



FELDA GLOBAL VENTURES HOLDINGS BERHAD (800165-P)

QUARTERLY REPORT

**Condensed Consolidated Financial Statements
For The Financial Period Ended 30 September 2017**



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT

On consolidated results for the quarter ended 30 September 2017

The Directors are pleased to announce the following:

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

	Note	Quarter ended 30 September			Year to date ended 30 September		
		2017	2016 (Restated)	% + / (-)	2017	2016 (Restated)	% + / (-)
Revenue		4,148,989	4,191,840	(1.0)	12,695,839	12,086,890	5.0
Cost of sales		<u>(3,551,998)</u>	<u>(3,733,177)</u>	4.9	<u>(11,324,320)</u>	<u>(10,913,201)</u>	(3.8)
Gross profit		596,991	458,663	30.2	1,371,519	1,173,689	16.9
Other operating income		15,231	8,445	80.4	80,710	104,562	(22.8)
Selling and distribution costs		(126,748)	(73,773)	(71.8)	(283,881)	(244,799)	(16.0)
Administrative expenses		(249,981)	(193,921)	(28.9)	(688,613)	(656,119)	(5.0)
Other operating expenses		(3,113)	(8,670)	64.1	(44,308)	(21,356)	<100
Commodity gains/(losses) - net		<u>10,377</u>	<u>(1,482)</u>	>100	<u>31,175</u>	<u>40,341</u>	(22.7)
Operating profit	15	242,757	189,262	28.3	466,602	396,318	17.7
Fair value changes in Land Lease Agreement ('LLA') liability		<u>(103,579)</u>	<u>(105,317)</u>	1.7	<u>(224,145)</u>	<u>(207,277)</u>	(8.1)
Operating profit after LLA		139,178	83,945	65.8	242,457	189,041	28.3
Finance income		14,177	13,510	4.9	25,390	20,670	22.8
Finance costs		(44,378)	(36,720)	(20.9)	(122,645)	(145,508)	15.7
Share of results from associates		6,388	3,731	71.2	17,702	24,709	(28.4)
Share of results from joint ventures		<u>(1,034)</u>	<u>(62,274)</u>	98.3	<u>7,401</u>	<u>(45,205)</u>	>100
Profit before zakat and taxation		114,331	2,192	>100	170,305	43,707	>100
Zakat		(3,222)	(304)	<100	(4,295)	(1,107)	<100
Taxation	16	<u>(60,314)</u>	<u>(23,229)</u>	<100	<u>(118,492)</u>	<u>(68,390)</u>	(73.3)
Profit/(loss) for the financial period		<u>50,795</u>	<u>(21,341)</u>	>100	<u>47,518</u>	<u>(25,790)</u>	>100
Profit/(loss) attributable to:							
-Owners of the Company		38,772	(73,606)	>100	67,154	(80,991)	>100
-Non-controlling interests		<u>12,023</u>	<u>52,265</u>	(77.0)	<u>(19,636)</u>	<u>55,201</u>	<100
		<u>50,795</u>	<u>(21,341)</u>	>100	<u>47,518</u>	<u>(25,790)</u>	>100
Earnings per share for profit attributable to the owners of the Company:							
Basic (sen)	21	1.1	(2.0)		1.8	(2.2)	
Other comprehensive (loss)/income							
Share of other comprehensive loss of joint ventures		(1,982)	4,054		(2,720)	(5,457)	
Actuarial loss on defined benefit plan		-	-		(493)	-	
Fair value changes in available-for-sale financial assets		595	276		3,444	3,896	
Currency translation differences		(6,703)	24,977		(47,097)	(40,738)	
Cash flow hedges		(330)	-		(330)	-	
Other comprehensive (loss)/income for the financial period, net of tax		<u>(8,420)</u>	<u>29,307</u>		<u>(47,196)</u>	<u>(42,299)</u>	
Total comprehensive income/(loss) for the financial period		<u>42,375</u>	<u>7,966</u>	>100	<u>322</u>	<u>(68,089)</u>	>100



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 30 September 2017 (continued)

Unaudited Condensed Consolidated Statement of Comprehensive Income (continued)

Amounts in RM thousand unless otherwise stated

	Note	Quarter ended 30 September		%	Year to date ended 30 September		%
		2017	2016 (Restated)	+ / (-)	2017	2016 (Restated)	+ / (-)
Total comprehensive income/(loss) attributable to:							
- Owners of the Company		31,733	(47,502)	>100	16,583	(124,762)	>100
- Non-controlling interests		10,642	55,468	(80.8)	(16,261)	56,673	<100
Total comprehensive income/(loss) for the financial period		<u>42,375</u>	<u>7,966</u>	>100	<u>322</u>	<u>(68,089)</u>	>100

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 2016.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 30 September 2017 (continued)

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

	Note	Unaudited As at 30 September 2017	Audited As at 31 December 2016
<u>Non-current assets</u>			
Property, plant and equipment		10,476,286	10,073,774
Investment properties		120,646	127,017
Intangible assets		1,573,909	1,576,033
Interests in associates		271,979	260,700
Interests in joint ventures		626,994	628,071
Amount due from a joint venture		30,816	20,914
Biological assets		28,294	29,044
Prepaid lease payments		73,196	75,710
Deposit and other receivables		100,559	107,661
Deferred tax assets		709,318	779,421
Available-for-sale financial assets		165,458	154,810
Loan due from a joint venture		73,541	54,222
		14,250,996	13,887,377
<u>Current assets</u>			
Inventories		1,943,269	2,189,255
Receivables		1,543,571	1,755,127
Amount due from a significant shareholder		253,316	182,531
Amount due from joint ventures		491,893	524,429
Amount due from an associate		-	214
Amounts due from related companies		320,910	172,625
Tax recoverable		214,818	189,700
Available-for-sale financial assets		164,757	159,431
Financial assets at fair value through profit or loss		61,946	58,322
Derivative financial assets	18	8,599	5,489
Deposits, cash and bank balances		1,454,793	1,854,054
		6,457,872	7,091,177
Assets held for sale		44,791	48,132
		6,502,663	7,139,309
Total assets		20,753,659	21,026,686
<u>Equity</u>			
Share capital		3,648,152	3,648,152
Share premium		3,371,685	3,371,685
Treasury shares		(10,056)	(1,059)
Reserves		(1,244,303)	(1,224,403)
Equity attributable to owners of the Company		5,765,478	5,794,375
Non-controlling interests		2,349,267	2,403,166
Total equity		8,114,745	8,197,541



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 30 September 2017 (continued)

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

	Note	Unaudited As at 30 September 2017	Audited As at 31 December 2016
<u>Non-current liabilities</u>			
Borrowings	17	763,124	198,992
Loan due to a significant shareholder	17	1,371,969	1,475,799
LLA liability		4,096,718	4,125,032
Provision for asset retirement		32,920	32,129
Provision for defined benefit plan		72,161	71,907
Deferred tax liabilities		777,996	832,908
		<u>7,114,888</u>	<u>6,736,767</u>
<u>Current liabilities</u>			
Payables		1,278,323	1,460,240
Loan due to a significant shareholder	17	232,477	213,206
Amount due to a significant shareholder		489,787	399,190
Amount due to associates		155	167
Amount due to joint ventures		-	6
Amounts due to related companies		2,984	11,433
Borrowings	17	3,166,509	3,692,140
Derivative financial liabilities	18	2,548	19,434
Provision for asset retirement		676	718
Other provision		32,841	-
LLA liability		307,484	282,532
Current tax liabilities		5,252	7,715
		<u>5,519,036</u>	<u>6,086,781</u>
Liabilities related to assets held for sale		4,990	5,597
		<u>5,524,026</u>	<u>6,092,378</u>
Total liabilities		<u>12,638,914</u>	<u>12,829,145</u>
Total equity and liabilities		<u>20,753,659</u>	<u>21,026,686</u>
		As at 30 September 2017	As at 31 December 2016
Net assets per share attributable to owners of the Company		<u>1.58</u>	<u>1.59</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 2016.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

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

	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Foreign exchange reserve</u>	<u>Re-organisation reserve</u>	<u>Other reserve</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Year to date ended 30 September 2017										
At 1 January 2017	3,648,152*	3,371,685	(1,059)	215,241	(3,060,790)	14,319	1,606,827	5,794,375	2,403,166	8,197,541
Profit for the financial period	-	-	-	-	-	-	67,154	67,154	(19,636)	47,518
<u>Item that will not be reclassified to profit or loss</u>										
- actuarial loss on defined benefit plan	-	-	-	-	-	-	(493)	(493)	-	(493)
<u>Items that will be subsequently reclassified to profit or loss</u>										
- currency translation differences	-	-	-	(51,080)	-	-	-	(51,080)	3,983	(47,097)
- fair value changes in available-for-sale financial assets	-	-	-	-	-	3,331	-	3,331	113	3,444
- share of other comprehensive loss of joint ventures	-	-	-	(2,720)	-	-	-	(2,720)	-	(2,720)
- cash flow hedge reserves	-	-	-	-	-	391	-	391	(721)	(330)
	-	-	-	(53,800)	-	3,722	-	(50,078)	3,375	(46,703)
Total other comprehensive (loss)/income for the financial period	-	-	-	(53,800)	-	3,722	69,066	16,583	(16,261)	322
Treasury shares	-	-	(8,997)	-	-	-	-	(8,997)	-	(8,997)
Accretion of interest in subsidiaries	-	-	-	-	-	-	-	-	4,502	4,502
Dividend paid for the financial year ended 31 December 2016 (final)	-	-	-	-	-	-	(36,483)	(36,483)	-	(36,483)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(42,140)	(42,140)
Total transaction with owners	-	-	(8,997)	-	-	-	(36,483)	(45,480)	(37,638)	(83,118)
At 30 September 2017	3,648,152	3,371,685	(10,056)	161,441	(3,060,790)	18,041	1,637,005	5,765,478	2,349,267	8,114,745



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

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

	Share capital	Share premium	Treasury shares	Foreign exchange reserve	Re-organisation reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
Year to date ended 30 September 2016										
At 1 January 2016, as previously stated	3,648,152*	3,371,685	-	193,521	(2,088,969)	18,937	1,303,521	6,446,847	2,538,622	8,985,469
Effects of change in accounting policy	-	-	-	-	(971,821)	-	389,096	(582,725)	(26,948)	(609,673)
Effects of correction in error	-	-	-	-	-	-	(36,819)	(36,819)	-	(36,819)
At 1 January 2016, as restated	3,648,152*	3,371,685	-	193,521	(3,060,790)	18,937	1,655,798	5,827,303	2,511,674	8,338,977
(Loss)/profit for the financial period	-	-	-	-	-	-	(80,991)	(80,991)	55,201	(25,790)
Other comprehensive (loss)/income for the financial period, net of tax:										
<u>Items that will be subsequently reclassified to profit or loss</u>										
- currency translation differences	-	-	-	(42,225)	-	-	-	(42,225)	1,487	(40,738)
- fair value changes in available-for-sale financial assets	-	-	-	-	-	3,911	-	3,911	(15)	3,896
- share of other comprehensive loss of joint ventures	-	-	-	(5,457)	-	-	-	(5,457)	-	(5,457)
	-	-	-	(47,682)	-	3,911	-	(43,771)	1,472	(42,299)
Total other comprehensive (loss)/income for the financial period	-	-	-	(47,682)	-	3,911	(80,991)	(124,762)	56,673	(68,089)
Treasury shares	-	-	(1,488)	-	-	-	-	(1,488)	-	(1,488)
Dividend paid for the financial year ended 31 December 2015 (final)	-	-	-	-	-	-	(72,963)	(72,963)	-	(72,963)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(59,960)	(59,960)
Total transaction with owners	-	-	(1,488)	-	-	-	(72,963)	(74,451)	(59,960)	(134,411)
At 30 September 2016	3,648,152	3,371,685	(1,488)	145,839	(3,060,790)	22,848	1,501,844	5,628,090	2,508,387	8,136,477

* 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 2017



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

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

	Year to date ended	
	30 September	2016
	2017	(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the financial period	47,518	(25,790)
Adjustments for non-cash items	1,026,342	879,125
Operating profit before working capital changes	1,073,860	853,335
Changes in working capital	101,251	250,787
Cash generated from operations	1,175,111	1,104,122
Interest received	25,390	20,670
Taxation paid	(123,940)	(3,428)
Zakat paid	(4,295)	(1,107)
Retirement benefits paid	(615)	(586)
Net cash generated from operating activities	1,071,651	1,119,671
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(899,095)	(604,102)
Additions of biological assets	(19,621)	(36,859)
Purchase of intangible asset	(17,490)	(10,966)
Purchase of investment property	(7,609)	(2,196)
Purchase of prepaid lease payments	-	(4,682)
Net cash outflow from acquisition of a subsidiary	-	(278,618)
Proceeds from disposal of property, plant and equipment	377	455
Proceeds from disposal of fair value through profit or loss	-	83,694
Proceeds from sales of available-for-sale financial assets	47,914	-
Additions of available-for-sale financial assets	(60,096)	(4,546)
Additions of financial assets at fair value through profit or loss	(1,515)	(77,709)
Payment for asset retirement obligations	(21)	-
Dividend received from associates	898	3,360
Dividend received from available-for-sale financial assets	2,504	2,362
Loan to joint ventures	(22,510)	(49,985)
Net cash used in investing activities	(976,264)	(979,792)



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

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

	Year to date ended	
	30 September	
	2017	2016
		(Restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	5,161,366	7,283,762
Repayment of borrowings	(5,112,111)	(6,871,212)
Repayment of LLA liability	(227,507)	(195,332)
Repayment of loan due to a significant shareholder	(102,143)	(102,143)
Dividend paid to shareholders	(36,483)	(72,963)
Dividend paid to non-controlling interest	(42,140)	(59,960)
Finance costs paid	(111,155)	(117,413)
Purchase of treasury stock	(8,997)	-
Decrease in fixed deposits pledged for bank guarantee	-	494,496
Net cash (used in) / generated from financing activities	(479,170)	359,235
Net (decrease)/ increase in cash and cash equivalents	(383,783)	499,114
Effect of foreign exchange rate changes	(16,608)	6,030
Cash and cash equivalents at beginning of the financial period	1,854,054	2,008,539
Cash and cash equivalents at end of the financial period	1,453,663	2,513,683
Deposits, cash and bank balances	1,454,793	2,513,683
Less: Assets held for sale	(1,130)	-
Cash and cash equivalents at end of the period	1,453,663	2,513,683

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 2016.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand unless otherwise stated

This interim financial information of Felda Global Ventures Holdings Berhad ('FGVH' 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 Financial Reporting Standard ('FRS') No. 134 – Interim Financial Reporting.

The Unaudited Condensed Interim Financial Information should be read in conjunction with FGVH audited financial statements for the financial year ended 31 December 2016. These explanatory notes attached to the Unaudited Condensed 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 2016.

1. Basis of Preparation

(a) General

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the annual financial statements for the financial year ended 31 December 2016, except for the adoption of the new Financial Reporting Standards ("FRS"), Amendments to FRS and IC Interpretations with effect from 1 January 2017.

The Group includes transitioning entities and has elected to continue to apply FRS during the financial year. The Group will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS") for financial year beginning on 1 January 2018. In adopting the new framework, the Group will be applying MFRS 1 "First-time Adoption of MFRS".

(b) Accounting pronouncements that are effective and have been adopted by the Group as at 1 January 2017:

- Amendments to FRS 107 "Statement of Cash Flows" - Disclosure Initiative
- Amendments to FRS 112 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to FRS 12 "Disclosures of Interests in Other Entities"

The adoption of the above amendments to existing standards did not have any significant impact on the current or any prior financial year and are not likely to affect future financial periods.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (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 material or unusual items affecting FGVH's assets, liabilities, equity, net income or cash flows during the financial period under review.

4. Material Changes in Estimates

Other than the changes in assumptions made to the fair value changes of financial liabilities as disclosed in Note 19, 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 2017.

The Directors declared an interim dividend payment of 5.0 sen per share on 3,648,151,500 ordinary shares under single-tier system for the quarter ended 30 September 2017 amounting to RM182.41 million. The dividend is expected to be paid by 28 December 2017.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (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 Executive Committee ("EXCO").

The EXCO considers the business by product related activities. The reportable segments for the financial period ended 30 September 2017 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, processing and sales of biodiesel products, production of oleochemicals namely fatty acid and glycerine, production of graphene and nanotubes and production of consumer bulk and packed products, trading of CPO and research and development activities, fertilisers processing and production and sale of planting materials.
- Sugar Sector - Sugar refining and sales and marketing of refined sugar and molasses.
- Logistics and Others Sector - Bulking and transportation facilities and services, engineering services, information technology, rubber processing, security and travel.

The reportable segments have changed from the financial year ended 31 December 2016 due to the changes in the internal management reporting structure to the CODM. Comparatives have been restated to conform to the revised reportable segments.

Reconciliation to the reportable segments 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 EXCO assesses the performance of the operating segments based on profit before zakat and taxation.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (continued)

Amounts in RM thousand unless otherwise stated

7. Segment Information (continued)

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

Year to date ended 30 September 2017	Plantation	Sugar	Logistics and Others	Reconciliation	Total
Total segment revenue	16,080,337	3,639,962	1,400,839	(8,425,299)	12,695,839
Less : Inter-segment revenue	(6,449,258)	(1,623,092)	(352,949)	8,425,299	-
Revenue from external customers	<u>9,631,079</u>	<u>2,016,870</u>	<u>1,047,890</u>	-	<u>12,695,839</u>
Finance income	12,192	18,942	116	(5,860)	25,390
Finance costs	(31,060)	(26,998)	(4,101)	(60,486)	(122,645)
Depreciation and amortisation	(391,682)	(31,560)	(71,742)	(11,641)	(506,625)
Fair value changes in LLA liability	(224,145)	-	-	-	(224,145)
Share of results of joint ventures	6,901	-	-	500	7,401
Share of results of associates	1,247	-	-	16,455	<u>17,702</u>
Profit/(loss) before zakat and taxation for the financial period	255,134	(25,957)	25,584	(84,456)	<u>170,305</u>



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (continued)

Amounts in RM thousand unless otherwise stated

7. Segment Information (continued)

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

	Plantation	Sugar	Logistics and Others	Reconciliation	Total
Year to date ended 30 September 2016 (restated)					
Total segment revenue	15,068,303	2,743,699	1,094,112	(6,819,224)	12,086,890
Less : Inter-segment revenue	(5,612,152)	(922,102)	(284,970)	6,819,224	-
Revenue from external customers	<u>9,456,151</u>	<u>1,821,597</u>	<u>809,142</u>	<u>-</u>	<u>12,086,890</u>
Finance income	14,887	3,491	2,609	(317)	20,670
Finance costs	(63,936)	(8,552)	(1,231)	(71,789)	(145,508)
Depreciation and amortisation	(395,138)	(35,692)	(73,697)	(11,280)	(515,807)
Fair value changes in LLA liability	(207,277)	-	-	-	(207,277)
Share of results of joint ventures	(50,060)	-	-	4,855	(45,205)
Share of results of associates	958	-	-	23,751	<u>24,709</u>
(Loss)/profit before zakat and taxation for the financial period	<u>(30,414)</u>	<u>132,492</u>	<u>11,965</u>	<u>(70,336)</u>	<u>43,707</u>



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (continued)
Amounts in RM thousand unless otherwise stated

8. Capital Commitments

Authorised capital expenditure not provided for are as follows:

	As at 30 September 2017	As at 31 December 2016
Property, plant and equipment:		
- contracted	490,447	703,445
- not contracted	382,827	704,410
	<u>873,274</u>	<u>1,407,855</u>
Bearer plant:		
- contracted	99,173	87,958
- not contracted	4,266	18,094
	<u>103,439</u>	<u>106,052</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 FRS 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.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (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 2017 and 30 September 2016 are as follows:

a) Sales of goods and services

	Year to date ended 30 September	
	2017	2016
(i) Transactions with joint ventures		
Sales of Palm Processed Oil ("PPO") and Palm Fatty Acid Distillate ("PFAD") by Felda Global Ventures Trading Sdn. Bhd. ("FGVT") to Felda Iffco Sdn. Bhd. ("FISB Group")	122,773	42,404
Sales of CPO by Felda Global Ventures Plantations (Malaysia) Sdn. Bhd. ("FGVPM") to FISB Group	1,400,621	1,139,818
Sales of Crude Palm Kernel Oil ("CPKO"), Refined Bleached Deodorised Palm Kernel Oil ("RBDPKO") and Palm Kernel Fatty Acid Distillate ("PKFAD") by Felda Kernel Products Sdn. Bhd. ("FKPSB") to FISB Group and FPG Oleochemicals Sdn. Bhd. ("FPG")	1,223,424	1,050,226
Sales of CPO by FGVPM to MAPAK Edible Oil Pvt. Ltd. ("MAPAK")	271,709	223,222
(ii) Transaction with associates		
Sales of PPO by FGVT to F.K.W. Global Commodities (Private) Limited ("FKW")	50,194	22,190



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (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 2017 and 30 September 2016 are as follows: (continued)

(a) Sales of goods and services (continued)

	Year to date ended 30 September	
	2017	2016
(iii) Transaction with FELDA Group		
Sales of fertiliser by FPM Sdn. Bhd. ("FPMSB")	222,147	211,177
Maintenance and consultancy services by Felda Engineering Services Sdn. Bhd. ("FESSB")	29,035	55,154
IT services rendered by Prodata	22,950	19,725
Security services rendered by Felda Security Services Sdn. Bhd. ("FSSSB")	16,130	18,030
Sales of seedlings and planting materials by Felda Agricultural Services Sdn. Bhd. ("FASSB")	11,652	14,420

(b) Purchase of goods and services

Transaction with FELDA Group:

LLA liability paid by FGVP	227,507	195,332
Interest expense charged by FELDA	58,712	46,178
Purchase of cup lump by Felda Rubber Industries Sdn. Bhd. ("FRISB")	110,651	60,124
Purchase of FFB by FGVP	2,578,841	2,057,551
Building rental charged by FELDA	20,344	27,020



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (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 2017 and 30 September 2016 are as follows: (continued)

(c) Transactions with Government related entities

	Year to date ended 30 September	
	2017	2016
Transactions between subsidiaries and other government agencies:		
Cooking oil subsidy received from Malaysia Palm Oil Board ("MPOB")	59,298	94,656
CESS payment to Malaysia Palm Oil Board ('MPOB')	27,643	25,060

10. Effect of Significant Changes in the Composition of FGVH

There were no changes in the composition of the Group for the current period under review.

11. Contingent Liabilities and Material Litigation

- (i) On 3 September 2010, FPISB and FELDA were sued by 514 settlers of Felda Seriting Scheme and 252 settlers of Felda Gugusan Raja Alias Scheme in Jempol, Negeri Sembilan for alleged fraud and manipulation of the extraction rate for palm oil. The claim amounted to RM15.4 million for the year 2008 only. The learned Seremban High Court Judge on 26 June 2015 has dismissed the Plaintiffs' claim with costs. The Court awarded costs of the sum of RM1,000 per Plaintiff, to be paid to the Defendants. There are 370 remaining Plaintiffs, from the original 766 Plaintiffs, as a portion of them have duly withdrawn and passed away. Therefore, costs awarded to the Defendants amounting to RM370,000. The learned Judge delivered her brief grounds of judgment, the Court found that the Plaintiffs have failed to prove their claim for fraud, conspiracy to defraud and breach of trust. On 22 July 2015, Defendants filed an appeal to Court of Appeal against the whole decision of the Seremban High Court. The Court of Appeal has heard the Plaintiffs' appeal and submissions from both parties on 13 and 14 April 2016. On 31 March 2017, Court of Appeal delivered its decision that the Plaintiffs' (Appellants) appeal dismissed with cost RM100,000 to be paid to Defendants (Respondents).



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (continued)
Amounts in RM thousand unless otherwise stated

11. Contingent Liabilities and Material Litigation

- (ii) On 12 July 2011, FPISB and FELDA were sued by 711 settlers of Felda Jengka 1 to 25 and Felda Sg. Tekam in Temerloh, Pahang (Jengka A) for alleged fraud and manipulation of the extraction rate of palm oil. The claim amounted to RM22.9 million for year the 2008 only. This case was called for mention on 18 September 2013 and the Judge has ordered the Plaintiffs to determine who actually has the locus standi to sue in this suit and to determine which Plaintiffs have signed agreements with Felda. The clarification has been completed and the matter which has been fixed previously for decision on 24 October 2016 has been vacated. On 30 November 2016, Temerloh High Court delivered its decision of which dismissed the entire Plaintiffs' claim with cost amounting to RM200,000 to be paid to Defendants. Court found that the Plaintiffs have failed to prove their claim for fraud, conspiracy to defraud and breach of trust. On 14 December 2016, Plaintiffs have filed appeal being not satisfied with the High Court's decision. On 27 October 2017, the Plaintiffs, had withdrew their appeal application to the Court of Appeal. Court of Appeal allowed the appeal application to be withdrawn with cost of RM10,000 to pay to the Defendants.
- (iii) On 10 November 2011, FPISB and FELDA were sued by 365 settlers of Felda Jengka 1 to 7, 10, 13 to 19, 23 to 24, Felda Ulu Jempol and Felda Sg. Tekam Utara (Jengka B) for alleged fraud and manipulation of the extraction rate of palm oil. The claim amounted to RM11.7 million for the year 2008 only. The Court had on 19 April 2012 allowed an order in terms for application by FELDA and FPISB to strike out 20 Plaintiffs with costs. The Temerloh High Court has vacated all the dates fixed previously for trial. The matter is now has yet to be fixed with new trial dates. On 28 September 2016, Plaintiffs filed application to amend statement of defence and was allowed by the Court. Defendants appealed on the high court's decision allowing the amendment of statement of claim ("SOC"). On 17 February 2017, Plaintiffs' application to amend SOC was allowed. Defendants, on 2 March 2017 filed an appeal on the objection of the amendment of SOC. Dismissed. This case will be heard with the amended SOC.

On 26 May 2017, Plaintiffs had withdrawn all the claims filed against the Defendants. The Temerloh High Court later ordered the entire settler's claims to be struck out with no liberty to file fresh. In this case, the settlers demanded special damages, general damages and exemplary damages as well as interest for alleging FELDA and FPISB for fraud, breach of trust, conspiracy, mischief, misrepresentation etc. for the determination of OER. All 364 settlers of Jengka B have been ordered to pay the costs of RM30,000 to FELDA and FPISB.

- (iv) On 20 September 2011, FPISB and FELDA were sued by 550 settlers of Gugusan Bera for alleged fraud and manipulation of the extraction rate of palm oil. The plaintiffs are claiming for a share from the sale of kernel, burn ash and sludge oil which was derived from their FFB consignments sold to FPISB's mills. The claim amounted to RM19.2 million for the year 2008 only. FPISB has filed Memorandum of Appearance in High Court on 15 November, a Statement of Defence on 3 January 2012 and have also filed an application to Strike-Out Ground on Plaintiffs' claims on 25 January 2012. On 27 April 2017, Temerloh High Court had delivered its decision of which Court dismissed the Plaintiffs' claim with cost to be paid to the Defendants amounting to RM405,500. The Court found that the Plaintiffs have failed to prove their claim for fraud, conspiracy to fraud and breach of trust.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (continued)
Amounts in RM thousand unless otherwise stated

11. Contingent Liabilities and Material Litigation (continued)

- (v) On 10 May 2012, FPISB and FELDA were sued by 770 settlers of Rancangan FELDA Chini 1 to 5 and Rancangan FELDA Chini Timur 1 to 3 in Pahang for alleged fraud and manipulation of the extraction rate of palm oil. The claim amounted to RM24.8 million for the year 2008 only. FPISB has to file a Memorandum of Appearance in High Court on 16 May 2012. On 16 November 2016, Kuantan High Court delivered its decision dismissed the entire Plaintiffs' claim with cost RM300,000 to be paid to the Defendants. The Court found out that Plaintiffs have failed to prove their claim for fraud, conspiracy to defraud and breach of trust. On 14 December 2016, Plaintiffs have filed appeal being not satisfied with the High Court's decision. On 24 October 2017, the Plaintiffs had withdrawn their appeal application to the Court of Appeal. Court of Appeal allowed the appeal application to be withdrawn with cost of RM10,000 to pay to the Defendants.
- (vi) On 5 June 2012, FPISB and FELDA were sued by 956 settlers of Rancangan FELDA Keratong 1 to 10 for alleged fraud and manipulation of the extraction rate of palm oil. The claim amounted to RM30.9 million for the year 2008 only. FPISB has filed a Memorandum of Appearance in High Court on 26 June 2012. The matter was heard on 22 to 26 June 2015 and continued on 29 to 30 June 2015 and 1 to 3 July 2015. The Court has heard the case and completed. On 27 to 29 July 2016, Plaintiffs filed application to amend statement of claim and was allowed by the Court. Defendants appealed on the High Court's decision allowing the amendment of statement of claim. This matter was heard on the Plaintiffs' application for Recusal Application on 3 March 2017. On 6 June 2017, Defendants filed an Application for Summary Judgement (O14A). On 7 June 2017, the Plaintiffs have filed an oral application to withdraw their claim against the Defendants. Therefore, on the same day, Kuantan High Court allowed the application and the suit was withdrawn with no liberty to file afresh with cost of RM20,000 to be paid to Defendants. The withdrawal was before YA Dato' Zainal Azman.
- (vii) On 25 January 2013, FPISB and FELDA were sued by 351 settlers of Rancangan FELDA Mempaga for alleged fraud and manipulation of the extraction of palm oil. The claim amounted to RM11.3 million for the year 2008 only. The matter which was fixed for trial on 22 to 26 September 2014 have been vacated to give priority to hear Jengka A case. The Temerloh High Court has vacated all the dates fixed previously for trial. On 28 September 2016, Plaintiffs filed application to amend statement of defence and was allowed by the Court. Defendants appealed on the high court's decision allowing the amendment of SOC. On 17 February 2017, Plaintiffs' application to amend the statement of claim was allowed. Defendants, on 2 March 2017, filed an appeal on the objection of the amendment of SOC. Dismissed. This case will be heard with the amended SOC.

On 26 May 2017, Plaintiffs had withdrawn all the claims filed against the Defendants. The Temerloh High Court later ordered the entire settler's claims to be struck out with no liberty to file fresh. In this case, the settlers demanded special damages, general damages and exemplary damages as well as interest for alleging FELDA and FPISB for fraud, breach of trust, conspiracy, mischief, misrepresentation etc. for the determination of OER. All 350 settlers of Mempaga have been ordered to pay the costs of RM30,000 to FELDA and FPISB.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (continued)
Amounts in RM thousand unless otherwise stated

11. Contingent Liabilities and Material Litigation (continued)

The above amounts are shown at gross before accounting for non-controlling interests and effects of the five years indemnity provided by Koperasi Permodalan Felda Berhad ("KPF") in December 2013 as part of the acquisition of KPF's interest in FHB.

The Directors wish to clarify that the Group calculates the Graded Oil Extraction Rate ("OER") in compliance with Malaysian Palm Oil Board Guidelines.

The Graded OER is derived as follows:

Basic OER	A
Less: Penalty as per MPOB Guidelines*	<u>B</u>
Graded OER	<u>C</u>

* Penalty refers to unripe bunch, long stalk bunch, dirty bunch, old bunch, empty bunch and rotten bunch.

- (viii) On 03 October 2017, Delima Oil Products Sdn Bhd ("DOP") was sued by a company in China known as Chengdu Azonda International Trading Co Ltd ("Azonda") claiming an amount approximately RM53 million as damages due to some alleged off specification goods and breach of contract

At the first case management on 25 October 2017, DOP was ordered to Defence by 3 November 2017 and Azonda to file its Reply to Defence on 17 November 2017. DOP has filed its Defence and Counterclaim on 3 November 2017. The next case management is fixed on 17 November 2017.

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

Based on available information and on legal advice received, the Directors are of the view that there is a reasonable chance of defending all the above claims and therefore, no provision has been made in the financial statements.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (continued)
Amounts in RM thousand unless otherwise stated

12. Review of Group Performance

	Year to date ended		% + / (-)
	30 September 2017	2016 (Restated)	
Revenue	<u>12,695,839</u>	<u>12,086,890</u>	5.0
Plantation	255,134	(30,414)	>100
Sugar	(25,957)	132,492	<100
Logistics and Others	<u>25,584</u>	<u>11,965</u>	>100
Sector results	254,761	114,043	>100
Reconciliation	<u>(84,456)</u>	<u>(70,336)</u>	(20.1)
Profit before zakat and taxation	170,305	43,707	>100
Zakat	(4,295)	(1,107)	<100
Taxation	<u>(118,492)</u>	<u>(68,390)</u>	(73.3)
Profit/(loss) for the financial period	<u><u>47,518</u></u>	<u><u>(25,790)</u></u>	>100
Profit/(loss) attributable to:			
Owners of the Company	67,154	(80,991)	>100
Non-controlling interests	<u>(19,636)</u>	<u>55,201</u>	<100
Profit/(loss) for the financial period	<u><u>47,518</u></u>	<u><u>(25,790)</u></u>	>100

Overall

For the financial period ended 30 September 2017, the Group's revenue rose by 5.0% to RM12.70 billion as compared to the corresponding period of the previous year. Profit before zakat and taxation of the Group was higher at RM170.31 million compared to RM43.71 million reported last year largely due to higher contribution from Plantation Sector and Logistics and Others Sector. The improvement in profit was partially offset by losses incurred in Sugar business as a result of higher raw sugar costs and the weakened Ringgit Malaysia.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (continued)
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13. Review of Group Performance (continued)

(a) Plantation Sector

Profit from Plantation Sector surged to RM255.13 million for the financial period ended 30 September 2017 from a loss of RM30.41 million in previous year. The improvement in profit was due to higher CPO sales margin on the back of higher average CPO price realized of RM2,820 per mt compared to RM2,458 per mt realized in 2016. The CPO production cost increased marginally by 0.4% compared to last year.

Operationally, CPO production increased by 10% to 2.13 million mt associated with the increase in FFB production from 2.97 million mt in 2016 to 3.07 million mt in 2017. OER was lower at 19.79% compared to 20.66% achieved in the previous year.

Fertilizer business posted a better results underpinned by higher margin due to increase in sales volume coupled with increase in average price and gain in foreign exchange compared to loss in foreign exchange in 2016.

The improvement in profit was also aided by the increase of RM57.0 million in share of results of joint ventures against share of loss attributable to the fraud losses discovered in Quarter 3 last year in downstream cluster.

The Sector's result was however partially impacted by the impairment of receivables amounting to RM76.52 million and provision for litigation of RM32.84 million.

(b) Sugar Sector

Sugar Sector recorded a loss of RM25.96 million compared to a profit of RM132.49 million last year pressured by higher raw sugar material costs and the weakened Ringgit despite improvement in selling price.

(c) Logistics and Others Sector

The Logistics and Others Sector recorded a better profit of RM25.58 million compared to RM11.96 million in previous year mainly attributed to higher throughput and tonnage carried by Group's transport operation in tandem with the increase in CPO production volume. However, the profit was partially offset by lower contribution from Others Sector due to reduction in the projects handled for engineering services compared to previous year.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (continued)
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13. Material Changes in the Quarterly Results Compared to Preceding Quarter

	Quarter ended		%
	30 September	30 June	+ / (-)
	2017	2017	
Revenue	<u>4,148,989</u>	<u>4,223,645</u>	(1.8)
Plantation	107,125	148,913	(28.1)
Sugar	15,643	(18,438)	>100
Logistics and Others	<u>20,146</u>	<u>(4,315)</u>	>100
Sector results	142,914	126,160	13.3
Reconciliation	<u>(28,583)</u>	<u>(38,930)</u>	26.6
Profit before zakat and taxation	114,331	87,230	31.1
Zakat	(3,222)	(664)	<100
Taxation	<u>(60,314)</u>	<u>(58,407)</u>	(3.3)
Profit for the financial period	<u><u>50,795</u></u>	<u><u>28,159</u></u>	80.4
Profit attributable to:			
Owners of the Company	38,772	25,913	49.6
Non-controlling interests	<u>12,023</u>	<u>2,246</u>	>100
Profit for the financial period	<u><u>50,795</u></u>	<u><u>28,159</u></u>	80.4

Overall

Group revenue for the quarter ended 30 September 2017 decreased marginally by 1.8% compared to preceding quarter while the Group posted 31.1% higher profit before zakat and taxation of RM114.33 million compared to RM87.23 million in the preceding quarter on the back of improvement in contribution from both Sugar and Logistics and Others Sector in current quarter.

Excluding higher fair value charge of LLA in current quarter of RM103.58 million compared to RM23.07 million in preceding quarter, the results of Plantation Sector had improved.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (continued)
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13. Material Changes in the Quarterly Results Compared to Preceding Quarter (continued)

(a) Plantation Sector

The Plantation Sector recorded a lower profit of RM107.13 million in current quarter compared to RM148.91 million in preceding quarter. This was mainly attributed to higher fair value charge in LLA in current quarter of RM103.58 million compared to RM23.07 million in preceding quarter. Excluding the above effect, the Sector's profit increased by 23% to RM210.71 million from RM171.98 million in preceding quarter.

Operationally, increase in CPO sales volume by 14.2% helped compensate for a decline in average CPO price realised in current quarter of RM2,665 per mt against RM2,796 per mt in preceding quarter. CPO production was 18.0% higher in tandem with the increase in FFB production for the current quarter of 1.23 million mt compared to 1.04 million mt in preceding quarter. OER achieved was at 19.78% in current quarter compared to 19.77% achieved in preceding quarter.

(b) Sugar Sector

Sugar Sector recorded an improved performance with a profit of RM15.64 million compared to a loss of RM18.44 million in preceding quarter on the back of lower raw sugar material costs. The average raw sugar cost per mt had decreased by 11% compared to preceding quarter in tandem with the decline in the market price of raw sugar.

(c) Logistics and Others Sector

The Logistics and Others Sector posted a profit of RM20.15 million compared to a loss of RM4.31 million in preceding quarter mainly contributed by higher throughput and tonnage carried by Logistics sector in line with higher CPO production in current quarter and improved results by Others sectors due to lower administrative expenses.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (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 after LLA

	Year to date ended 30 September	
	2017	2016 (Restated)
Included in operating profit after LLA are:		
Depreciation of property, plant and equipment	474,011	468,176
Property, plant and equipment written off	6,818	3,896
Depreciation of investment properties	8,876	8,961
Amortisation of intangible assets	21,630	31,812
Amortisation of prepaid lease payments	2,108	3,050
Accelerated depreciation of biological assets	-	3,664
Impairment of biological assets	5,532	-
Impairment loss on a joint venture	2,444	-
Impairment of receivables	81,657	-
Provision for litigation loss	32,841	-
Net unrealised foreign exchange loss/(gain)	<u>5,462</u>	<u>(31,759)</u>

16. Taxation

	Quarter Ended 30 September		Year to date Ended 30 September	
	2017	2016	2017	2016
Malaysian income tax				
Current financial period	(82,326)	(18,228)	(99,633)	(74,497)
Prior financial period	<u>3,274</u>	<u>71</u>	<u>3,274</u>	<u>71</u>
	(79,052)	(18,157)	(96,359)	(74,426)
Foreign income tax				
Current financial period	(4,880)	(4,271)	(6,942)	(6,254)
Deferred tax	<u>23,618</u>	<u>(801)</u>	<u>(15,191)</u>	<u>12,290</u>
	<u>(60,314)</u>	<u>(23,229)</u>	<u>(118,492)</u>	<u>(68,390)</u>

The effective tax rate of 71% for the financial period ended 30 September 2017 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.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (continued)
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17. Borrowings

	As at 30 September 2017					
	Long term		Short term		Total borrowings	
	Foreign currency	RM Equivalent	Foreign currency	RM Equivalent	Foreign currency	RM Equivalent
Secured						
Islamic term loans	-	755,442	-	81,501	-	836,943
Term loans	-	686	-	560	-	1,246
Islamic short term trade financing	-	-	-	6,372	-	6,372
Short term trade financing						
- United States Dollar	-	-	7,504	31,684	7,504	31,684
- Thai Baht	-	-	50,050	6,335	50,050	6,335
Unsecured						
Loan due to significant shareholder	-	1,371,969	-	232,477	-	1,604,446
Islamic term loans	-	6,996	-	1,665	-	8,661
Islamic short term trade financing						
- Ringgit Malaysia	-	-	-	1,844,275	-	1,844,275
- United States Dollar	-	-	118,949	502,201	118,949	502,201
- Great Britain Pound	-	-	10,777	60,845	10,777	60,845
- Singapore Dollar	-	-	1,020	3,170	1,020	3,170
Short term trade financing	-	-	-	627,901	-	627,901
Total borrowings		2,135,093		3,398,986		5,534,079



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2017 (continued)
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17. Borrowings (continued)

	As at 31 December 2016					
	Long term		Short term		Total borrowings	
	Foreign currency	RM Equivalent	Foreign currency	RM Equivalent	Foreign currency	RM Equivalent
<u>Secured</u>						
Islamic term loans	-	189,867	-	-	-	189,867
Term loans	-	468	-	558	-	1,026
Short term trade financing						
- Ringgit Malaysia	-	-	-	32,688	-	32,688
- Thai Baht	-	-	71,910	9,006	71,910	9,006
Finance lease liabilities	-	823	-	1,186	-	2,009
<u>Unsecured</u>						
Loan due to a significant Shareholder	-	1,475,799	-	213,206	-	1,689,005
Islamic term loans	-	7,834	-	1,665	-	9,499
Islamic short term trade financing						
- Ringgit Malaysia	-	-	-	2,685,068	-	2,685,068
- United States Dollar	-	-	201,563	904,213	201,563	904,213
- Great Britain Pound	-	-	9,842	54,253	9,842	54,253
- Singapore Dollar	-	-	996	3,089	996	3,089
Finance lease liabilities	-	-	-	414	-	414
Total borrowings		1,674,791		3,905,346		5,580,137

Exchanges rates applied

	<u>2017</u>	<u>2016</u>
United State Dollar	4.2220	4.4860
Thai Baht	12.6574	12.5237
Great Britain Pound	5.6461	5.5122
Singapore Dollar	3.1083	3.1006

As at 30 September 2017, 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.

A subsidiary of FGVH has reclassified its Islamic term loan to current borrowings due to non-compliance of certain loan covenants and is in discussion with banks to restructure and negotiate a new term loan arrangement, which is expected to be finalized by 31 December 2017.



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18. Derivative Financial Instruments

FGVH 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 2017 are as follows:

	Contractual/ Notional Amount	Fair Value	
		Assets	Liabilities
Foreign currency forwards	803,991	6,544	727
Palm oil futures	38,219	2,055	1,821
	<u>842,210</u>	<u>8,599</u>	<u>2,548</u>

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 2016. 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 2017.

<u>30 September 2017</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	2,055	6,544	-	8,599
- Trading securities	61,946	-	-	61,946
Available-for-sale financial assets	<u>74,860</u>	<u>-</u>	<u>255,355</u>	<u>330,215</u>
Total assets	<u>138,861</u>	<u>6,544</u>	<u>255,355</u>	<u>400,760</u>
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
- LLA liability	-	-	4,404,202	4,404,202
- Derivatives	<u>1,821</u>	<u>727</u>	<u>-</u>	<u>2,548</u>
Total liabilities	<u>1,821</u>	<u>727</u>	<u>4,404,202</u>	<u>4,406,750</u>



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19. Fair Value Changes of Financial Instruments (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments listed in Bursa Malaysia Securities Berhad or foreign stock exchanges classified as trading securities or available for sale and commodity derivatives quoted on Bursa Malaysia Derivatives Berhad (formerly known as Malaysia Derivatives Exchange Berhad ("MDEX")) 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 available-for-sale financial assets.

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

	Financial period ended <u>30 September 2017</u>	Financial year <u>2016</u>
<u>LLA liability</u>		
1 January	4,407,564	4,627,195
Fair value changes charged to profit or loss	224,145	68,275
Repayment during the financial period/year	<u>(227,507)</u>	<u>(287,906)</u>
30 September /31 December	<u><u>4,404,202</u></u>	<u><u>4,407,564</u></u>
<u>Available for sale financial assets</u>		
1 January	247,542	251,351
Addition	7,813	5,488
Liquidation of a subsidiary	-	(1,613)
Fair value losses transferred to available-for-sale reserves	-	(7,684)
30 September/31 December	<u><u>255,355</u></u>	<u><u>247,542</u></u>

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, lease term of planted oil palm and rubber and estate replanting fixed cost. Any changes on assumptions used will cause a material variation of the liability.



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20. Realised and Unrealised Profits or Losses

The breakdown of realised and unrealised retained earnings of FGVH is as follows:

	As at 30 September 2017	As at 30 September 2016 (Restated)
Total retained earnings of the Company and its subsidiaries:		
- realised	4,302,789	4,899,456
- unrealised	(924,746)	(737,340)
	<u>3,378,043</u>	<u>4,162,116</u>
Total share of retained earnings from jointly controlled entities:		
- realised	44,715	16,633
- unrealised	(6,528)	28,576
	<u>38,187</u>	<u>45,209</u>
Total share of retained earnings from associates:		
- realised	196,812	183,744
- unrealised	(6,011)	(6,767)
	<u>190,801</u>	<u>176,977</u>
Less: consolidation adjustments	<u>(1,970,026)</u>	<u>(2,882,458)</u>
Total retained earnings of FGVH	<u><u>1,637,005</u></u>	<u><u>1,501,844</u></u>

The unrealised profits are determined in accordance with the Guidance on Special Matter No. 1 (GSM1) issued by the Malaysian Institute of Accountants. In arriving at the unrealised profits, we have also included the following which are deemed in the GSM1 as unrealised:

- (a) Credits or charges relating to the recognition of deferred tax,
- (b) Cumulative net gains (but not net losses) from the remeasurement of assets or liabilities at fair value through profit or loss,
- (c) Provision of liabilities in respect of present obligations where resources are only consumed upon settlement of the obligation, and
- (d) Translation gains or losses of monetary items denominated in a currency other than the functional currency.



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21. Earnings Per Share

	Quarter ended		Year to date ended	
	30 September		30 September	
	2017	2016	2017	2016
Basic earnings per share are computed as follows:				
Profit/(loss) for the financial period attributable to owners of the Company (RM'000)	<u>38,772</u>	<u>(73,606)</u>	<u>67,154</u>	<u>(80,991)</u>
Weighted average number of ordinary shares in issue (thousands)	3,648,152	3,648,152	3,648,152	3,648,152
Basic earnings per share (sen)	<u>1.1</u>	<u>(2.0)</u>	<u>1.8</u>	<u>(2.2)</u>

22. Status of Corporate Proposals

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

23. Significant events

- (i) On 23 November 2016, Group President/Chief Executive Officer of FGVH had mentioned there are indeed some unusual stock losses which management has detected in Felda Iffco Gida Sanayi, Turkey (FIGS), a subsidiary of Felda Iffco Sdn Bhd ("FISB Group"), a jointly controlled entity. As indicated in our Fourth Quarter 2016 Quarterly Announcement, the Audit and Forensic reports are completed. They confirmed the losses as previously reported, with no further losses to be accounted for.

A summary of the audit findings were that the company incurred losses due to negative variable margins, actual margins being lower than declared margins, and stock shortages which were undisclosed to the Board of Directors and Shareholders mainly via value adjustments, introduction of excess production batches and overstating receivables.

The Board of FIGS has since introduced several measures to prevent such occurrence again including the appointment of a new Chief Financial Officer whose immediate task is to review and improve internal controls found to be weak. The Board has also authorised the replacement of the current Enterprise Reporting System (ERP) to SAP, which will be centrally monitored and accessible to FISB management in Malaysia on an "online" basis. In addition, an employee of FGVH has been seconded to FIGS as the Deputy CFO, with responsibility over the production costing, inventory and Group reporting functions. The Board of FIGS further monitors these implementation of improvements closely including physical meetings scheduled at least once every 2 months.



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23. Significant events (continued)

FIGS is covered by a Crime Insurance Cover insurance policy with a total coverage of US\$19 million. The recovery of the above losses via this Insurance policy is currently in progress. The insurance company has appointed an Investigative Specialist whose report on the losses were submitted to the insurance company on 13 March 2017. Subsequent meetings were held with the insurance company where a follow-up report was submitted on 7 May 2017. Management expects the claim to be finalised and insurance funds to be received in 2018.

- (ii) On 12 May 2017, the Board of Directors of Felda Global Ventures Holdings Berhad ("FGV") has announced that FGV Myanmar (L) Pte. Ltd ("FGV Myanmar"), a wholly owned subsidiary of FGV, had mutually terminated of the JVA in respect of the management and operations of the joint venture entity known as FGV Pho La Min Company Limited ("JV Co").

Pursuant to the terms of the Termination Agreement entered into between FGV Myanmar and Pho La Min Trading Company Limited dated 12 May 2017, the parties have agreed to mutually terminate the JVA and for the same to be of no further force or effect between the parties (the "Termination"). This Termination is subject to the full and satisfactory receipt of the shares and assets of the JV Co, returned proportionally between the parties in accordance with the Termination Agreement.

Having considered all aspects of this Termination, the Board of Directors of FGV are of the opinion the mutual termination disclosed herein are in the best interest of FGV. The termination of this JVA would not have any financial impact on FGV and its subsidiaries.

- (iii) On 6 June 2017, the Board of Directors of FGV informed that the Group President/Chief Executive Officer and Group Chief Financial Officer of FGV have been given leave of absence commencing from 6 June 2017 pending investigations of certain transactions under Delima Oil Products Sdn Bhd, a subsidiary of FGV.

In the interim, a Board Executive Committee, comprising of two (2) FGV Directors, YBhg. Dato' Dr Omar Salim and YBhg. Dato' Mohd Zafer Mohd Hashim, together with En. Azman Ahmad, Head of Logistics Cluster will take over the responsibility to perform the functions of the Group President/Chief Executive Officer. The Board has also appointed Pn. Aznur Kama Azmir, Group Financial Controller, Plantation Sector as the Interim Group Chief Financial Officer.

The Group Chief Financial Officer and the Group President/Chief Executive Officer ("GP/CEO") have resumed their duties on 4 October 2017 and 16 October 2017 respectively.



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23. Significant events (continued)

- (iv) On 19 June 2017, Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad resigned as a Chairman of FGV. On the same day, Tan Sri Dr Sulaiman Bin Mahbob has been appointed as an Acting Chairman of FGV.
- (v) On 20 July 2017, The Board of Directors of FGV informed on the appointment of YBhg. Dato' Khairil Anuar Haji Aziz, Chief Operating Officer, Logistics & Others Sector as the Officer-In-Charge to take over the duties and responsibilities of the Group President/Chief Executive Officer and at the same time the Board Executive Committee be disbanded with immediate effect from 20 July 2017.
- (vi) On 11 September 2017, the appointment of Datuk Wira Azhar Bin Abdul Hamid as Chairman of FGV was recommended by the Nomination and Remuneration Committee and approved by the Board of Directors. With the appointment of Datuk Wira Azhar Bin Abdul Hamid as the Chairman of FGV, Tan Sri Dr. Sulaiman Mahbob ceased to be the Acting Chairman of FGV.

24. Material events after reporting period

There were no material events after the reporting period.

25. Comparative

The Group changed its accounting policy for bearer plants to be in line with the accounting requirements of FRS 116 – Property, Plant and Equipment in the fourth quarter ended 31 December 2016 for the financial year ended 31 December 2016. The change in the accounting policy has been applied retrospectively. Accordingly, the results, statement of changes in equity and cash flows for the financial period ended 30 September 2017 shown as comparatives to this interim financial report have been restated to comply with the new accounting policy.



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26. Prospects

The Group is currently undergoing a Transformation Plan which has created positive results and these are reflected in the financial performance of the Group. Moving forward, business operations are expected to improve with better production of FFB. In line with this, the Board expects the future prospects of the Group to be positive.

By Order of the Board

Koo Shuang Yen
Abd Rashid Atan
Company Secretary

23 November 2017