.

By Order of the Board

Koo Shuang Yen
Company Secretary

24 August 2020