Media Release: Zhong Ling Acquisition to Strengthen FGV's Downstream Position in China

Felda Global Ventures Holdings Berhad (FGV) is confident its latest venture, the planned earning accretive acquisition of a 55% stake (valued at RM976.25 million) in Zhong Ling Nutril-Oil Holdings Limited (Zhong Ling), will strengthen its presence in high margin downstream activities.

As part of its transformation strategy and aggressive growth plans, FGV has identified the Chinese market as a key pillar of revenue enhancement for the Group, and plans to strengthen its position in China through a strategic acquisition of a stake in a well-known local player.

China is one of the world's fastest-growing major economies, with Gross Domestic Product (GDP) growth rates averaging 7% from 2014 to 2015. With a population of almost 1.4 billion people, China has become one of the most important markets in the world for edible oils.

As the largest importer of edible oils, China consumes almost a quarter of the world's total edible oils (20% of worldwide consumption). FGV views China's increasing demand potential as an attractive prospective market for expansion of FGV's downstream capabilities, particularly in the Consumer Packed Goods (CPG) business.

The strong demand for blended cooking oil in China is also anticipated to provide an avenue for FGV's palm-based products in the massive Chinese market. Ultimately, the Group will be able to penetrate further downstream palm-based products such as margarine, shortenings and food processing ingredients.

According to FGV's Group President and Chief Executive Officer, Dato' Mohd Emir Mavani Abdullah: "We view Zhong Ling as a strong local partner for FGV's downstream expansion in China not only because of its solid brand and deep market insights, but also for it being ranked 10th in the retail cooking oil market in China. Zhong Ling will be a firm avenue for distributing our palm oil products which is our main intention."

Established more than 20 years ago, Zhong Ling has a sales network of 60,000 retail outlets covering five southeast coastal provinces of Fujian, Jiangxi, Guangdong, Zhejiang and Jiangsu.

Since its establishment, Zhong Ling has experienced tremendous growth, recording a Compound Annual Growth Rate (CAGR) of about 20% in revenue over the past four years and generating average profit margins in the region of 14% annually (2011-2014). In 2014, the company posted total revenue of RMB2.32 billion (RM1.5 billion), generating RMB326 million (RM207 million) in profits. Furthermore, based on its 2015 management account, Zhong Ling is backed by more than RMB1.0 billion (RM635 million) cash reserve and, most importantly, is a debt free company.

The intended investment has cleared all necessary due diligence, in accordance with FGV's investment and governance policies. The financial and tax due diligence that FGV has performed covers Zhong Ling's financials. All subsidiaries under Zhong Ling have been audited annually in accordance with China's regulations.

In 2011, FGV has made its first foray into China through its joint venture FELDA IFFCO Sdn Bhd. Its subsidiary FELDA IFFCO South China Ltd, which operates in Guangdong, has two refineries and the second largest tank farm in South China. The company manufactures and markets a range of edible oils and fats including shortening and specialty fats for the large and growing Chinese market.

For more details of the report, please contact FGV Corporate Communications.