



FGV HOLDINGS BERHAD

200701042133 (800165-P)

QUARTERLY REPORT

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



FGV HOLDINGS BERHAD

QUARTERLY REPORT

On consolidated results for the quarter ended 30 September 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 September			Year to date ended 30 September		
		2020	2019	% + / (-)	2020	2019	% + / (-)
Revenue		3,989,459	3,549,245	12.4	10,066,906	10,104,663	(0.4)
Cost of sales		(3,428,210)	(3,242,429)	(5.7)	(9,033,557)	(9,119,868)	0.9
Gross profit		561,249	306,816	82.9	1,033,349	984,795	4.9
Other operating income		30,180	32,552	(7.3)	63,948	74,591	(14.3)
Selling and distribution costs		(11,151)	(60,438)	81.5	(94,363)	(167,826)	43.8
Administrative expenses		(212,304)	(178,038)	(19.2)	(601,375)	(592,362)	(1.5)
(Impairment)/reversal of impairment of financial assets (net)		(3,477)	(171,946)	98.0	13,900	(106,077)	>100
Other operating expenses		(81,526)	(158,323)	48.5	(124,621)	(168,915)	26.2
Commodity gains - net		39,284	(5,076)	>100	90,281	8,486	>100
Operating profit/(loss)		322,255	(234,453)	>100	381,119	32,692	>100
Fair value changes in Land Lease Agreement ('LLA') liability		(123,721)	(113,158)	(9.3)	(256,950)	(278,437)	7.7
Operating profit/(loss) after LLA	15	198,534	(347,611)	>100	124,169	(245,745)	>100
Finance income		4,251	11,488	(63.0)	17,077	21,777	(21.6)
Finance costs		(37,680)	(51,283)	26.5	(126,411)	(165,561)	23.6
Share of results from associates		39	207	(81.2)	(110)	(1,424)	92.3
Share of results from joint ventures		7,527	24,231	(68.9)	12,713	(5,370)	>100
Profit/(loss) before zakat and taxation		172,671	(362,968)	>100	27,438	(396,323)	>100
Zakat		(399)	1,415	<100	(5,400)	(126)	<100
Taxation	16	(59,739)	(1,518)	<100	(71,326)	(23,849)	<100
Profit/(loss) for the financial period		112,533	(363,071)	>100	(49,288)	(420,298)	88.3
Profit/(loss) attributable:							
-Owners of the Company		136,893	(262,410)	>100	15,093	(317,980)	>100
-Non-controlling interests		(24,360)	(100,661)	75.8	(64,381)	(102,318)	37.1
		112,533	(363,071)	>100	(49,288)	(420,298)	88.3
Earnings/(loss) per share for loss attributable to the owners of the Company:							
Basic (sen)	20	3.8	(7.2)		0.4	(8.7)	



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

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

	Quarter ended			Year to date ended		
	30 September 2020	2019	% + / (-)	30 September 2020	2019	% + / (-)
Profit/(loss) for the financial period	112,533	(363,071)	>100	(49,288)	(420,298)	88.3
Other comprehensive income/(loss)						
Actuarial gain/(loss) on defined benefit plan	341	(2)		(1,070)	1,242	
Fair value changes of financial assets at fair value through other comprehensive income ("FVOCI")	(22)	8,177		11,962	8,043	
Share of other comprehensive loss of joint ventures	(3,395)	(7,360)		(2,919)	(14,211)	
Currency translation differences	(25,697)	10,796		6,269	2,938	
Cash flow hedges	554	1,300		(5,747)	(4,001)	
Other comprehensive (loss)/income for the financial period net of tax	(28,219)	12,911		8,495	(5,989)	
Total comprehensive income/(loss) for the financial period	<u>84,314</u>	<u>(350,160)</u>	>100	<u>(40,793)</u>	<u>(426,287)</u>	90.4
Total comprehensive income/(loss) attributable to:						
- Owners of the Company	107,798	(252,028)	>100	26,364	(320,913)	>100
- Non-controlling interests	<u>(23,484)</u>	<u>(98,132)</u>	76.1	<u>(67,157)</u>	<u>(105,374)</u>	36.3
Total comprehensive income/(loss) for the financial period	<u>84,314</u>	<u>(350,160)</u>	>100	<u>(40,793)</u>	<u>(426,287)</u>	90.4

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 2019.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

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

	Note	Unaudited As at 30 September 2020	Audited As at 31 December 2019
<u>Non-current assets</u>			
Property, plant and equipment		8,002,558	8,190,118
Right-of-use assets		2,228,948	2,213,761
Investment properties		96,851	106,049
Intangible assets		960,828	969,754
Interests in associates		37,601	39,757
Interests in joint ventures		445,704	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		90,513	86,736
Deferred tax assets		583,125	651,301
Financial assets through other comprehensive income		121,821	107,434
		12,607,584	12,867,485
<u>Current assets</u>			
Inventories		1,242,299	1,313,037
Receivables		1,288,391	1,213,217
Biological assets		96,780	45,766
Amount due from a significant shareholder		67,538	70,375
Amounts due from joint ventures		56,292	148,011
Amounts due from related companies		96,556	76,618
Tax recoverable		44,218	51,264
Financial assets at fair value through profit or loss		60,367	58,940
Derivative financial assets	18	18,598	18,388
Contract assets		21,094	28,417
Deposits, cash and bank balances		1,730,546	1,617,622
		4,722,679	4,641,655
Assets held for sale		33,924	192,499
		4,756,603	4,834,154
Total assets		17,364,187	17,701,639
<u>Equity</u>			
Share capital		7,029,889	7,029,889
Treasury shares		(4,552)	(302)
Reserves		(2,902,985)	(2,856,386)
Equity attributable to owners of the Company		4,122,352	4,173,201
Non-controlling interests		1,815,840	1,927,099
Total equity		5,938,192	6,100,300



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QUARTERLY REPORT (CONTINUED)

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

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

	Note	Unaudited As at 30 September 2020	Audited As at 31 December 2019
<u>Non-current liabilities</u>			
Borrowings	17	854,100	766,054
Loans due to a significant shareholder	17	883,134	883,176
LLA liability		4,064,515	4,063,332
Derivative financial liabilities	18	11,702	5,166
Provision for asset retirement		32,579	32,124
Provision for defined benefit plan		85,818	87,801
Lease liability		251,296	258,957
Deferred tax liabilities		580,193	671,954
Payables		12,747	12,000
		<u>6,776,084</u>	<u>6,780,564</u>
<u>Current liabilities</u>			
Payables		1,101,037	906,970
Loans due to a significant shareholder	17	13,823	3,322
Amount due to a significant shareholder		257,122	216,558
Amounts due to associates		363	485
Amounts due to related companies		3,766	1,604
Borrowings	17	2,774,412	3,254,504
Derivative financial liabilities	18	489	29,266
Provision for asset retirement		665	655
Lease liability		20,752	41,838
LLA liability		340,799	252,814
Contract liabilities		73,961	77,623
Current tax liabilities		62,447	34,520
		<u>4,649,636</u>	<u>4,820,159</u>
Liabilities related to assets held for sale		<u>275</u>	<u>616</u>
		<u>4,649,911</u>	<u>4,820,775</u>
Total liabilities		<u>11,425,995</u>	<u>11,601,339</u>
Total equity and liabilities		<u>17,364,187</u>	<u>17,701,639</u>
Net assets per share attributable to owners of the Company		<u>1.13</u>	<u>1.14</u>

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to this quarterly report and the audited financial statements for the financial year ended 31 December 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 September 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
Profit/(loss) for the financial period	-	-	-	-	-	15,093	15,093	(64,381)	(49,288)
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	-	-	-	-	-	(1,040)	(1,040)	(30)	(1,070)
- fair value changes in financial assets at FVOCI	-	-	-	-	11,962	-	11,962	-	11,962
<u>Items that will be subsequently reclassified to profit or loss</u>									
- currency translation differences	-	-	6,199	-	-	-	6,199	70	6,269
- share of other comprehensive loss of joint ventures	-	-	(2,919)	-	-	-	(2,919)	-	(2,919)
- cash flow hedge reserves	-	-	-	-	(2,931)	-	(2,931)	(2,816)	(5,747)
Total other comprehensive income/(loss) for the financial period	-	-	3,280	-	(2,931)	14,053	349	(2,746)	(2,397)
Total other comprehensive income/(loss) for the financial period	-	-	3,280	-	9,031	14,053	26,364	(67,157)	(40,793)
<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 paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(49,887)	(49,887)
Total transactions with owners	-	(4,250)	-	-	-	(72,963)	(77,213)	(44,102)	(121,315)
At 30 September 2020	7,029,889*	(4,552)	55,498	(3,089,497)	(11,651)	142,665	4,122,352	1,815,840	5,938,192



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 September 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 for the financial period	-	-	-	-	-	(317,980)	(317,980)	(102,318)	(420,298)
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	-	-	-	-	-	1,242	1,242	-	1,242
- fair value changes in financial assets at FVOCI	-	-	-	-	8,078	-	8,078	(35)	8,043
<u>Items that will be subsequently reclassified to profit or loss</u>									
- currency translation differences	-	-	7,656	-	-	-	7,656	(1,060)	6,596
- reclassification of foreign exchange reserve upon disposal of a subsidiary	-	-	(3,658)	-	-	-	(3,658)	-	(3,658)
- share of other comprehensive loss of joint ventures	-	-	(14,211)	-	-	-	(14,211)	-	(14,211)
- cash flow hedge reserves	-	-	-	-	(2,040)	-	(2,040)	(1,961)	(4,001)
Total other comprehensive (loss)/income for the financial period	-	-	(10,213)	-	(2,040)	-	(12,253)	(3,021)	(15,274)
	-	-	(10,213)	-	6,038	(316,738)	(320,913)	(105,374)	(426,287)
<u>Transactions with owners</u>									
Treasury shares	-	(3,181)	-	-	-	-	(3,181)	-	(3,181)
Employee share grant	-	-	-	-	2,855	-	2,855	-	2,855
Transfer to LTIP reserve	-	2,855	-	-	(2,855)	-	-	-	-
Dividend paid to non-controlling interests of subsidiary	-	-	-	-	-	-	-	(42,723)	(42,723)
Total transactions with owners	-	(326)	-	-	-	-	(326)	(42,723)	(43,049)
At 30 September 2019	7,029,889*	(1,031)	93,338	(3,089,497)	(24,965)	136,180	4,143,914	1,990,531	6,134,445

* 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 September	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the financial period	(49,288)	(420,298)
Adjustments for non-cash items	989,452	1,394,580
Operating profit before working capital changes	940,164	974,282
Changes in working capital	385,727	551,330
Cash generated from operations	1,325,891	1,525,612
Interest received	17,077	21,777
Taxation (paid)/refund, net	(49,798)	37,553
Zakat paid	(5,400)	(126)
Retirement benefits paid	(229)	(15,260)
Net cash generated from operating activities	1,287,541	1,569,556
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(266,993)	(482,810)
Purchase of intangible asset	(5,181)	(3,342)
Net cash inflow from acquisition of a subsidiary	182	-
Net cash inflow from disposal of a subsidiary	-	37,270
Proceeds from disposal of property, plant and equipment	-	19
Proceeds from disposal of assets held for sale	1,373	-
Proceeds from sale of financial assets at fair value through profit or loss	-	8,731
Additions of financial assets at FVOCI	(2,456)	(3,442)
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	2,833	1,167
Dividend received from joint ventures	-	21,364
Dividend received from financial assets at FVOCI	-	1,405
Net cash used in investing activities	(271,516)	(402,467)



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 September	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	4,814,837	3,787,555
Repayment of borrowings	(5,221,892)	(3,910,312)
Repayment of LLA liability	(167,782)	(187,753)
Dividend paid to non-controlling interest	(49,887)	(42,723)
Dividend paid to shareholders	(72,963)	-
Finance costs paid	(150,145)	(145,336)
Repayment of loan due to a significant shareholder	(28,647)	(268,688)
Payments of lease liabilities	(28,747)	(29,340)
Purchase of treasury stock	(4,250)	(3,181)
(Increase)/decrease in restricted cash	(4,371)	64,602
Net cash used in financing activities	(913,847)	(735,176)
Net increase in cash and cash equivalents	102,178	431,913
Effect of foreign exchange rate changes	5,894	(6,880)
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	1,676,519	1,521,040
Deposits, cash and bank balances	1,730,546	1,581,024
Less: Restricted cash	(53,546)	(59,742)
Less: Assets held for sale	(481)	(242)
Cash and cash equivalents at end of the financial period	<u>1,676,519</u>	<u>1,521,040</u>

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



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 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 September 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 September 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 September 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 September 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, production and sale of planting materials and integrated farming.
- 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 September 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 September 2020					
Total segment revenue	12,146,773	1,696,304	431,669	317,351	14,592,097
Less : Inter-segment revenue	(3,874,868)	(141,390)	(217,802)	(291,131)	(4,525,191)
Revenue from external customers	<u>8,271,905</u>	<u>1,554,914</u>	<u>213,867</u>	<u>26,220</u>	<u>10,066,906</u>
Finance income	10,716	2,383	3,477	501	17,077
Finance costs	(67,781)	(38,146)	(3,012)	(17,472)	(126,411)
Depreciation and amortisation	(415,389)	(62,728)	(69,416)	(18,409)	(565,942)
Fair value changes in LLA liability	(256,950)	-	-	-	(256,950)
Reversal of impairment of/(impairment of):					
-financial assets	1,127	(4,932)	19,750	(2,045)	13,900
-non-financials assets	(19,657)	(33,905)	(9,100)	-	(62,662)
Share of results of joint ventures	12,713	-	-	-	12,713
Share of results of associates	716	-	-	(826)	(110)
Profit/(loss) before zakat and taxation for the financial period	<u>133,497</u>	<u>(110,746)</u>	<u>37,409</u>	<u>(32,722)</u>	<u>27,438</u>
Disaggregation of the Group's revenue is as follows:	<u>Timing of revenue recognition</u>				
Sales of Palm Products Oils	5,788,493	-	-	-	5,788,493
Sales of Sugar	-	1,554,914	-	-	1,554,914
Others	2,483,412	-	213,867	26,220	2,723,499
	<u>8,271,905</u>	<u>1,554,914</u>	<u>213,867</u>	<u>26,220</u>	<u>10,066,906</u>



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 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 September 2019					
Total segment revenue	11,716,188	1,787,872	511,616	365,775	14,381,451
Less : Inter-segment revenue	(3,418,002)	(292,241)	(236,843)	(329,702)	(4,276,788)
Revenue from external customers	<u>8,298,186</u>	<u>1,495,631</u>	<u>274,773</u>	<u>36,073</u>	<u>10,104,663</u>
Finance income	9,901	4,920	6,502	454	21,777
Finance costs	(89,841)	(53,555)	(1,177)	(20,988)	(165,561)
Depreciation and amortisation	(423,676)	(76,657)	(58,239)	(10,197)	(568,769)
Fair value changes in LLA liability	(278,437)	-	-	-	(278,437)
(Impairment of)/reversal of impairment of:					
-financial assets	(28,678)	701	(23,834)	(54,266)	(106,077)
-non-financial assets	(78)	(145,072)	-	(1,320)	(146,470)
Share of results of joint ventures	(5,370)	-	-	-	(5,370)
Share of results of associates	621	-	-	(2,045)	(1,424)
(Loss)/profit before zakat and taxation for the financial period	<u>(87,312)</u>	<u>(276,000)</u>	<u>21,634</u>	<u>(54,645)</u>	<u>(396,323)</u>
Disaggregation of the Group's revenue is as follows:	<u>Timing of revenue recognition</u>				
Sales of Palm Products Oils	5,022,993	324	-	-	5,023,317
Sales of Sugar	-	1,495,251	-	-	1,495,251
Others	<u>3,275,193</u>	<u>56</u>	<u>274,773</u>	<u>36,073</u>	<u>3,586,095</u>
	<u>8,298,186</u>	<u>1,495,631</u>	<u>274,773</u>	<u>36,073</u>	<u>10,104,663</u>



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

8. Capital Commitments

Authorised capital expenditure not provided for are as follows:

	As at 30 September 2020	As at 31 December 2019
Capital expenditure approved and contracted for:		
- Property, plant and equipment	<u>85,783</u>	<u>207,874</u>
	<u>85,783</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 September 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 September 2020 and 30 September 2019 are as follows:

(a) Sales of goods and services

	Year to date ended 30 September	
	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”)	543,128	715,127
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”)	576,258	588,991
Sales of CPO by FGVT and FPI to MAPAK Edible Oil Pvt. Ltd. (“MAPAK”)	156,701	156,697
(ii) Transactions with FELDA and its subsidiaries		
Sales of fertiliser by FGV Fertiliser Sdn. Bhd. (“FGVFSB”)	146,913	157,055
IT services rendered by FGV Prodata Systems Sdn. Bhd (“Prodata”)	17,229	17,980
Security services rendered by FGV Security Services Sdn. Bhd (“FSSSB”)	15,630	16,407



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 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 September 2020 and 30 September 2019 are as follows: (continued)

(b) Purchase of goods and services

	Year to date ended 30 September	
	2020	2019
Transactions with FELDA and its subsidiaries:		
LLA liability paid/payable by FGV Plantations (Malaysia) Sdn. Bhd. (“FGVPM”)	167,782	187,805
Interest expense charged by FELDA	21,323	36,235
Purchase of cup lump by FGV Rubber Industries Sdn. Bhd. (“FRISB”)	96,770	98,328
Purchase of FFB by FGVT and FPI	2,004,119	1,936,398

(c) Transactions with Government related entities

	Year to date ended 30 September	
	2020	2019
Transactions between subsidiaries and other government agencies:		
Cooking oil subsidy received from Malaysia Palm Oil Board (“MPOB”)	28,434	5,882
CESS payment to MPOB	29,090	29,881



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 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.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

11. Contingent Liabilities and Material Litigation

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

On 3 November 2017, DOP filed its Statement of Defence and Counterclaim and Azonda filed its Reply to Defence and Defence to Counterclaim on 15 November 2017. The Court had heard part 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 September 2020 (continued)
Amounts in RM thousand unless otherwise stated

12. Review of Group Performance

	Year to date ended		%
	30 September		
	2020	2019	+ / (-)
Revenue	<u>10,066,906</u>	<u>10,104,663</u>	(0.4)
Plantation	133,497	(87,312)	>100
Sugar	(110,746)	(276,000)	59.9
Logistics and Others	<u>37,409</u>	<u>21,634</u>	72.9
Sector results	60,160	(341,678)	>100
Corporate HQ and elimination	<u>(32,722)</u>	<u>(54,645)</u>	40.1
Profit/(loss) before zakat and taxation	27,438	(396,323)	>100
Zakat	(5,400)	(126)	<100
Taxation	<u>(71,326)</u>	<u>(23,849)</u>	<100
Loss for the financial period	<u>(49,288)</u>	<u>(420,298)</u>	88.3
Loss attributable to:			
Owners of the Company	15,093	(317,980)	>100
Non-controlling interests	<u>(64,381)</u>	<u>(102,318)</u>	37.1
Loss for the financial period	<u>(49,288)</u>	<u>(420,298)</u>	88.3

Overall

The revenue of the Group decreased marginally by 0.4% to RM10.07 billion compared to previous corresponding period while the Group reported a profit before zakat and taxation of RM27.44 million for the financial period under review compared to a loss of RM396.32 million in previous financial period. This was mainly due to higher profit registered in Plantation Sector as a result of higher CPO price and lower fair value charge of LLA of RM256.95 million compared to RM278.44 million registered in previous year.

The increase in Group profit was also supported by higher profit in Logistic and Other Sector and lower losses reported in Sugar Sector.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

12. Review of Group Performance (continued)

(a) Plantation Sector

Plantation Sector registered higher profit of RM133.50 million for the financial period ended 30 September 2020 compared to RM87.31 million loss recorded in previous corresponding financial period.

This was mainly attributable to higher average CPO price realised of RM2,536 per mt against RM1,975 per mt in previous corresponding period, lower fair value LLA charge by RM21.49 million and improved share of results from joint ventures of RM12.71 million profit compared to RM5.37 million losses recorded in previous year.

CPO sales volume decreased by 5.2% in tandem with the lower FFB production. FFB production reduced by 5.6% from 3.44 million mt to 3.25 million mt, translated into a lower yield of 12.82 mt per hectare compared to 14.26 mt reported in the previous corresponding period. CPO ex-mill cost was higher at RM1,596 per mt compared to RM1,447 per mt in previous corresponding period partially affected by the lower production. OER achieved was lower at 20.17% compared to 20.63% registered in the previous year. The Sector's result was partially offsetted by the lower margin in rubber division and impairment of assets of RM19.66 million.

(b) Sugar Sector

Sugar Sector registered a lower loss of RM110.75 million compared to RM276.00 million loss in previous financial period mainly attributable to higher gross margin. Nevertheless, the Sector was partially affected by impairment of bearer plant amounting to RM43.7 million and bearer plant written off of RM27.2 million.

Included in previous financial year were impairment of plant and machinery of RM145 million due to planned relocation of its subsidiary and additional finance cost related to loan modification of the Islamic term loan of RM26 million.

(c) Logistic and Others Sector

Logistic and Others Sector recorded profit of RM37.41 million, an improvement from RM21.63 million profit in previous financial period.

Logistic division recorded lower profit by 15% in tandem with lower FFB production and decrease in rental income received from bulking activities.

IT and Others division reported a lower loss by 59% as there was a provision of separation scheme cost of RM20 million and impairment loss of RM23.8 million provided in the previous corresponding period compared to reversal of impairment amounting to RM10.6 million in current financial year. However, IT and travel businesses were hit by the unprecedented Covid-19 pandemic and reported losses for the financial period.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

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

	Quarter ended		%
	30 September 2020	30 June 2020	+ / (-)
Revenue	<u>3,989,459</u>	<u>3,294,359</u>	21.1
Plantation	239,139	47,111	>100
Sugar	(56,327)	(26,525)	<100
Logistic and Others	<u>14,785</u>	<u>12,890</u>	14.7
Sector results	197,597	33,476	>100
Corporate HQ and elimination	<u>(24,926)</u>	<u>(15,655)</u>	(58.0)
Profit before zakat and taxation	172,671	17,821	>100
Zakat	(399)	103	<100
Taxation	<u>(59,739)</u>	<u>(5,876)</u>	<100
Profit for the financial period	<u><u>112,533</u></u>	<u><u>12,048</u></u>	>100
Profit attributable to:			
Owners of the Company	136,893	20,549	>100
Non-controlling interests	<u>(24,360)</u>	<u>(8,501)</u>	<100
Profit for the financial period	<u><u>112,533</u></u>	<u><u>12,048</u></u>	>100

Overall

Revenue for the Group rose 21.1% to RM3.99 billion from RM3.29 billion registered in the preceding quarter.

The Group reported a profit before zakat and taxation of RM172.67 million compared to RM17.82 million in preceding quarter on the back of higher revenue and improvement in all Sector's results except for Sugar Sector in current quarter.



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QUARTERLY REPORT (CONTINUED)

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

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

(a) Plantation Sector

The profit in Plantation Sector surged to RM239.14 million compared to RM47.11 million in preceding quarter.

This was mainly due to higher CPO price realised in current quarter of RM2,645 per mt compared to RM2,309 per mt in preceding quarter coupled with the increase in FFB production in current quarter by 13.2% to 1.35 million mt. Higher yield was achieved at 5.32 mt per hectare compared to 4.69 mt per hectare in preceding quarter while OER increased to 20.35% in current quarter compared to 20.02% registered in preceding quarter.

The Sector's profit was partially offsetted by the higher fair value charge on LLA of RM123.72 million compared to RM75.93 million in preceding quarter.

(b) Sugar Sector

Sugar Sector reported higher loss from RM26.53 million to a loss of RM56.33 million in current quarter mainly attributed to impairment of bearer plant amounting to RM43.7 million and bearer plant written off of RM27.2 million.

Operationally, Sugar Sector recorded higher overall sales volume and higher gross margin in current quarter.

(c) Logistics and Others Sector

Logistic and Others Sector recorded higher profit of RM14.79 million compared to RM12.89 million in preceding quarter in tandem with the increased production in Plantation Sector.

Others Sector particularly IT and travel business were severely affected by Movement Control Order imposed by the Government in preceding quarter and the effects continued to be felt in current quarter.



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QUARTERLY REPORT (CONTINUED)

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

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

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

15. Operating profit/(loss) after LLA

	Year to date ended 30 September	
	2020	2019
Included in operating profit/(loss) after LLA are:		
Depreciation of property, plant and equipment	493,184	507,327
Depreciation of right-of-use assets	46,120	31,521
Property, plant and equipment written off	31,838	10,680
Depreciation of investment properties	9,198	9,241
Amortisation of intangible assets	17,440	20,680
Impairment loss on property, plant and equipment - net	66,980	146,470
Reversal of impairment loss on right-of-use assets - net	(4,318)	-
Realisation of foreign exchange on disposal of a subsidiary	-	(3,658)
Net unrealised foreign exchange gain	<u>(3,900)</u>	<u>(9,630)</u>

16. Taxation

	Quarter Ended 30 September		Year to date Ended 30 September	
	2020	2019	2020	2019
Malaysian income tax				
Current financial period	(53,385)	(31,698)	(84,771)	(108,067)
Foreign income tax				
Current financial period	(6,312)	(898)	(10,140)	(5,244)
Deferred tax	<u>(42)</u>	<u>31,078</u>	<u>23,585</u>	<u>89,462</u>
	<u>(59,739)</u>	<u>(1,518)</u>	<u>(71,326)</u>	<u>(23,849)</u>

The effective tax rate for the financial period ended 30 September 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 September 2020 (continued)
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17. Borrowings

	As at 30 September 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	-	840,541	-	120,133	-	960,674
Short term trade financing						
- United States Dollar	-	-	6,210	25,805	6,210	25,805
- Thai Baht	-	-	40,000	5,249	40,000	5,249
<u>Unsecured</u>						
Loan due to significant shareholder	-	883,134	-	13,823	-	896,957
Islamic short term trade financing						
- Ringgit Malaysia	-	13,559	-	1,957,608	-	1,971,167
- United States Dollar	-	-	73,091	303,730	73,091	303,730
- Great Britain Pound	-	-	12,167	64,816	12,167	64,816
Short term trade financing	-	-	-	297,071	-	297,071
Total borrowings		1,737,234		2,788,235		4,525,469

Exchanges rates applied as at 30 September 2020

United States Dollar	4.1555
Thai Baht	13.1213
Great Britain Pound	5.3274

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



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 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 September 2020 are as follows:

	Contractual/ Notional Amount	Fair Value	
		Assets	Liabilities
<u>Non-current</u>			
Islamic profit rate swap	416,667	-	11,702
<u>Current</u>			
Foreign currency forwards	602,129	1,586	489
Palm oil futures	713,597	17,012	-
	1,315,726	18,598	489
	1,732,393	18,598	12,191

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 September 2020.

<u>30 September 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	17,012	1,586	-	18,598
- Trading securities	60,367	-	-	60,367
	77,379	1,586	-	78,965
Financial assets at FVOCI	3,616	-	118,205	121,821
Total assets	80,995	1,586	118,205	200,786
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
- LLA liability	-	-	4,405,314	4,405,314
- Derivatives	11,702	489	-	12,191
Total liabilities	11,702	489	4,405,314	4,417,505



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QUARTERLY REPORT (CONTINUED)

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

19. Fair Value Changes of Financial Instruments (continued)

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

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

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

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

	Financial period ended <u>30 September 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	256,950	236,821
Repayment/payable during the financial period/year:		
- Fixed lease payments	(182,756)	(243,781)
- Payment offset/(share of profits)	14,974	(4,902)
	<u>4,405,314</u>	<u>4,316,146</u>
<u>Financial assets at FVOCI</u>		
1 January	103,686	82,634
Addition	2,456	8,034
Fair value changes	12,063	13,018
	<u>118,205</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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QUARTERLY REPORT (CONTINUED)

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

	Quarter ended 30 September		Year to date ended 30 September	
	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)	136,893	(262,410)	15,093	(317,980)
Weighted average number of ordinary shares in issue (thousands)	3,648,152	3,648,152	3,648,152	3,648,152
Basic earnings/(loss) per share (sen)	3.8	(7.2)	0.4	(8.7)

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 2020.
- (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.

In Quarter 3 2020, the Group has assessed the carrying value of its bearer plants due to a series of fire incidents which took place in the current year. An amount of RM27.24 million of bearer plants pertaining to rubber trees had been written off in Quarter 3 2020. The Group has recognised a further provision of RM43.70 million for the impairment of the remaining bearer plant assets in accordance to MFRS 136.

- (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. The company has been incorporated in India on 29 July 2020 to carry out the intended business.



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QUARTERLY REPORT (CONTINUED)

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

22. Significant Events (continued)

- (iv) 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.
- (v) On 1st of October 2020, the Board of Directors of FGV confirmed that the U.S. Customs and Border Protection ("CBP") has placed a Withhold Release Order ("WRO") on palm oil and palm oil products made by FGV and its subsidiaries (FGV Group) and joint ventures on 30 September 2020.

FGV emphasised that all issues raised have been the subject of public discourse since 2015 and FGV has taken several measures to correct the situation. FGV's efforts are well documented and available in the public domain.

- (vi) On 15th October 2020, the Board of Directors of FGV informed that on 8 October 2020, FGV has communicated with the CBP to seek clarification on its investigation findings and on steps expected to be taken by FGV for the revocation of the WRO. Information around the CBP's investigation findings is imperative to enable FGV to address and resolve any remaining gaps in its practices.

23. Material events after reporting period

- (i) On 13 October 2020, FGV had received an expression of interest from Perspective Lane (M) Sdn Bhd ("PLSB") via a letter dated 12 October 2020. PLSB had expressed their interest to participate in FGV via an injection of plantation assets into FGV, for share consideration. PLSB would potentially become the single largest shareholder of FGV upon completion.

The Board of FGV had decided on 15 October 2020 to deliberate upon the matter and has resolved to explore and evaluate the proposition. The Board wishes to assure shareholders and key stakeholders that it will discharge its fiduciary duty in any such deliberation.

- (ii) On 20 October 2020, FGV issued an official statement to clarify on Felda Land Lease Agreement ("LLA").
- (iii) On 29 October 2020, FGV issued an official statement on Felda's recovery plan for the termination of LLA.
- (iv) On 2 November 2020, FGV issued an official statement to reiterate that FGV has yet to receive a written notice from Federal Land Development Authority (FELDA) regarding the termination of the said LLA and its intention to take over FGV's palm oil mills nationwide as announced by the Chairman of the FELDA Special Task Force on 30 October 2020.

On 2 November 2020, the Chairman of FGV has written to the Chairman of FELDA informing that the notice to terminate the LLA in accordance with the terms and conditions of the LLA is still not forthcoming from FELDA up to this date and suggested FELDA to stop any further media releases on this matter and to discuss prior to releasing a joint statement on the agreed terms in accordance with the terms and conditions of the LLA.



FGV HOLDINGS BERHAD

QUARTERLY REPORT (CONTINUED)

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

24. Prospects

The Group expects the CPO price to remain strong until the end of the year. Improvements in yield achieved to date however is unlikely to be sustained due to weather uncertainties and partial lockdown in Sabah.

Our Sugar business will continue to focus on strategies to improve operating efficiency and financial performance.

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

By Order of the Board

Koo Shuang Yen
Company Secretary

17 November 2020