PROGRESSING WITH CHANGE

FGV HOLDINGS BERHAD

11th ANNUAL GENERAL MEETING

Questions from Minority Shareholder Watchdog Group (MSWG)

25 June 2019

FINANCIAL / STRATEGIC MATTERS

QUESTION 1

FGV signed a Heads of Agreement (HoA) with PLS Plantation Berhad (PLS) on 27 April 2019 (Press Release dated 29 April 2019) to form a potential joint venture in the development of cash crop plantations, primarily durian.

a) What is the estimated CAPEX for the joint venture?

There is no capital expenditure provided for this joint venture. FGV's role is to make available the unplanted area that is not suitable for oil palm such as the area with steep terrain. However, these land are not transferable.

FINANCIAL / STRATEGIC MATTERS

QUESTION 1

b) When is the joint venture expected to be formed?

If the feasibility study is positive and the project viable, we expect the JV to be formed between 6 to 12 months from the signing date.

c) How long is the JV expected to contribute positively to the revenue and bottom line of the Group?

It is too early to determine the sources of revenue for the Group.

FINANCIAL / STRATEGIC MATTERS

QUESTION 2

In relation to the Land Lease Agreement (LLA) signed with FELDA, it was recently reported in The Edge on 2 May 2019 that due to the shortfall in the payment by FGV under the Agreement, there could be three options in the situations; First, for things to remain status quo; second, for the terms to be renegotiated; and third, for FELDA to terminate the LLA.

To-date, has FELDA initiated any discussions with FGV on the revision of the terms of the LLA? If yes, what are the outcomes of the discussions?

There is no shortfall in payments. FGV has always paid all our dues and met all our commitments as stipulated in the agreement since the agreement was enforced in June 2012.

After the tabling of FELDA's White Paper in April 2019, it has been business as usual at FGV. There has not been any official discussion between FGV and FELDA on this matter.

FINANCIAL / STRATEGIC MATTERS

QUESTION 3

As disclosed on page 6 of the Annual Report, 30% of the FFB processed are from FGV's own estates.

Are these FFB solely from the estates under the LLA? If not, what is the percentage of FFB from the estates under the LLA?

In 2018, FGV's 68 mills processed 13.79 million MT of FFB. Of this, 46% was from FELDA settlers, 24% from third parties, and the remaining 30% from FGV's estates both from LLA land and our own land.

Of the 30% from FGV's own and LLA estates,

- *3.52 mil MT or 85%, is from LLA estates; and*
- *the remaining 15% or 0.62 mil MT is from FGV owned estates.*

FINANCIAL / STRATEGIC MATTERS

<u>QUESTION 4</u>

As reported in the Management Discussion & Analysis (MD&A) on page 41 of the Annual Report, the export volume for Fast-Moving Consumer Goods (FMCG) was 38% lower in 2018. This is due to the introduction of the Group's strengthened credit policy.

a) Is the decline in the export volume mainly due to the lower volume purchased by the existing customers or loss of the existing customers?

Yes, the decline in 2018 export volume was mainly because of the reduction of purchases by existing customers who were unable to abide by FGV's newly strengthened credit policy.

FINANCIAL / STRATEGIC MATTERS

QUESTION 4

b) Are the lost customers expected to return in future?

FGV will only work with customers who are able to fulfill the terms and requirements of our strengthened credit policy. We regularly review our policies to ensure that the Group meets all governance standards but is also able to conduct business in a competitive manner. FGV intends to grow its international market share and will work to rebuild this segment of our business.

FINANCIAL / STRATEGIC MATTERS

QUESTION 5

The analysis of external revenue by end-customer geographical location on page 213 of the Annual Report shows Nil revenue from India in 2018 compare to RM490 million in 2017. The Analysis also shows significant drop in revenue from Indonesia (66%), China (46%), Pakistan (43%) and others (68%).

a) What is the reason for zero revenue from India in 2018?

FGV via its subsidiary FGV Trading Sdn. Bhd. (FGVT), sold oils on a Free-On-Board (FOB) and CNF to various destinations in 2018, including India. Deliveries to our major buyers in India were on FOB only, and thus were not captured as direct sales.

FINANCIAL / STRATEGIC MATTERS

QUESTION 5

b) Are the significant drops in the revenue from these countries due to the change of credit policy mentioned on page 41 of the Annual Report'? If not, what are the reasons for the significant drop in the revenue from these countries?

The change of credit policy is one of the main reasons for the change in export market revenues. However, there were also other factors that contributed to the drop in export's revenue, such as CPO price, changed duty structures and market disparity occurring in the destination markets.

FINANCIAL / STRATEGIC MATTERS

QUESTION 5

c) What are the measures taken to improve the revenue from these countries?

We have implemented a few measures under our market penetration strategy to improve revenue from exports. These include, the appointment of sales agents, frequent engagements with end-customers, building cross-border trade collaborations and participation in trade initiatives by the relevant authorities.

I am pleased to report that we are seeing positive outcomes as a result of all these initiatives.

FINANCIAL / STRATEGIC MATTERS

QUESTION 6

Note 26 to the Financial Statements on page 266 of the Annual Report shows a significant 60% in the Loss allowance against the trade receivables. The analysis on page 268 of the Annual Report shows that RM171.3 million or 92% of the Loss allowance are individual impairment.

The explanation on page 269 of the Annual Report states that impairment will be considered if any of the following indicators were present:-

i. Significant financial difficulties of the debtors
ii. Probability that the debtors will enter bankruptcy or financial reorganization, and
iii. Default or late payments

a) What is the percentage of the individual impairment under indicators (i), (ii) and (iii)?

The percentage of the three impairment indicators, are as below:

NO	IMPAIRMENT INDICATOR	%
i	Significant financial difficulties of debtors	42
ii	Probability that the debtors will enter bankruptcy or financial reorganization	10
iii	Default or late payments	48

FINANCIAL / STRATEGIC MATTERS

QUESTION 6

b) Is the strengthened credit policy mentioned on page 41 of the Annual Report expected to minimize the impairment loss against the trade receivables in future?

Yes, the strengthened credit policy that emphasises on the collection of receivables and monitors outstanding payment is expected to enable the Group to collect its debts more efficiently, while minimising the possibility of impairment losses against trade receivables.

FINANCIAL / STRATEGIC MATTERS

QUESTION 6

c) What is the probability of recovering these debts?

The Group has taken all the necessary steps available under the law to ensure these debts are repaid as soon as possible.

The Group is enhancing its credit management through the establishment of the Group Credit Committee that monitors the level of debts regularly. Among the steps taken to reduce the outstanding debts are the timely issuance of Letters of Demand, the implementation of late payment charges, the termination of sales beyond credit limits and credit terms, and the regular monitoring of the credit limit assigned to external customers.

Court actions are being taken against significant debtors such as Twin Wealth Macao Commercial Offshore Ltd. and Safitex General Trading LLC to recover monies owed.

CORPORATE GOVERNANCE MATTERS

QUESTION 1

Meeting attendance of the Directors on page 64 of the Annual Report shows that Dato' Dr. Othman Haji Omar attended only 4 out of 6 (66.7%) of the Board meeting in FY2018.

What is the reason for him not able to attend all the Board meetings?

Dato' Dr. Othman Haji Omar was unable to attend the Board meetings on:

- *22 November 2018 – He attended the FELDA Board meeting on the same date.*
- *23 November 2018 – He attended the MPOB Board Meeting on the same date. Furthermore, the FGV Board meeting was an unscheduled meeting.*

CORPORATE GOVERNANCE MATTERS

QUESTION 2

As a Large Company, by definition under the MCCG, does the Board intend to adopt Step Up 4.3 which requires the Board to have a policy which limits the tenure of its independent directors to nine years and Step Up 8.4 which states that the Audit Committee should comprise solely of Independent Directors?

FGV is yet to adopt Step Up Practice 4.3 of the Malaysian Code on Corporate Governance 2017, as FGV's current policy allows the tenure of Independent Non-Executive Directors of FGV to be extended beyond nine years, subject to shareholders' approval at annual general meeting.

FGV is not adopting Step Up Practice 8.4 as it is appropriate for the representative from the Ministry of Finance Incorporated to sit as a Member of the FGV Audit Committee to directly oversee FGV's financial performance and ensure that risk management processes and practices in FGV are effectively implemented.

CORPORATE GOVERNANCE MATTERS

QUESTION 3

The date the Director was first appointed to the Board was not disclosed in the Director's profile on page 59 to 60 of the Annual Report. Instead, only the tenure was disclosed.

Please take note that the date of appointment to the Board is required under Chapter 9, Appendix 9(c), Part A (3)(c) of the MMLR.

The Directors' profile on pages 59 to 60 of FGV's Annual Integrated Report 2018 is a summarised version of the full biographical details provided on FGV's website, www.fgvholdings.com.

For your further reference, there are the dates of appointment of the Directors:

NO.	BOARD OF DIRECTORS	DATE OF APPOINTMENT
1.	Datuk Wira Azhar Abdul Hamid (Chairman)	08 Sep 2017
2.	Encik Mohd Hassan Ahmad	26 Sep 2018
3.	Dato' Dr. Othman Haji Omar	01 Oct 2018
4.	Dato' Yusli Mohamed Yusoff	06 Sep 2018
5.	Dato' Mohamed Suffian Awang	20 Jan 2015
6.	Datuk Dr. Salmiah Ahmad	31 Oct 2017
7.	Dr. Mohamed Nazeeb P. Alithambi	31 Oct 2017
8.	Datuk Mohd Anwar Yahya	23 Nov 2017
9.	Dr. Kalanithi Nesadurai	01 Jan 2018
10.	Datin Joan Hoi Lai Ping	06 Sep 2018

THANK YOU

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