



FGV HOLDINGS BERHAD

200701042133 (800165-P)

QUARTERLY REPORT

**Condensed Consolidated Financial Statements
For The Financial Period Ended 30 September 2021**



FGV HOLDINGS BERHAD

Unaudited Condensed Consolidated Statement of Comprehensive Income for the Quarter ended 30 September 2021

Note	Quarter ended 30 September			Year to date ended 30 September		
	2021 RM'000	2020 RM'000	% + / (-)	2021 RM'000	2020 RM'000	% + / (-)
Revenue	5,315,802	3,989,459	33.2%	13,391,041	10,066,906	33.0%
Cost of sales	(4,488,376)	(3,428,210)		(11,665,559)	(9,033,557)	
Gross profit	827,426	561,249	47.4%	1,725,482	1,033,349	67.0%
Other operating income	14,553	30,180		76,537	63,948	
Selling and distribution costs	(66,104)	(11,151)		(139,219)	(94,363)	
Administrative expenses	(192,651)	(212,304)		(564,154)	(601,375)	
(Impairment)/reversal of impairment loss of financial assets (net)	(7,247)	(3,477)			13,900	
Other operating expenses	(13,919)	(81,526)		(28,609)	(124,621)	
Commodity gains - net	73,466	39,284		97,202	90,281	
Operating profit	635,524	322,255	97.2%	1,159,647	381,119	>100%
Fair value changes in Land Lease Agreement ('LLA') liability	(107,036)	(123,721)		(70,439)	(256,950)	
Operating profit after LLA	528,488	198,534	>100%	1,089,208	124,169	>100%
Finance income	3,309	4,251		13,347	17,077	
Finance costs	(43,977)	(37,680)		(112,502)	(126,411)	
Share of results from associates	531	39		978	(110)	
Share of results from joint ventures	19,718	7,527		33,418	12,713	
Profit before zakat and taxation	508,069	172,671	>100%	1,024,449	27,438	>100%
Zakat	(502)	(399)		(2,421)	(5,400)	
Taxation	(106,529)	(59,739)		(270,277)	(71,326)	
Profit/(loss) for the financial period	401,038	112,533	>100%	751,751	(49,288)	>100%
Profit/(loss) attributable to:						
- Owners of the Company	399,393	136,893	>100%	702,789	15,093	>100%
- Non-controlling interests	1,645	(24,360)		48,962	(64,381)	
	401,038	112,533	>100%	751,751	(49,288)	>100%
Other comprehensive income/(loss)						
Actuarial (loss)/gains on defined benefit plan	(1)	341		319	(1,070)	
Fair value changes of financial assets at fair value through other comprehensive income ("FVOCI")	60	(22)		(4,337)	11,962	
Share of other comprehensive income/(loss) of joint ventures	120	(3,395)		(553)	(2,919)	
Currency translation differences	(1,953)	(25,697)		23,566	6,269	
Cash flow hedges	1,090	554		4,049	(5,747)	
Other comprehensive (loss)/income for the financial period/year net of tax	(684)	(28,219)		23,044	8,495	
Total comprehensive income/(loss) for the financial period	400,354	84,314	>100%	774,795	(40,793)	>100%
Total comprehensive income/(loss) attributable to:						
- Owners of the Company	401,402	107,798	>100%	726,962	26,364	>100%
- Non-controlling interests	(1,048)	(23,484)		47,833	(67,157)	
Total comprehensive income/(loss) for the financial period	400,354	84,314	>100%	774,795	(40,793)	>100%
Earnings per share for profit attributable to the Owners of the Company:						
Basic (sen)	10.95	3.75		19.26	0.41	

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 2020.



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Unaudited Condensed Consolidated Statement of Financial Position as at 30 September 2021

	Note	Unaudited As at 30 September 2021 RM'000	Audited As at 31 December 2020 RM'000
<u>Non-current assets</u>			
Property, plant and equipment		7,693,375	7,810,463
Right-of-use assets		2,219,821	2,299,579
Investment properties		84,595	93,789
Intangible assets		949,772	958,289
Interests in associates		63,000	38,058
Interests in joint ventures		467,755	441,546
Amount due from ultimate holding company		35,013	12,455
Amount due from related company		29,247	-
Deposit and other receivables		139,480	136,078
Deferred tax assets		453,012	526,672
Financial assets through other comprehensive income	19	142,178	144,251
		12,277,248	12,461,180
<u>Current assets</u>			
Inventories		1,654,215	1,192,616
Receivables		1,752,211	1,410,955
Biological assets		123,869	57,001
Amount due from ultimate holding company		26,302	62,440
Amounts due from joint ventures		42,252	26,908
Amounts due from related companies		61,088	63,660
Tax recoverable		18,444	33,539
Financial assets at fair value through profit or loss	19	79,892	68,201
Derivative financial assets	18	8,258	14,061
Contract assets		35,616	27,880
Deposits, cash and bank balances		1,616,958	1,729,194
		5,419,105	4,686,455
Assets held for sale		13,862	31,866
		5,432,967	4,718,321
Total assets		17,710,215	17,179,501
<u>Equity</u>			
Share capital		7,029,889	7,029,889
Treasury shares		(518)	(518)
Reserves		(2,150,151)	(2,767,668)
Equity attributable to owners of the Company		4,879,220	4,261,703
Non-controlling interests		1,842,286	1,838,504
Total equity		6,721,506	6,100,207



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Unaudited Condensed Consolidated Statement of Financial Position as at 30 September 2021 (continued)

	Note	Unaudited As at 30 September 2021 RM'000	Audited As at 31 December 2020 RM'000
<u>Non-current liabilities</u>			
Borrowings	17	633,542	773,182
Loans due to ultimate holding company	17	832,362	882,866
LLA liability		3,679,021	3,881,584
Derivative financial liabilities	18	5,833	10,163
Provision for asset retirement		35,784	32,358
Provision for defined benefit plan		67,796	67,492
Lease liability		282,205	358,036
Deferred tax liabilities		598,360	635,501
Payables		10,144	15,196
		6,145,047	6,656,378
<u>Current liabilities</u>			
Payables		1,120,366	1,049,465
Loans due to ultimate holding company	17	13,813	3,322
Amount due to ultimate holding company		296,392	265,984
Amounts due to associates		350	494
Amounts due to related companies		9,132	1,374
Borrowings	17	2,693,315	2,633,582
Derivative financial liabilities	18	1,095	929
Provision for asset retirement		670	643
Lease liability		47,380	27,790
LLA liability		315,103	332,240
Contract liabilities		191,097	104,168
Current tax liabilities		154,949	2,925
		4,843,662	4,422,916
Total liabilities		10,988,709	11,079,294
Total equity and liabilities		17,710,215	17,179,501
Net assets per share attributable to owners of the Company		1.34	1.17

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 2020.



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Unaudited Condensed Consolidated Statement of Changes in Equity

	Share capital RM'000	Treasury shares RM'000	Foreign exchange reserve RM'000	Re-organisation reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Year to date ended 30 September 2021									
At 1 January 2021	7,029,889	(518)	26,497	(3,089,497)	10,624	284,708	4,261,703	1,838,504	6,100,207
Profit for the financial period	-	-	-	-	-	702,789	702,789	48,962	751,751
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	-	-	-	-	-	196	196	123	319
- fair value changes in financial assets at FVOCI	-	-	-	-	(4,187)	-	(4,187)	(150)	(4,337)
<u>Items that will be subsequently reclassified to profit or loss</u>									
- currency translation differences	-	-	26,652	-	-	-	26,652	(3,086)	23,566
- share of other comprehensive loss of joint ventures	-	-	(553)	-	-	-	(553)	-	(553)
- cash flow hedge reserves	-	-	-	-	2,065	-	2,065	1,984	4,049
	-	-	26,099	-	2,065	-	28,164	(1,102)	27,062
Total other comprehensive income/(loss) for the financial period	-	-	26,099	-	(2,122)	702,985	726,962	47,833	774,795
<u>Transactions with owners</u>									
Dividend paid for the financial year ended 31 December 2020 (final)	-	-	-	-	-	(109,445)	(109,445)	-	(109,445)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(42,364)	(42,364)
Dissolvement of subsidiaries	-	-	-	-	-	-	-	(1,687)	(1,687)
Total transactions with owners	-	-	-	-	-	(109,445)	(109,445)	(44,051)	(153,496)
At 30 September 2021	7,029,889	(518)	52,596	(3,089,497)	8,502	878,248	4,879,220	1,842,286	6,721,506



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Unaudited Condensed Consolidated Statement of Changes in Equity (continued)

	Share capital RM'000	Treasury shares RM'000	Foreign exchange reserve RM'000	Re-organisation reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Year to date ended 30 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)
	-	-	3,280	-	(2,931)	-	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 payable 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

* 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 2020.



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Unaudited Condensed Consolidated Statement of Cash Flows

	Year to date ended 30 September	
	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the financial period	751,751	(49,288)
Adjustments for non-cash items	884,962	989,452
Operating profit before working capital changes	1,636,713	940,164
Changes in working capital	(589,930)	385,727
Cash generated from operations	1,046,783	1,325,891
Interest received	13,347	17,077
Taxation paid, net	(59,013)	(49,798)
Zakat paid	(2,421)	(5,400)
Retirement benefits paid	(4)	(229)
Net cash generated from operating activities	998,692	1,287,541
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(365,701)	(266,993)
Purchase of intangible asset	(1,635)	(5,181)
Net cash inflow from acquisition of subsidiaries	-	182
Proceeds from liquidation of a jointly venture	1,519	-
Proceeds from disposal of property, plant and equipment	788	-
Proceeds from disposal of assets held for sale	-	1,373
Additions of financial assets at FVOCI	(3,234)	(2,456)
Additional investment in a joint venture	-	(1,274)
Dividend received from an associate	1,570	2,833
Dividend received from joint ventures	2,986	-
Net cash used in investing activities	(363,707)	(271,516)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	4,948,079	4,814,837
Repayment of borrowings	(5,039,157)	(5,221,892)
Repayment of LLA liability	(290,139)	(167,782)
Dividend paid to shareholders	(109,445)	(72,963)
Dividend paid to non-controlling interest	(42,364)	(49,887)
Finance costs paid	(130,819)	(150,145)
Repayment of loan due to a significant shareholder	(71,323)	(28,647)
Payments of lease liabilities	(23,277)	(28,747)
Purchase of treasury stock	-	(4,250)
Increase in restricted cash	(72,766)	(4,371)
Net cash used in from financing activities	(831,211)	(913,847)
Net (decrease)/increase in cash and cash equivalents	(196,226)	102,178
Effect of foreign exchange rate changes	11,224	5,894
Cash and cash equivalents at beginning of the financial period	1,665,457	1,568,447
Cash and cash equivalents at end of the financial period	1,480,455	1,676,519
Deposits, cash and bank balances	1,616,958	1,730,546
Less: Restricted cash	(136,503)	(53,546)
Less: Assets held for sale	-	(481)
Cash and cash equivalents at end of the financial period	1,480,455	1,676,519

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 2020.



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Explanatory Notes on the Quarterly Report – 30 September 2021

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 2020. 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 2020.

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 2020.

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

Effective for annual periods beginning on 1 June 2020

- Amendments to MFRS 16 'Covid-19-Related Rent Concessions'

Effective for annual periods beginning on or after 1 January 2021

- Interest Rate Benchmark Reform—Phase 2 - Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16

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

Effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 116 'Proceeds before Intended Use'
- Annual improvements to MFRS 1 'Subsidiary as First-time Adopter'
- Annual improvements to Illustrative Example Accompanying MFRS 16 Leases: Lease Incentives
- Annual improvements to MFRS 141 'Taxation in Fair Value Measurements'
- Annual improvements to MFRS 9 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities'
- Amendments to MFRS 137 'Onerous Contracts - Cost of Fulfilling a Contract'
- Reference to the Conceptual Framework - Amendments to MFRS 3

Effective annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101 'Classification of liabilities as current and non-current'
- Disclosure of Accounting Policies - Amendments to MFRS 101 and MFRS Practice Statement 2
- Definition of Accounting Estimates - Amendments to MFRS 108
- Amendments to MFRS 112 'Deferred tax relating to assets and liabilities arising from a single transaction'

2. Seasonal or Cyclical Factors

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

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



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Explanatory Notes on the Quarterly Report – 30 September 2021 (continued)

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

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

4. Material Changes in Estimates

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

5. Debt and Equity Securities

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

6. Dividends

No dividend has been paid during the quarter ended 30 September 2021.



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Explanatory Notes on the Quarterly Report – 30 September 2021 (continued)

7. Segment Information (continued)

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

Year to date ended 30 September 2021

	Plantation RM'000	Sugar RM'000	Logistics and Others RM'000	Corporate HQ and Elimination RM'000	Total RM'000
Total segment revenue	17,103,370	1,686,361	461,282	209,268	19,460,281
Less : Inter-segment revenue	(5,589,672)	(68,745)	(218,868)	(191,955)	(6,069,240)
Revenue from external customers	11,513,698	1,617,616	242,414	17,313	13,391,041

Finance income	7,202	1,647	3,225	1,273	13,347
Finance costs	(37,703)	(39,458)	(2,549)	(32,792)	(112,502)
Depreciation and amortisation	(419,373)	(68,621)	(62,433)	(11,268)	(561,695)
Fair value changes in LLA liability	(70,439)	-	-	-	(70,439)
(Impairment of)/reversal of impairment of:					
- financial assets	(9,079)	2,668	(1,181)	-	(7,592)
- non-financials assets	(7,675)	5,129	-	-	(2,546)
Share of results of joint ventures	33,148	-	-	270	33,418
Share of results of associates	2,364	-	-	(1,386)	978

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

902,823	91,910	52,750	(23,034)	1,024,449
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Disaggregation of the Group's revenue is as follows:

Sales of Palm Products Oils
Sales of Sugar

Others

Timing of revenue
recognition

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

9,406,305	-	-	-	9,406,305
-	1,617,616	-	-	1,617,616
2,107,393	-	242,414	17,313	2,367,120
11,513,698	1,617,616	242,414	17,313	13,391,041



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Explanatory Notes on the Quarterly Report – 30 September 2021 (continued)

7. Segment Information (continued)

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

	Plantation RM'000	Sugar RM'000	Logistics and Others RM'000	Corporate HQ and Elimination RM'000	Total RM'000
Year to date ended 30 September 2020					
Total segment revenue	12,215,245	1,696,304	431,669	248,879	14,592,097
Less : Inter-segment revenue	(3,928,107)	(141,390)	(217,802)	(237,892)	(4,525,191)
Revenue from external customers	8,287,138	1,554,914	213,867	10,987	10,066,906
Finance income	10,901	2,383	3,477	316	17,077
Finance costs	(67,430)	(38,146)	(3,012)	(17,823)	(126,411)
Depreciation and amortisation	(416,052)	(62,728)	(69,416)	(17,746)	(565,942)
Fair value changes in LLA liability	(256,950)	-	-	-	(256,950)
(Impairment of)/reversal of impairment of:					
- financial assets	(918)	(4,932)	19,750	-	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	127,313	(110,746)	37,409	(26,538)	27,438
Disaggregation of the Group's revenue is as follows:					
Sales of Palm Products Oils	6,318,680	-	-	-	6,318,680
Sales of Sugar	-	1,554,914	-	-	1,554,914
Others	1,968,458	-	213,867	10,987	2,193,312
	8,287,138	1,554,914	213,867	10,987	10,066,906

Timing of
revenue
recognition
At a point in time
At a point in time
At a point in time/
over time



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Explanatory Notes on the Quarterly Report – 30 September 2021 (continued)

8. Capital Commitments

	As at 30 September 2021 RM'000	As at 31 December 2020 RM'000
Capital expenditure approved and contracted for:		
- Property, plant and equipment	144,654	201,853
- Intangible asset	616	-
	145,270	201,853

9. Significant Related Party Transactions

(I) Related party transactions for the financial period ended 30 September 2021 and 30 September 2020 are as follows:

(a) Sales of goods and services

	Year to date ended 30 September	
	2021 RM'000	2020 RM'000
(i) Transactions with joint ventures		
Sales of CPO by FGV Trading Sdn. Bhd. ("FGVT") to FGV Iffco Sdn. Bhd. Group ("FISB Group")	355,366	543,129
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")	150,024	576,258
Sales of CPO by FGVT and FPI to MAPAK Edible Oil Pvt. Ltd. ("MAPAK")	187,177	156,701
(ii) Transactions with Federal Land Development Authority ("FELDA") and its subsidiaries		
Sales of fertiliser by FGV Fertiliser Sdn. Bhd. ("FGVFSB")	164,926	146,913
IT services rendered by FGV Prodata Systems Sdn. Bhd. ("Prodata")	22,483	17,229
Security services rendered by FGV Security Services Sdn. Bhd. ("FSSSB")	16,314	15,630



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Explanatory Notes on the Quarterly Report – 30 September 2021 (continued)

9. Significant Related Party Transactions (continued)

(I) Related party transactions for the financial period ended 30 September 2021 and 30 September 2020 are as follows: (continued)

(b) Purchase of goods and services

	Year to date ended 30 September	
	2021 RM'000	2020 RM'000
Transactions with FELDA and its subsidiaries:		
LLA liability paid/payable by FGV Plantations (Malaysia) Sdn. Bhd. ("FGVPM")	290,139	167,782
Interest expense charged by FELDA	31,163	21,323
Compensation received by FGVPM	15,343	-
Purchase of cup lump by FGV Rubber Industries Sdn. Bhd. ("FRISB")	111,377	96,770
Purchase of FFB by FGVT	3,569,738	2,004,119

(c) Transactions with Government related entities

Transactions between subsidiaries and other government agencies:

Cooking oil subsidy received from Malaysia Palm Oil Board ("MPOB")	120,710	28,434
CESS payment to MPOB	30,593	29,090

10. Effect of Significant Changes in the Composition of FGV

Save for Note 22(ii), there were no changes in the composition of the Group for the current financial period under review.



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Explanatory Notes on the Quarterly Report – 30 September 2021 (continued)

11. Contingent Liabilities and Material Litigation

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

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

On 1 November 2021, VDSL has filed amended statement of claim. Prodata is in the midst of preparing amended statement of defence and will be filed on 10 December 2021. Written submission on Prodata’s Security for Cost and VDSL’s Protective Order to be filed on 3 December 2021. Prodata’s and FELDA’s application for Security for Cost hearing and VDSL’s application on Protective Order hearing will be on 10 December 2021. The Court had fixed 1 December 2021 for next case management.

Based on legal advice, FGV strongly believe that the Group is able to defend against the claim. The remaining claims are not material to be disclosed in the financial statements and deemed remote by the Directors.



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Explanatory Notes on the Quarterly Report – 30 September 2021 (continued)

12. Review of Group Performance

	Quarter ended 30 September			Quarter ended 30 June		Year to date ended 30 September		
	2021 RM'000	2020 RM'000	% + / (-)	2021 RM'000	% + / (-)	2021 RM'000	2020 RM'000	% + / (-)
Revenue	5,315,802	3,989,459	33.2	4,681,748	13.5	13,391,041	10,066,906	33.0
Plantation	481,191	232,888	>100	472,415	1.9	902,823	127,313	>100
Sugar	18,182	(56,327)	>100	23,051	(21.1)	91,910	(110,746)	>100
Logistics and Others	20,866	14,785	41.1	20,137	3.6	52,750	37,409	41.0
Sector results	520,239	191,346	>100	515,603	0.9	1,047,483	53,976	>100
Corporate HQ and elimination	(12,170)	(18,675)		(14,220)		(23,034)	(26,538)	
Profit before zakat and taxation	508,069	172,671	>100	501,383	1.3	1,024,449	27,438	>100
Zakat	(502)	(399)		(2,681)		(2,421)	(5,400)	
Taxation	(106,529)	(59,739)		(134,208)		(270,277)	(71,326)	
Profit/(loss) for the financial period	401,038	112,533	>100	364,494	10.0	751,751	(49,288)	>100
Profit/(loss) attributable to:								
Owners of the Company	399,393	136,893	>100	338,817	17.9	702,789	15,093	>100
Non-controlling interests	1,645	(24,360)		25,677		48,962	(64,381)	
Profit/(loss) for the financial period	401,038	112,533	>100	364,494	10.0	751,751	(49,288)	>100



FGV HOLDINGS BERHAD

Explanatory Notes on the Quarterly Report – 30 September 2021 (continued)

12. Review of Group Performance (continued)

(A) Current Quarter Ended 30 September 2021 against Previous Year's Corresponding Quarter Ended 30 September 2020

Overall

The Group reported higher profit before zakat and taxation of RM508.07 million for the current quarter compared to RM172.67 million in the corresponding quarter of the previous year. This was due to better operational profit driven by higher CPO price and improved performance of Sugar and Logistics Sectors.

(a) Plantation Sector

Profit in Plantation Sector surged to RM481.19 million from RM232.89 million in corresponding quarter of the previous year on the back of higher average CPO price realised of RM3,798 per mt compared to RM2,645 per mt in previous year's corresponding quarter and higher sales volume of fertiliser in current quarter.

The improved performance of the Sector for the current quarter was also due to the lower fair value charge on LLA of RM107.04 million compared to RM123.72 million in corresponding quarter of the previous year and increased share of profit from joint venture of RM19.72 million in current quarter this year.

Despite higher average CPO price realised, the higher profit was partially offset by the lower FFB production and yield, both by 17% to 1.12 million mt and 4.43 mt per hectare respectively in the current quarter while OER increased to 20.74% compared to 20.35% in corresponding quarter of the previous year.

(b) Sugar Sector

Sugar Sector reported a profit of RM18.18 million, turnaround from RM56.33 million loss in corresponding quarter of the previous year. The current quarter profit includes the gain from liquidation of excess raw sugar hedges of RM30.96 million. Included in corresponding quarter of the previous year was impairment of bearer plant amounting to RM43.7 million and bearer plant written off of RM27.2 million.

(c) Logistics and Others Sector

Logistic and Others Sector recorded a higher profit in current quarter by 41.1% to RM20.87 million. Logistic division reported higher profit by 33% compared to corresponding quarter of the previous year attributed to increase in throughput handled while results for IT and Others divisions remain the same.



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Explanatory Notes on the Quarterly Report – 30 September 2021 (continued)

12. Review of Group Performance (continued)

(B) Current Financial Period Ended 30 September 2021 against the Previous Financial Period Ended 30 September 2020

Overall

The revenue of the Group increased by 33% to RM13.39 billion compared to previous corresponding financial period while the profit before zakat and taxation of the Group surged to RM1.02 billion for the financial period under review compared to a profit of RM27.44 million reported in previous financial period. The significant improvement in the performance was mainly attributable to higher CPO price coupled with improvement from all Sectors and lower fair value charge on LLA.

(a) **Plantation Sector**

Plantation Sector registered a higher profit of RM902.82 million for the financial period ended 30 September 2021 compared to RM127.31 million recorded in previous financial corresponding period. This was mainly attributable to the higher average CPO price realised of RM3,475 per mt against RM2,536 per mt registered in previous corresponding financial period on the back of lower CPO sales volume by 16.6% which was in tandem with lower FFB processed.

The Sector registered a lower fair value LLA charge of RM70.44 million against RM256.95 million registered in previous year. This was due to the revision in the yield assumptions used in arriving at the LLA liability in preceding quarter. Its fertiliser and rubber division registered better operating margin while share of profit from joint ventures improved to RM33.15 million from RM12.71 million registered in previous corresponding financial period.

FFB production dropped by 10% from 3.25 million mt to 2.92 million mt, thus led to lower yield of 11.53 mt per hectare compared to 12.84 mt reported in the previous corresponding financial period. OER achieved was higher at 20.35% compared to 20.17% registered in the previous period.

(b) **Sugar Sector**

Sugar Sector registered a profit of RM91.91 million compared to RM110.75 million loss in previous corresponding financial period. Included in previous year was impairment of bearer plant amounting to RM43.7 million and bearer plant written off of RM27.2 million. Nonetheless, the Sector reported a profit in current financial period attributable to improved margin from higher average selling price and gain from liquidation of excess raw sugar hedges of RM30.96 million.

(c) **Logistic and Others Sector**

Logistic and Others Sector recorded an increase in profit by 41.0% to RM52.75 million from RM37.41 million profit in previous financial year. Profit from Logistic division increased by 13% attributed to the higher throughput and other income while IT and Others division registered lower loss by 45% underpinned by lower depreciation cost in IT business and reduced promotional activities in travel business due to interstate travel restrictions and closure of national border under Movement Control Order ("MCO"). Included in previous corresponding financial period was a reversal of impairment of RM10.6 million.



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Explanatory Notes on the Quarterly Report – 30 September 2021 (continued)

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

Overall

Profit before zakat and taxation for the Group has showed a slight increase to RM508.07 million compared to RM501.38 million in preceding quarter on the back of growth in revenue by 13.5% to RM5.32 billion. Plantation Sector's results continued to improve due to better operational performance, Logistic Sector recorded marginal increase in its results while Sugar Sector registered lower profit against preceding quarter.

(a) **Plantation Sector**

Profit in Plantation Sector increased by 1.9% to RM481.19 million compared to RM472.42 million in preceding quarter. In the preceding quarter, the Sector recorded a fair value gain on LLA of RM180.35 million due to revision in the yield assumption used in arriving at LLA liability while in current quarter, the Sector recorded a fair value charge on LLA of RM107.04 million. Excluding the fair value on LLA, the Sector reported higher profit of RM588.23 million compared to RM292.07 million in preceding quarter.

The higher profit was mainly attributed to higher average CPO price realised of RM3,798 per mt compared to RM3,333 per mt in preceding quarter coupled with improved FFB production of 6% in current quarter. Higher yield was also achieved at 4.43 mt per hectare compared to 4.18 mt per hectare in preceding quarter while OER increased to 20.74% in current quarter compared to 20.16% registered in preceding quarter.

Higher share of profits from joint ventures of RM19.72 million compared to RM11.26 million in preceding quarter has further contributed to the increased profit in Plantation Sector.

(b) **Sugar Sector**

Sugar Sector reported a lower profit of RM18.18 million compared to RM23.05 million in preceding quarter mainly attributed to lower overall margin due to rising raw sugar and freight costs.

(c) **Logistics and Others Sector**

Logistic and Others Sector recorded higher profit of RM20.87 million compared to RM20.14 million in preceding quarter. The Logistic division reported an increase in profit by 11.1% due to higher tonnage but was partially offset with higher loss in IT and Others divisions due to increased operating costs.



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Explanatory Notes on the Quarterly Report – 30 September 2021 (continued)

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

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

15. Operating profit/(loss) after LLA

	Year to date ended 30 September	
	2021 RM'000	2020 RM'000
Included in operating profit/(loss) after LLA are:		
Depreciation of property, plant and equipment	500,945	493,184
Depreciation of right-of-use assets	40,075	46,120
Depreciation of investment properties	9,194	9,198
Property, plant and equipment written off	5,096	31,838
Amortisation of intangible assets	11,481	17,440
Impairment loss on property, plant and equipment - net	2,546	66,980
Reversal of impairment loss on right-of-use assets	-	(4,318)
Net unrealised foreign exchange gain	(5,107)	(3,900)

16. Taxation

	Quarter Ended 30 September		Year to date Ended 30 September	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysian income tax				
Current financial period	(137,429)	(53,385)	(226,132)	(84,771)
Foreign income tax				
Current financial period	(7,159)	(6,312)	(7,626)	(10,140)
Deferred tax				
	38,059	(42)	(36,519)	23,585
	(106,529)	(59,739)	(270,277)	(71,326)

The effective tax rate for the financial period ended 30 September 2021 is 26%, higher than the Malaysian income tax rate of 24% due to certain expenses which are not allowable and deferred tax assets not recognised on losses in certain subsidiaries.



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Explanatory Notes on the Quarterly Report – 30 September 2021 (continued)

17. Borrowings

	As at 30 September 2021					
	Long term		Short term		Total borrowings	
	Foreign currency	RM'000 Equivalent	Foreign currency	RM'000 Equivalent	Foreign currency	RM'000 Equivalent
Secured						
Islamic term loans	-	620,576	-	171,233	-	791,809
Short term trade financing						
- United States Dollar	-	-	6,213	26,016	6,213	26,016
- Thai Baht	-	-	35,000	4,328	35,000	4,328
Unsecured						
Loan due to to ultimate holding company	-	832,362	-	13,813	-	846,175
Islamic short term trade financing						
- Ringgit Malaysia	-	12,966	-	2,234,758	-	2,247,724
Short term trade financing	-	-	-	256,980	-	256,980
Total borrowings		1,465,904		2,707,128		4,173,032

Exchanges rates applied as at 30 June 2021

United States Dollar	4.1870
Thai Baht	12.3656

As at 30 September 2021, 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.

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 2021 are as follows:

	Contractual/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
<u>Non-current</u>			
Islamic profit rate swap	229,167	-	5,833
<u>Current</u>			
Foreign currency forwards	586,907	391	1,095
Palm oil futures	180,650	6,887	-
Sugar futures	20,833	980	-
	788,390	8,258	1,095
	1,017,557	8,258	6,928



FGV HOLDINGS BERHAD

Explanatory Notes on the Quarterly Report – 30 September 2021 (continued)

19. Fair Value Changes of Financial Instruments

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the last financial year ended 31 December 2020. 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 2021.

<u>30 September 2021</u>	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>				
Financial assets at fair value through profit or loss:				
- Derivatives	7,867	391	-	8,258
- Trading securities	79,892	-	-	79,892
	<u>87,759</u>	<u>391</u>	<u>-</u>	<u>88,150</u>
Financial assets at FVOCI	2,916	-	139,262	142,178
Total assets	<u>90,675</u>	<u>391</u>	<u>139,262</u>	<u>230,328</u>
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
- LLA liability	-	-	3,994,124	3,994,124
- Derivatives	5,833	1,095	-	6,928
Total liabilities	<u>5,833</u>	<u>1,095</u>	<u>3,994,124</u>	<u>4,001,052</u>

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

	Financial period ended 30 September 2021 RM'000	Financial year ended 31 December 2020 RM'000
<u>LLA liability</u>		
1 January	4,213,824	4,316,146
Fair value changes charged to profit or loss (Repayment)/offsetting during the financial period/year:	70,439	158,490
- Fixed lease payments	(182,681)	(243,612)
- Share of profits	(122,801)	(17,200)
- Compensation on reclamation of LLA	15,343	-
30 September/31 December	<u>3,994,124</u>	<u>4,213,824</u>
<u>Financial assets at FVOCI</u>		
1 January	140,685	103,686
Addition	3,234	3,521
Disposal	-	(14,007)
Fair value changes	(3,250)	47,588
Currency translation differences	(1,407)	(103)
30 June/31 December	<u>139,262</u>	<u>140,685</u>



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Explanatory Notes on the Quarterly Report – 30 September 2021 (continued)

19. Fair Value Changes of Financial Instruments (continued)

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

As at June 2021, the Group has decided to adopt the recent estimated changes in arriving at the fair value.

In preceding quarter, revision in projection primarily factoring in the yield reduction has contributed to the net reduction of RM276 million to the LLA liability. The change in the estimated yield is mainly driven by the labour shortage issue being experienced by the Group currently. The labour shortage issue is expected to continue in view of the prolonged COVID-19 endemic and risks associated with the environmental, social and governance (ESG) factors.

In view of the dynamic situation affecting the matters indicated above, the Group will continue to monitor the key assumptions in the upcoming periods. The key assumptions will be updated to incorporate most recent developments of COVID-19 effects, expert views surrounding ESG factors and other parameters, such as commodity prices.

20. Earnings Per Share

	Quarter ended 30 September		Year to date ended 30 September	
	2021	2020	2021	2020
Profit for the financial period attributable to owners of the Company (RM'000)	399,393	136,893	702,789	15,093
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)	10.9	3.8	19.3	0.4

21. Status of Corporate Proposals

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

22. Significant Events

- (i) As at 19 March 2021, the Company's public shareholding spread was 13.99%. The shortfall in the public shareholding spread of the Company arose as a direct consequence of the unconditional mandatory takeover offer by FELDA which had closed on 15 March 2021.

On 24 March 2021, the Board of Directors of the Company announced that Bursa Securities, had vide its letter dated 23 March 2021, granted the Company an extension of time of six months until 3 August 2021 to comply with the Public Spread Requirement.

On 5 August 2021, the Board of Directors announced that Bursa Securities, had vide its letter dated 4 August 2021, granted a further six-month extension until 3 February 2022, for the Company to comply with the Public Spread Requirement.



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Explanatory Notes on the Quarterly Report – 30 September 2021 (continued)

22. Significant Events (continued)

- (ii) On 30 April 2021, FGV Integrated Farming Holdings Sdn Bhd (“FGVIF”) has entered into a binding term sheet with MSM Malaysia Holdings Berhad (“MSM”) for the proposed acquisition of 37,354,500 ordinary shares constituting 100% of the entire issued and paid up share capital in MSM Perlis Sdn Bhd (“MSM Perlis”) and all ordinary shares to be issued and allotted to MSM prior to the signing of the Share Sale Agreement (“SSA”) for a cash consideration of RM175.0 million, subject to adjustment for net debt and net working capital at completion of the Proposed Acquisition.

On 29 September 2021, the Board of Directors announced that the Proposed Acquisition has been completed in accordance with the terms of the SSA.

On 1 November 2021, the Board of Directors announced that the Final Acquisition Consideration for the Proposed Acquisition that has been determined in accordance with the terms of the SSA and agreed between FGVIF and MSM, is RM181,106,117.

23. Prospects

The Board of Directors views the Covid-19 pandemic as a highly important risk considering the Group’s estates and mills could be closed due to Covid-19 cases even though almost all our workers have been vaccinated. The Board takes cognisance of the shortage of workers within the palm oil industry which is currently impacting production, hence will continue to support high CPO price.

The Logistics Sector continues its efforts to improve efficiency and market penetration capitalizing from the increase in domestic and global trade activities. Our Sugar Sector will benefit from the nation-wide economic recovery as the re-opening of hospitality related businesses is expected to increase the sugar consumption in the country.

Although there are uncertainties concerning Covid-19 pandemic and shortage of workers, the Board is confident that the high CPO price will have a positive impact on the Group’s financial result for 2021.

By Order of the Board

Koo Shuang Yen
Company Secretary

30 November 2021