7.6 PLANTATIONS BUSINESS

In Malaysia, we cultivate and harvest FFB on 343,521 hectares of oil palm plantation estates on the FELDA-Leased and Managed Land. These oil palm plantation estates comprise 335,241 hectares of FELDA-leased Land and 8,280 hectares in Sarawak which we manage under the Sarawak Land Management Agreement. In addition to oil palms, in our rubber plantation operations, we cultivate and harvest cup lumps on 10,308 hectares of rubber plantations on the FELDA-Leased and Managed Land, all of which we sell to F Rubber Industries, a subsidiary of FHB, as raw materials for its production of rubber products. Timber is also grown on approximately 2,035 hectares of the FELDA-Leased and Managed Land.

Outside of Malaysia, we operate in the plantations business in Indonesia. We have a joint venture, Trurich, which owns oil palm plantation land in East and Central Kalimantan, Indonesia, and we have acquired a 95% equity interest in PT Citra Niaga, which owns land to be developed into oil palm plantations in West Kalimantan, Indonesia.

FHB, our 49%-owned associate, is the largest producer of CPO in the world based on production volume, having produced 3.3 million MT of CPO in 2011. F Palm Industries, which is a subsidiary of FHB, purchases from us substantially all of the FFB produced on the oil palm plantation estates on the FELDA-Leased and Managed Land pursuant to contractual arrangements between F Palm Industries and us.

F Palm Industries produces CPO and PK using the FFB it acquires from us, as well as the FFB it acquires from FELDA Settlers, third parties and F Agricultural, a subsidiary of FHB. F Palm Industries sells to us substantially all of the total CPO that it produces, other than the CPO used by its subsidiary DOP. We resell all of this CPO to third-party customers, such as refiners and traders in Malaysia and abroad, to our joint ventures and to FHB's various subsidiaries and its associate, MEO, for their production of palm oil-based products. For a summary of the terms of the contractual arrangements between F Palm Industries and us, refer to Section 7.22 of this Prospectus, and for more information on FHB's palm oil mills and PK crushing plants, refer to Section 7.11.1.1 of this Prospectus.

In addition, FHB processes raw rubber, including the cup lumps that we produce on our rubber plantations on the FELDA-Leased and Managed Land, into rubber products in its processing facilities. For more information on FHB's rubber processing facilities, refer to Section 7.11.3.1 of this Prospectus.

7.6.1 Plantation products

We produced 5,363,849 MT, 4,856,078 MT and 5,197,344 MT of FFB in 2009, 2010 and 2011, respectively, and 1,018,978 MT and 1,145,557 MT of FFB in the three months ended 31 March 2011 and 2012, respectively. We sell substantially all of our FFB to F Palm Industries. Sales of FFB accounted for RM2,219.2 million, RM2,596.5 million and RM3,183.8 million of our total pro forma revenue for 2009, 2010 and 2011, respectively, and RM752.2 million and RM460.8 million of our total revenue for the three months ended 31 March 2011 and 2012, respectively. Effective from 1 March 2012, when we entered into contractual arrangements with F Palm Industries, we will no longer recognise revenue from our FFB sales to F Palm Industries.

In addition to oil palm plantation products, we also produce rubber plantation products. We produced 8,135 MT, 5,895 MT and 7,269 MT of cup lumps in 2009, 2010 and 2011, respectively, and 1,541 MT and 1,498 MT of cup lumps in the three months ended 31 March 2011 and 2012, respectively. We sell all of our cup lumps to F Rubber Industries, a subsidiary of FHB, as raw materials for its production of rubber products. Sales of cup lumps accounted for RM45.6 million, RM58.5 million and RM89.9 million of our total pro forma revenue for 2009, 2010 and 2011, respectively, and RM23.2 million and RM14.9 million of our total revenue for the three months ended 31 March 2011 and 2012, respectively.

7.6.2 Plantation production facilities

The production facilities of our plantations business primarily consist of oil palm plantations, with a small portion of rubber plantations. The following maps show the locations of the oil palm plantations on the FELDA-Leased and Managed Land (indicated as shaded areas) in Peninsular Malaysia, Sabah and Sarawak.

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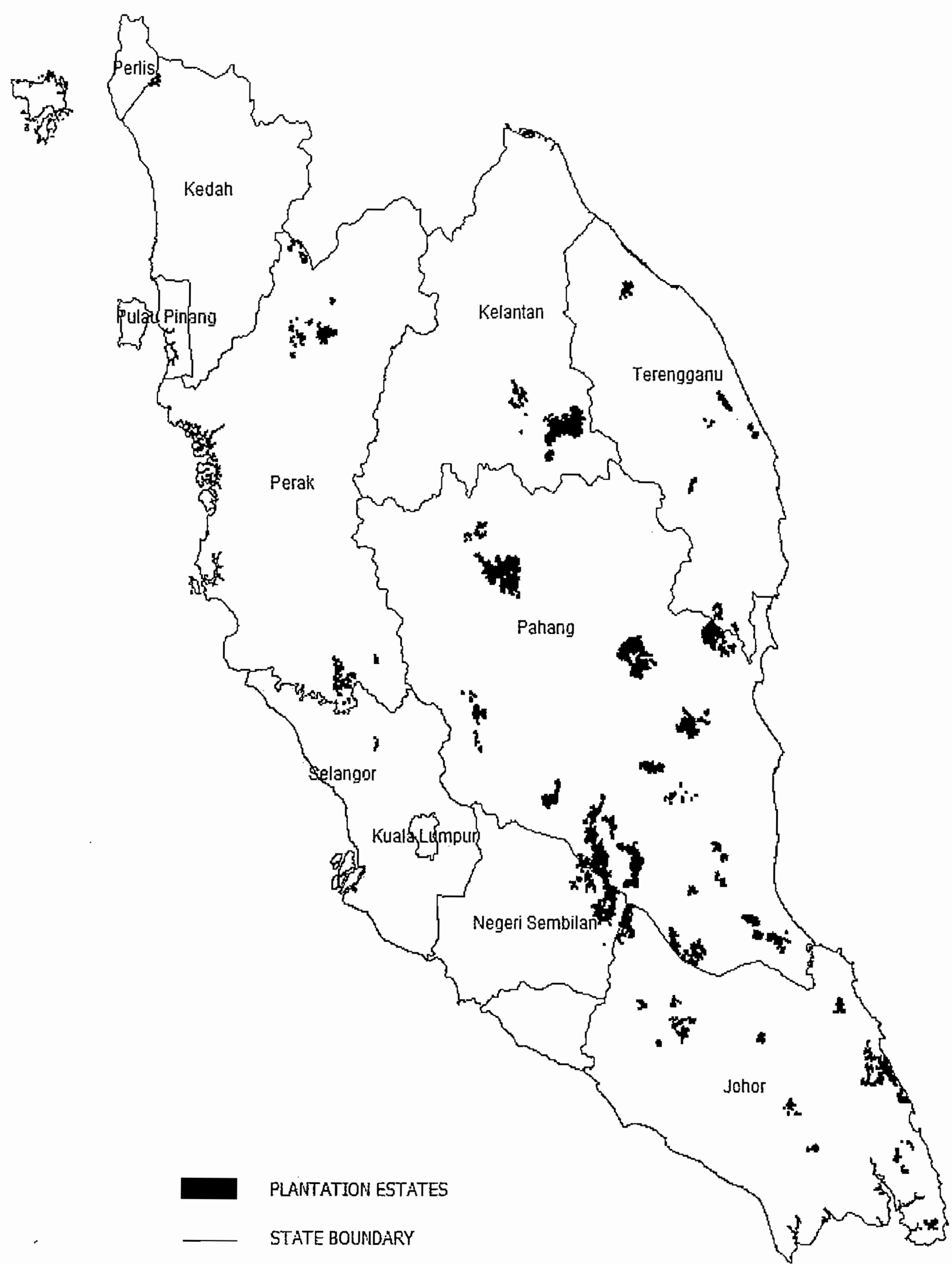
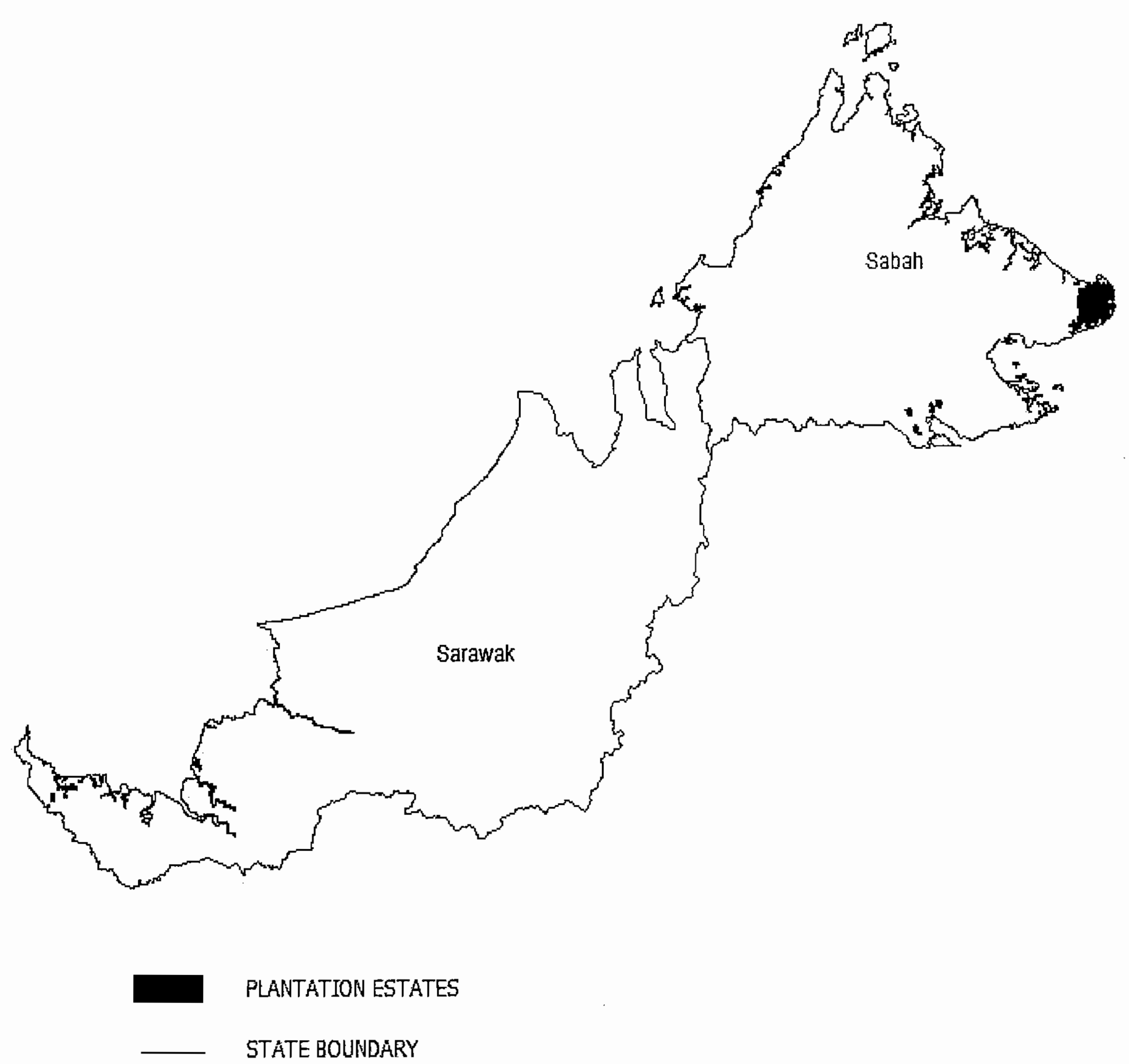
Our Plantation Estates in Peninsular Malaysia



7. BUSINESS OF OUR GROUP *(Cont'd)*

The Plantation Estates in Sabah and Sarawak



7.6.3 Oil palm plantations

As at 31 March 2012, there were approximately 343,521 hectares of oil palm plantation land on the FELDA-Leased and Managed Land, of which approximately 323,588 hectares of land was cultivated and approximately 19,934 hectares of remaining land was not cultivated due to topography, climate, soil and usage for ancillary purposes (such as roads and other infrastructure essential to the plantation estates). The oil palm plantation land is further divided into oil palm plantation estates, each of approximately 2,000 hectares on average. Dividing the plantations into estates allows us to operate the plantations more efficiently. We have also acquired a 95% equity interest in PT Citra Niaga, which owns 14,385 hectares in West Kalimantan, Indonesia. None of this land has been developed yet, and we plan to eventually develop this land into oil palm plantations and palm oil mills and expand our hectarage beginning in the second half of 2012.

The following table sets forth the location by region, number, total hectares and percentage of total hectares of the oil palm plantation estates on the FELDA-Leased and Managed Land according to total cultivated and uncultivated land as at 31 March 2012.

Oil Palm Plantation Estates on the FELDA-Leased and Managed Land

Region	No. of estates	Hectares	Percentage (%)
Land Total			
Peninsular Malaysia.................	95	232,069	67.6
Sabah......................................	47	103,173	30.0
Sarawak..................................	5	8,280	2.4
Subtotal..............................	**147**	**343,521**	**100.0**
Cultivated Land			
Peninsular Malaysia.................	95	215,096	66.5
Sabah......................................	47	100,811	31.1
Sarawak..................................	5	7,681	2.4
Subtotal..............................	**147**	**323,588**	**100.0**
Uncultivated Land(1)			
Peninsular Malaysia.................	95	16,973	85.1
Sabah......................................	47	2,362	11.9
Sarawak..................................	5	599	3.0
Subtotal..............................	**147**	**19,934**	**100.0**

Note:

(1) Uncultivated land is not cultivated due to topography, climate, soil and usage for ancillary purposes (such as roads and other infrastructure essential to the plantation estates).

Where possible, we aim to create integrated operations with respect to the oil palm plantations. For example, our Sahabat oil palm plantation has 95,542 hectares of contiguous land, representing 27.8% of the oil palm plantation estates on the FELDA-Leased and Managed Land. We are able to achieve efficiencies through lower transportation costs within the complexes, centralisation of logistics, such as housing for workers and security, and maximal use of the plantation's infrastructure, such as FHB's palm oil mills, palm oil refineries, jetties and ports and independent power plant that runs on biomass fuels produced from the plantation operations.

Oil palms first begin bearing fruit about two and a half years after planting in the field. We begin harvesting oil palms when they begin bearing fruit. However, when harvesting begins, the yield of oil palms is relatively low. In Malaysia, the yield of oil palms up to nine years of age is typically about 16 MT per hectare. As the oil palms continue to mature, the yields increase, generally reaching peak production in years ten through 20. The average yield of oil palms at peak production is about 24 to 27 MT per hectare. The yields of oil palms generally start decreasing from year 21 to 25. Production after this point is approximately 18 to 24 MT per hectare. The yields of oil palms decrease further after year 25 and harvesting of these older oil palms becomes increasingly difficult because of their height. Production after this point is approximately 17 to 19 MT per hectare.

The following table sets forth the maturity profile of the oil palms on the cultivated portion of the oil palm plantation estates on the FELDA-Leased and Managed Land by region as at 31 March 2012.

Maturity Profile of Oil Palms on the Cultivated Portion of the FELDA-Leased and Managed Land

	Immature	Young	Mature		Old		Total	Percentage of land planted
	(0-3)	(4-9)	(10-14)	(15-20)	(21-25)	(Over 25)		(%)
Region					(in hectares)			
Peninsular Malaysia	40,502	33,735	21,659	10,134	67,278	41,788	215,096	66.5
Sabah.....................	15,125	9,787	30	20,022	43,649	12,198	100,811	31.1
Sarawak	290	-	-	1,364	5,452	575	7,681	2.4
Total.......................	55,917	43,522	21,689	31,520	116,379	54,561	323,588	100.0
Percentage (%)	17.3	13.4	6.7	9.7	36.0	16.9	100.0	

Production of FFB is fairly consistent throughout the year, with slightly higher production and harvesting during the third quarter.

Furthermore, production of FFB varies according to topography, soil and climate conditions. As a result of FELDA's historical policy role in the land development and settlement of previously undeveloped land in Malaysia, there are oil palm plantation estates located throughout Malaysia. These regions are diverse in topography, type of soil and rainfall and, consequently, oil palm plantation estates from which we source FFB are diverse and have varying production yields, including areas with low FFB yield potential.

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The following table presents the average actual production yields in MT of FFB per hectare of the oil palm plantation estates on the FELDA-Leased and Managed Land, compared to the relevant MPOB national performance benchmarks by geographic location for the periods indicated.

Production Yield of FFB from the FELDA-Leased and Managed Land

	Year Ended 31 December			Three Months Ended 31 March	
	2009	**2010**	**2011**	**2011**	**2012**
Average production yield per hectare of oil palm plantation estate[1]		(in MT)			
Peninsular Malaysia – actual	19.8	17.6	18.6	3.6	4.1
MPOB Benchmark	19.4	17.9	19.2	3.7	3.7
Sabah – actual	19.9	20.1	22.6	4.1	5.1
MPOB Benchmark	21.2	20.2	22.3	4.4	4.4
Sarawak – actual	19.1	18.7	19.4	4.6	4.8
MPOB Benchmark	15.3	14.9	16.8	3.3	3.3
Average – actual	19.8	18.8	19.9	3.8	4.4
MPOB Benchmark	19.2	18.0	19.7	3.9	3.8

Note:

(1) The average is calculated by dividing the total production yield by the total hectarage, each for the relevant area and period.

Average production yield per hectare of oil palm plantation estate declined to 18.8 MT in 2010 from 19.8 MT in 2009 as a result of declines in Peninsular Malaysia and Sarawak, which experienced lower average rainfall, particularly during the months of February to May in 2010. In addition, the average production yield per hectare of oil palm plantation in Peninsular Malaysia declined, in part due to the maturity profile of the region, with the age of a majority of the oil palms being 21 years or over. However, during the same period, Sabah recorded a slight increase in FFB yield per hectare of oil palm plantation estate to 20.1 MT in 2010 from 19.9 MT in 2009.

7.6.4 Trurich palm oil operations

We have a 50:50 joint venture with Lembaga Tabung Haji called Trurich, which is engaged in the plantations business in Indonesia. The results of Trurich are not consolidated with the results of FGVH and its Subsidiaries in our financial statements, but are included in our share of results from Jointly-Controlled Entities. Lembaga Tabung Haji is a Malaysian statutory body that manages assets and investments in various industries, including oil palm plantations, property, banking, engineering and construction, in addition to carrying out its historical role of providing hajj management services.

Trurich has 42,000 hectares of plantation land in East Kalimantan and Central Kalimantan, Indonesia. The following table provides information about this plantation land by region and purpose as at 31 March 2012.

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Trurich Plantation Land in Indonesia

	Immature Oil Palms[1]	Mature Oil Palms[2]	Greenfield Land[3]	Remaining Land[4]	Total
	(in hectares)				
East Kalimantan	6,000	-	22,887	280	29,167
Central Kalimantan.....	2,667	5,238	4,443	485	12,833
Total	8,667	5,238	27,330	765	42,000

***Notes*:**

(1) Planted with immature oil palms.

(2) Planted with mature oil palms.

(3) Land that Trurich plans to develop into oil palm plantation estates and palm oil mills.

(4) Land that is or will be used for palm oil mills and infrastructure, such as roads, housing and office buildings.

FFB produced on Trurich's plantations is processed at its palm oil mill, with the resulting CPO and PK sold on the open market by open tender to customers.

7.6.5 Rubber plantations

In addition to oil palms, in our rubber plantation operations, we cultivate and harvest cup lumps on 10,308 hectares of rubber plantations on the FELDA-Leased and Managed Land, all of which we sell to F Rubber Industries, a subsidiary of FHB, as raw materials for its production of rubber products. Our rubber plantations on the FELDA-Leased and Managed Land are located on eight plantation estates in Peninsular Malaysia that are planted with both rubber trees and oil palms. The portion of the FELDA-Leased and Managed Land devoted to rubber plantations is approximately 10,308 hectares, of which approximately 9,472 hectares of land was cultivated and approximately 836 hectares was not cultivated due to topography, climate, soil and usage for ancillary purposes (such as roads and other infrastructure essential to our plantations).

The following table sets forth the maturity profile of our rubber trees on the cultivated portion of our rubber plantations on the FELDA-Leased and Managed Land as at 31 March 2012.

Region	Immature (0-5)	Young (6-10)	Mature (11-15)	Mature (16-20)	Old (Over 20)	Total
			(in hectares)			
Peninsular Malaysia..........	4,272	359	77	703	4,061	9,472
Percentage (%)	**45.1**	**3.8**	**0.8**	**7.4**	**42.9**	**100.0**

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7.6.6 Maintenance of plantation production facilities

We have implemented plantation management systems to optimise the yields of the oil palm plantation estates on the FELDA-Leased and Managed Land, including:

- ensuring that oil palms are protected from pests and disease;
- applying fertiliser in the most efficient manner in view of the estate's topography;
- implementing replanting programmes to replace trees over 25 years of age that are yielding below 18 MT of FFB per hectare, using high yielding planting materials and updated plantation management techniques to ensure that new trees will be of higher yielding varieties; and
- relying on the R&D activities of F Agricultural, a subsidiary of our 49%-owned associate, FHB, that complement and support the activities described above, including its R&D on oil palm breeding, tissue culture, agronomy and crop protection.

As part of our plantation management system, we maintain a controlled replanting programme to ensure that oil palms reaching the end of their economic lives are replanted with higher yielding planting materials, which we source from F Agricultural, which is engaged in R&D activities for palm oil and other agricultural products. We believe that the use of these higher yielding materials, combined with improved agronomic practices, can improve the production yields of the replanted areas by 20% to 30%. We generally replant an oil palm plantation estate when the trees are over 25 years of age and its economic yield is below 18 MT of FFB per hectare per annum. We use "zero burn" techniques during replanting, which involve chipping the trunks of cut-down trees and using these chips as mulch on the land to be replanted, thereby allowing the biomass of the old trees to rot and gradually return nutrients to the ecosystem. Replanting is generally a three-year programme, and consists of terracing, replanting, ground cover and crop establishment, fertilising and crop management during the three-year replanting period. Depending upon the location and size of the oil palm plantation estate, the topographical conditions and the productivity of the areas, we may replant the oil palm plantation estate in stages. We believe that monitoring crop yields, combined with a staggered replanting programme, will enable us to maintain an improving level of production from the oil palm plantation estates on the FELDA-Leased and Managed Land.

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We commenced the next stage of our replanting programme in 2012. The following table sets forth the number of hectares covered by the historical replanting programme from 2002 to 2011 and the indicative replanting schedule from 2012 to 2015 for the oil palm plantation estates on the FELDA-Leased and Managed Land.

Replanting Programme Schedule for Plantation Estates on the FELDA-Leased and Managed Land

Year	(in hectares)
Historical Replanting Programme	
2002	2,112
2003	2,712
2004	4,672
2005	6,319
2006	5,213
2007	12,019
2008	12,736
2009	8,238
2010	13,665
2011	14,428
Indicative Replanting Schedule	
2012	15,292
2013	15,000
2014	15,000
2015	15,000

In addition, rubber trees that are cut down when replanting our rubber plantations on the FELDA-Leased and Managed Land are sold to various lumber processors.

7.6.7 Plantation production process

7.6.7.1 FFB Production

FFB production begins with the careful selection of oil palm seeds sourced from F Agricultural. F Agricultural grows oil palm seedlings in its main nursery for 12 months before we plant them in the fields. Young oil palm seedlings are generally planted 9.2 meters apart, which results in approximately 136 oil palms per hectare and which we believe provides optimal sunlight and sufficient space for seedlings to grow.

From planting in the fields to the mature production stage, effective maintenance of young oil palms is essential. We have implemented plantation management systems to optimise the yields of the oil palm plantation estates on the FELDA-Leased and Managed Land, as described in Section 7.6.6 of this Prospectus, above.

Upon reaching harvestable age, which is about two and a half years after field planting, harvesting of FFB is carried out at set intervals throughout an oil palm's economic life. The harvested FFB are collected and thereafter transported to palm oil mills.

7.6.7.2 CPO and PK Production

Our FFB are processed into CPO and PK at FHB's palm oil mills generally within 24 hours after harvest. For more information, refer to Section 7.11.1.2 of this Prospectus.

7.6.8 Plantation raw materials

Oil palm and rubber seedlings and fertiliser are the primary raw materials used in the production of our plantation products.

We sourced all of our oil palm seedlings from F Agricultural in 2009, 2010, 2011 and the three months ended 31 March 2011 and 2012. For more information, refer to Section 7.11.3.3 of this Prospectus. The cost of oil palm seedlings accounted for RM15.1 million, RM18.1 million and RM20.8 million of our total pro forma cost of sales for 2009, 2010 and 2011, respectively, and RM3.9 million and RM5.3 million of our total cost of sales for the three months ended 31 March 2011 and 2012, respectively. The prices of oil palm seedlings are volatile, as they are based on local and international market prices.

We sourced our rubber seedlings from our rubber plantations on the FELDA-Leased and Managed Land and third-party Malaysian nurseries. The prices of rubber seedlings are volatile, as they are based on local and international market prices.

We sourced substantial portions of our fertiliser, including biomass-generated fertiliser, from FHB in 2009, 2010, 2011 and the three months ended 31 March 2011 and 2012. We sourced the balance of our fertiliser from third-party Malaysian and international fertiliser companies. For more information on the FHB sources of biomass-generated fertiliser and other fertiliser, refer to Sections 7.11.1 and 7.11.3.6 of this Prospectus, respectively. Cost of fertiliser consumed, including biomass-generated fertiliser, accounted for RM379.4 million, RM236.1 million and RM256.3 million of our total pro forma cost of sales for 2009, 2010 and 2011, respectively, and RM64.1 million and RM114.2 million of our total cost of sales for the three months ended 31 March 2011 and 2012, respectively. The prices of fertilisers are volatile, as they are based on local and international market prices and are influenced by international oil prices and shipping rates, which are also volatile, since substantially all of this fertiliser is made of imported raw materials.

7.7 DOWNSTREAM BUSINESS

Our downstream business consists of our operations in North America. We produce soybean and canola products through our subsidiary, TRT-ETGO Inc, in Canada, and we produce oleochemicals through our subsidiary, TRT US, in the United States. We entered into a tolling agreement with Bunge ETGO on 9 December 2011, pursuant to which Bunge ETGO provides us with soybeans and canola seeds, which we process into soybean and canola products that Bunge ETGO sells and markets. Following the implementation of this tolling agreement, we now recognise revenue from tolling fees that Bunge ETGO pays us, and we no longer recognise revenue from the sale of soybean and canola products or cost of sales from the purchase of soybeans and canola seeds. For a summary of the terms of the tolling agreement between Bunge ETGO and us, refer to Section 7.22.5 of this Prospectus.

In addition, FHB, our 49%-owned associate, engages in a downstream business that processes CPO purchased from us into palm oil-based products. For more information, refer to Section 7.11.2 of this Prospectus.

7.7.1 Downstream products

7.7.1.1 Soybean and canola products

Since 2010, our subsidiary, TRT-ETGO Inc, has produced soybean and canola products by crushing and refining soybeans and canola seeds at its soybean and canola crushing and refining facility in Becancour, Québec, Canada. Our primary soybean and canola products include:

- RB/RBD soy and canola oils;
- degummed soy and canola oils; and
- soy and canola meals, which are by-products of soy and canola oil production.

Soy and canola oils are used for a variety of consumer purposes, such as edible oils, and industrial purposes, such as biodiesel and oleochemicals. Soy and canola meals are used as animal feed.

We produced 216,088 MT and 563,307 MT of soybean and canola products in 2010 (our first year of production for these products) and 2011, respectively, and 113,490 MT and 163,522 MT in the three months ended 31 March 2011 and 2012, respectively. Sales of soybean and canola products accounted for RM380.2 million and RM1,091.2 million of our total pro forma revenue for 2010 (the year we commenced these sales) and 2011, respectively, and RM228.1 million of our total revenue for the three months ended 31 March 2011. All of these sales were made to customers in Canada, the United States and Germany. Pursuant to an agreement with our joint venture, Bunge ETGO, with effect from 9 December 2011, we operate our soybean and canola business under a tolling arrangement. Bunge ETGO sells all of the soybean and canola products that we produce. Accordingly, we recognised RM16.9 million of revenue from tolling fees for the three months ended 31 March 2012, but we did not recognise revenue from the sale of soybean and canola products for the three months ended 31 March 2012.

7.7.1.2 Oleochemical products

Through the Quincy, Massachusetts facility of our subsidiary, TRT US, we produce oleochemicals, such as fatty acids and glycerin, from tallow, lauric oils and vegetable oils. Fatty acids are used in the production of food, personal care products, cosmetics, pharmaceuticals, rubber products and textile products, and glycerin is widely used in pharmaceutical formulations, including as food and beverage additives and as an intermediary in the production of soaps and other pharmaceuticals.

We produced 136,875 MT, 148,038 MT and 129,491 MT of oleochemicals in 2009, 2010 and 2011, respectively, and 32,625 MT and 76,501 MT of oleochemicals in the three months ended 31 March 2011 and 2012, respectively. Sales of oleochemicals accounted for RM606.7 million, RM609.1 million and RM797.6 million of our total pro forma revenue in 2009, 2010 and 2011, respectively, and RM180.0 million and RM194.4 million of our total revenue for the three months ended 31 March 2011 and 2012, respectively. These sales were made to North American manufacturers and in the export market.

7.7.2 Downstream facilities

7.7.2.1 Soybean and canola crushing and refining facility

TRT-ETGO Inc owns and operates an integrated soybean and canola crushing and refining facility in Becancour, Québec, Canada, that began construction in 2008.

As at 31 March 2012, the facility had an annual crushing capacity of 1,050,000 MT of soybeans and canola seeds, annual oil refining capacity of 396,000 MT of soy and canola oils and annual meal production capacity of 720,000 MT of soy and canola meals. This facility produces RB/RBD soy and canola oils, degummed soy and canola oil, as well as soy and canola meals, which are by-products of soy and canola oil production. The facility is also capable of refining CPO. We plan to add a blending facility to this operation to enable it to produce blends of refined palm oil-based products and refined soy and canola oil-based products.

Our soybean and canola crushing and refining facility has been ramping up operations since 2010, and is continuing to undergo significant infrastructure upgrades.

7.7.2.2 Oleochemical facilities

TRT US operates oleochemical facilities producing fatty acids and glycerin in Quincy, Massachusetts, in the United States. These operations also include their own rail line, FRTC, which runs from port and bulking terminals to their production facilities and to the main U.S. rail line system, and services primarily the TRT US facility in addition to a third party.

As at 31 March 2012, the TRT US' facility had an annual production capacity of 150,000 MT of fatty acids and 25,000 MT of glycerin.

In 2011, the TRT US' facility's capacity utilisation rate was approximately 88%, based on the facility operating 12 months in a calendar year for 30 days a month and 24 hours a day.

7.7.2.3 Maintenance

Our downstream facilities are shut down periodically for scheduled maintenance and occasionally for unscheduled corrective maintenance and repair. We regularly monitor the performance and condition of our equipment in these facilities. Maintenance on our facilities is performed by trained personnel to ensure long-term reliability of key equipment and the production processes as a whole. These comprehensive maintenance efforts contribute to the reduction of our long-term costs and an improvement in our asset utilisation, thereby helping to increase overall reliability and maintain production efficiency of these facilities.

7.7.3 Downstream production process

7.7.3.1 Soybean and canola product production

Our subsidiary, TRT-ETGO Inc, processes soybeans and canola seeds into soybean and canola products through the following process:

- *Crushing*: Soybeans undergo a preconditioning phase before they are cracked, dehulled, cooked and flaked. The resulting soybean flakes go to the extraction plant, while the soybean hulls are further ground so they may later be used for soy meal production. In addition, canola seeds undergo a preconditioning phase before they are flaked, cooked and pressed for crude canola oil. The resulting canola pressed cakes go to the extraction plant, while the crude canola oil is sent for refining.

- *Extraction*: Soybean flakes and canola pressed cakes at the extraction plant are mixed with hexane to dissolve any oil residue. The soybean flakes and canola pressed cakes are further processed by a desolventiser, toaster, dryer and cooler before being ground into soy and canola meals. In addition, oil residue and hexane undergo a distillation process to separate the oil and hexane, with the resulting crude soybean and canola oils sent for refining.

- *Refining*: Crude soybean and canola oils from the extraction plant undergo further processing by degumming, bleaching and/or deodorising to become RB/RBD soy and canola oils.

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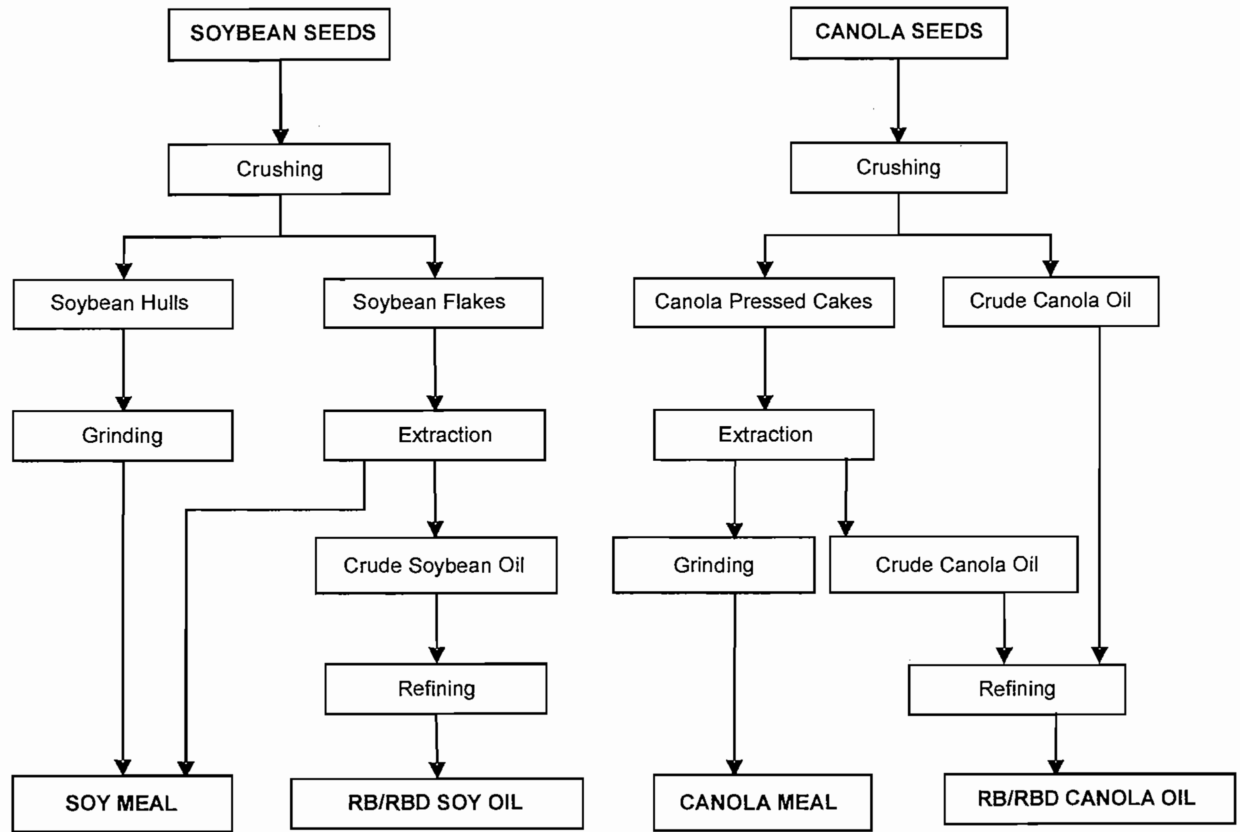
The following diagram illustrates how soybeans and canola seeds are processed into soybean and canola products:



7.7.3.2 Oleochemical production

Our subsidiary, TRT US, produces fatty acids (such as whole cut coconut, tallow and soya acids; fractionated coconut acids; and oleic acids and stearic acids) and glycerin from tallow, lauric oils (CNO and PKO) and other vegetable oils (such as soy oil and palm oil stearine). TRT US' fatty acids and glycerin are sold primarily to manufacturers of consumer and industrial goods in North America.

Tallow, lauric oils and other vegetable oils are processed into fatty acids and glycerin in the following process:

- *Hydrolyser*: Tallow, lauric oils and other vegetable oils can be split through three different systems at the facility, distillation, fractionation and oleic/stearic, in order to produce various forms of fatty acids (such as whole cut coconut, tallow, soya acids; fractionated coconut acids; and oleic acids and stearic acids), while the sweet water co-products of the hydrolyser can be further processed into glycerin using an evaporation system.

- *Distillation and Hardening*: The distillation system separates fatty acids of top, middle and bottom fractional cuts from any impure fractions. Distilled fatty acids are hardened through a hydrogenation process in order to produce whole cut coconut, tallow and soya acids.

- *Fractionation and/or Hardening*: The fractionation system separates coconut fatty acids into various components known as fractionated coconut acids. Fractionated coconut acids can be hardened through a hydrogenation process to produce other forms of fractionated coconut acids.

- *Oleic/Stearic, Distillation and/or Hydrogenation*: The oleic/stearic system uses the freezing point of tallow to separate the oleic acid and stearic acid fractions, which, through distillation and/or hydrogenation, produce oleic and stearic acids.

- *Evaporation:* The evaporation system removes water from sweet water co-products of the hydrolyser to produce crude glycerin with at least 80% glycerin content, which, thereafter, is refined using the facility's United States Pharmacopeia (USP) refining system into refined glycerin.

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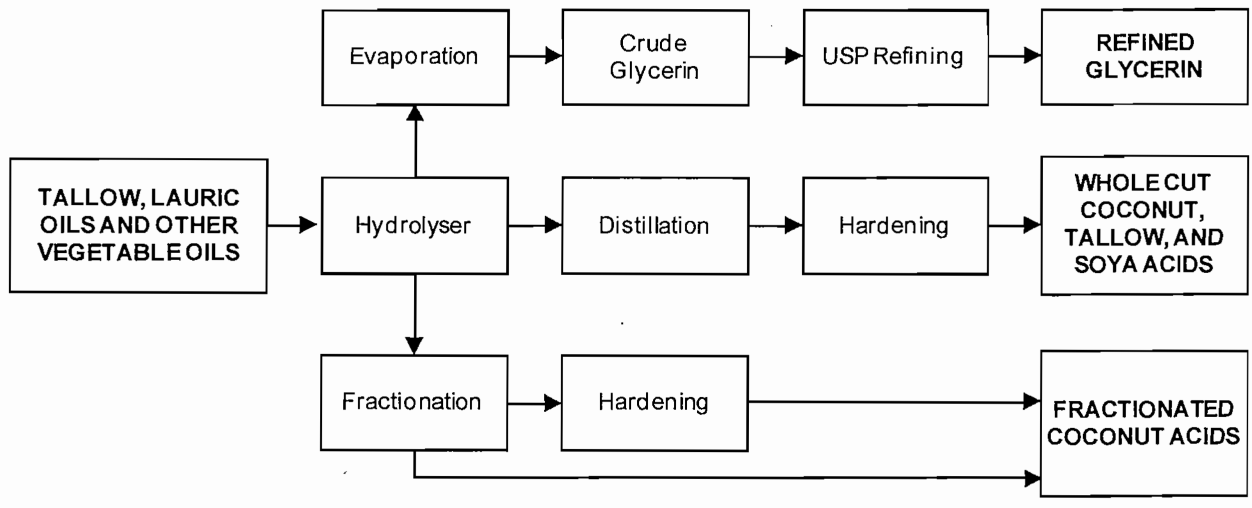
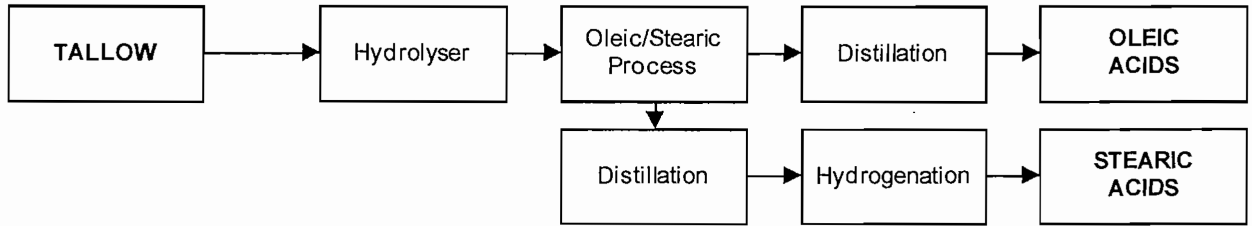
The following diagrams illustrate the production of fatty acid and glycerin from tallow, lauric oils and other vegetable oils:

Fatty Acid and Refined Glycerin Process Overview



Oleic/Stearic Process Overview



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7.7.4 Downstream raw materials

7.7.4.1 Soybeans and canola seeds

Soybeans and canola seeds are the primary raw materials in the production of our soybean and canola products.

Cost of soybeans and canola seeds accounted for RM346.2 million and RM1,048.6 million of our total pro forma cost of sales for 2010 and 2011, respectively, and RM226.7 million of our total cost of sales for the three months ended 31 March 2011. Pursuant to an agreement with our joint venture, Bunge ETGO, with effect from 9 December 2011, we operate our soybean and canola business under a tolling arrangement. All of the soybeans and canola seeds that we use are provided to us on a tolling basis by Bunge ETGO and, accordingly, we did not recognise cost of sales from the purchase of soybeans and canola seeds for the three months ended 31 March 2012.

Prior to the effectiveness of our tolling agreement with Bunge ETGO, we purchased all of our soybeans and canola seeds from third parties, such as Viterra Inc., Richardson International and Parrish & Heimbecker Limited, in the spot and futures markets in 2009, 2010 and 2011. The prices of soybeans and canola seeds from these third parties are volatile, as they are based on local and international market prices.

7.7.4.2 Tallow, lauric oils and vegetable oils

Tallow, lauric oils and vegetable oils are the primary raw materials in the production of our fatty acids and glycerin.

Cost of tallow, lauric oils and vegetable oils consumed accounted for RM462.9 million, RM447.6 million and RM625.9 million of our total pro forma cost of sales for 2009, 2010 and 2011, respectively, and RM131.7 million and RM143.5 million of our total cost of sales for the three months ended 31 March 2011 and 2012, respectively.

We currently purchase all of the tallow, lauric oils and vegetable oils that we use from third parties, including FHB's subsidiary, F Marketing, according to monthly contracts. The prices of tallow, lauric oils and vegetable oils from third parties are volatile, as they are influenced by the price of crude oil, which impacts the prices of biofuels, which in turn impact the prices of these raw materials.

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7.8 SALES AND MARKETING

7.8.1 We market and sell our FFB, cup lumps and downstream products. Effective 1 April 2012, F Marketing, a subsidiary of our 49%-owned associate FHB, acts as our agent for sales of our CPO and receives a commission on all these sales.

7.8.1.1 Plantation products

Historically, the major products sold by our plantations business segment were FFB and raw rubber in the form of cup lumps. Effective from 1 March 2012, we and F Palm Industries entered into contractual arrangements for the purchase by F Palm Industries of all of the FFB produced on the oil palm plantation estates on the FELDA-Leased and Managed Land, with the exception of the FFB that we produce on certain oil palm plantation estates on the FELDA-Leased and Managed Land in Johor and Perak, which, because F Palm Industries does not have nearby palm oil mills, we sell to third parties. F Palm Industries produces CPO and PK using the FFB it acquires from us, as well as the FFB it acquires from FELDA Settlers, third parties and F Agricultural, a subsidiary of FHB.

Pursuant to the same contractual arrangements between F Palm Industries and us, F Palm Industries sells to us substantially all of the CPO that it produces, other than the CPO used by its subsidiary DOP. We resell this CPO to third-party customers, such as refiners and traders in Malaysia and abroad, to our joint ventures and to FHB's various subsidiaries and its associate, MEO, for their production of palm oil-based products. These contractual arrangements are intended to create a mutually beneficial relationship for us and F Palm Industries, allowing us to sell our FFB to F Palm Industries' palm oil mills, many of which are strategically located close to the oil palm plantation estates on the FELDA-Leased and Managed Land, and helping F Palm Industries to maintain heightened utilisation rates for its palm oil mills, many of which have no other FFB suppliers nearby. Maximising the amount of FFB that we sell to F Palm Industries is also important for us, as it allows us to maximise our CPO supply since F Palm Industries' palm oil mills sell to us substantially all of the total CPO that they produce, other than CPO used by F Palm Industries' subsidiary DOP. For a summary of the terms of the contractual arrangements between F Palm Industries and us, refer to Section 7.22 of this Prospectus.

The following tables set forth our revenues from our plantation products, both inside and outside of Malaysia, each as a percentage of our total revenues for the sale of plantation products, for the periods indicated.

Plantation Product Revenues Inside and Outside Malaysia

	Year Ended 31 December					
	2009		**2010**		**2011**	
(in RM millions, except percentages)	**Sales**	**Percentage (%)**	**Sales**	**Percentage (%)**	**Sales**	**Percentage (%)**
Inside Malaysia	2,264.8	100.0	2,655.0	100.0	3,273.7	100.0
Outside Malaysia	-	-	-	-	-	-
Total plantation product revenues	**2,264.8**	**100.0**	**2,655.0**	**100.0**	**3,273.7**	**100.0**

Plantation Product Revenues Inside and Outside Malaysia

	Three Months Ended 31 March			
	2011		2012	
(in RM millions, except percentages)	Sales	Percentage (%)	Sales	Percentage (%)
Inside Malaysia	775.4	100.0	971.5	100.0
Outside Malaysia	-	-	-	-
Total plantation product revenues	**775.4**	**100.0**	**971.5**	**100.0**

(i) Sales and marketing within Malaysia

We sold 5,363,849 MT, 4,856,078 MT and 5,197,344 MT of FFB in 2009, 2010 and 2011, respectively, and 1,018,978 MT and 761,900 MT of FFB in the three months ended 31 March 2011 and 2012, respectively. Substantially all of our FFB was sold to F Palm Industries. In addition, we sold 8,135 MT, 5,895 MT and 7,269 MT of cup lumps to F Rubber Industries in 2009, 2010 and 2011, respectively, and 1,541 MT and 1,498 MT of cup lumps in the three months ended 31 March 2011 and 2012, respectively.

F Marketing's sales of our CPO, which began on 1 April 2012, are priced by reference to the regional spot market prices in Malaysia for CPO, which are influenced by prices on the Malaysian Derivatives Exchange. The MPOB reports the weighted average price of regional physical CPO sales transactions on a daily basis.

F Marketing sells our CPO in the Malaysian market, generally on a spot, pre-paid basis to FHB, including its various subsidiaries, our joint ventures and third-party customers.

(ii) Sales and marketing outside Malaysia

F Marketing's export sales of our plantation products, which began on 1 April 2012, consist of CPO. The primary export markets for our CPO include India, Pakistan and China.

F Marketing sells our CPO to FHB's associate in Pakistan, MEO, and to other customers located principally in India, Pakistan and China. These sales are made through foreign sub-agents or directly to the importer located in the target country.

F Marketing typically uses one foreign sub-agent to handle all of our exports to a particular country. These sub-agents receive commissions, which vary according to the export country. F Marketing generally makes export sales of CPO on a forward basis from one to two months prior to actual delivery under letters of credit, cash against documents and bank guarantee arrangements.

(iii) Competition

The market for CPO is highly competitive and includes a number of producers globally, especially from Malaysia and Indonesia, which are the largest producers of CPO. In 2011, Malaysia produced 18.9 million MT of CPO, or 37.7% of total world production, and Indonesia produced 23.9 million MT of CPO, or 47.6% of total world production.

Malaysia's upstream palm oil industry comprises a mix of large, government-owned and private sector oil palm plantation companies, as well as other independent companies and small landholders, primarily the FELDA Settlers.

CPO is a commodity, and CPO producers compete on the basis of price and on the ability to meet the required delivery time and quantity on a consistent, long-term basis. In recent years, Indonesian producers have brought on significant competition to Malaysian producers, including ourselves, due to lower labour and other operating costs.

7.8.1.2 Soybean and canola products

Our sales of soybean and canola products are priced by reference to the futures exchange markets in the United States and Canada for soybean and canola products, which in turn are influenced by prices on the Chicago Mercantile Exchange for soy products and the Intercontinental Exchange for canola products, respectively.

We entered into a tolling agreement with Bunge ETGO on 9 December 2011, pursuant to which Bunge ETGO provides us with soybeans and canola seeds, which we process into soybean and canola products that Bunge ETGO sells and markets.

The following tables set forth our revenues from soybean and canola products, both inside and outside of Canada, each as a percentage of our total revenues for the sale of soybean and canola products, for the periods indicated.

Soybean and Canola Product Revenues Inside and Outside Canada

	Year Ended 31 December			
	2010		2011	
(in RM millions, except percentages)	**Sales**	**Percentage (%)**	**Sales**	**Percentage (%)**
Outside Canada				
United States...	73.9	19.4	328.5	30.1
Other countries	184.8	48.6	436.2	40.0
Total soybean and canola product exports	258.7	68.0	764.7	70.1
Inside Canada	121.5	32.0	326.5	29.9
Total soybean and canola product revenues	380.2	100.0	1,091.2	100.0

Soybean and Canola Product Revenues Inside and Outside Canada

	Three Months Ended 31 March			
	2011		2012[(1)]	
(in RM millions, except percentages)	**Sales**	**Percentage (%)**	**Sales**	**Percentage (%)**
Outside Canada				
United States	55.7	24.4	-	-
Other countries	97.1	42.6	-	-
Total soybean and canola product exports	152.8	67.0	-	-
Inside Canada	**75.3**	**33.0**	**-**	**-**
Total soybean and canola product revenues	228.1	100.0	-	-

Note:

(1) On 9 December 2011, we entered into a tolling agreement with our joint venture, Bunge ETGO. Following the implementation of this agreement, we recognise revenue from tolling fees that Bunge ETGO pays us for processing soybeans and canola seeds, and we no longer recognise revenue from the sale of soybean and canola products.

(i) Sales and marketing

Prior to establishing our joint venture, Bunge ETGO, and entering into a tolling agreement with it, which became effective on 9 December 2011, in Canada, we sold RB/RBD soy and canola oils to repackers and food processors and crude degummed soy and canola oils to biodiesel manufacturers. In addition, we sold soy and canola meals, including soy meals purchased from third parties, to independent feed compounders, resellers and cooperatives. These products are now sold by Bunge ETGO.

We sold 11,071 MT and 36,780 MT of RB/RBD soy and canola oils, as well as degummed soy and canola oils, to customers in Canada in 2010 and 2011, respectively, and 2,630 MT in the three months ended 31 March 2011. Our sales volume of RB/RBD soy and canola oils, as well as degummed soy and canola oils, to our customers in Canada accounted for 15.0% and 19.2% of our total product sales volume for RB/RBD soy and canola oil, as well as degummed soy and canola oil, in 2010 and 2011, respectively, and 7.3% of our total product sales volume for RB/RBD soy and canola oil, as well as degummed soy and canola oil, in the three months ended 31 March 2011.

In addition, we sold 76,655 MT and 223,910 MT of soy and canola meals to feed mills and farmer cooperatives in Canada in 2010 and 2011, respectively, and 47,307 MT in the three months ended 31 March 2011. Our sales volume of soy and canola meals to these buyers accounted for 62.0% and 70.0% of our total soy and canola meal sales volume in 2010 and 2011, respectively, and 71.0% of our total soy and canola meal sales volume in the three months ended 31 March 2011.

Soybean and canola products sold outside Canada include RB/RBD soy and canola oils, degummed soy and canola oils and soy and canola meals. Sales of soybean and canola products outside Canada were 68.0% and 70.1% of total soybean and canola product revenues in 2010 and 2011, respectively, and 67.0% of total soybean and canola product revenues in the three months ended 31 March 2011.

Our sales of soybean and canola products outside of Canada were primarily to customers located in the United States and Germany. These sales were made directly to the importer located in the target country.

(ii) Competition

The markets for soybean and canola products are highly competitive and include a number of producers globally, especially from Canada. Producers of soybean and canola products include large corporations, such as Archer Daniels Midland Company, Bunge Limited (Global), Richardson International and Viterra Inc.

Soybean and canola products are commodities, and producers of these products compete on the basis of price and on the ability to meet the required delivery time and quantity on a consistent, long-term basis. In recent years, soybean and canola product users from the renewable energy and food manufacturing industries have offered increased competition to Canadian soybean and canola product producers, including ourselves, for raw materials by increasing the demand for, and prices of, soybean and canola products for other uses, including the production of alternative fuels and edible oils.

7.8.1.3 Oleochemical products

Our sales of oleochemicals are priced by reference to the regional spot market prices in the United States for oleochemicals, which are influenced by prices posted by Jacobsen, an industry publication on oleochemical prices.

The following tables set forth our revenues from oleochemicals, both inside and outside of the United States, each as a percentage of our total revenues for the sale of oleochemicals, for the periods indicated.

Oleochemical Revenues Inside and Outside the United States

	Year Ended 31 December					
	2009		2010		2011	
(in RM millions, except percentages)	**Sales**	**Percentage (%)**	**Sales**	**Percentage (%)**	**Sales**	**Percentage (%)**
Outside the United States						
Canada	15.1	2.5	25.4	4.1	38.5	4.8
Mexico	41.0	6.7	49.8	8.2	60.9	7.6
Other countries[(1)]	0.4	0.1	2.9	0.5	2.1	0.3
Total oleochemical exports	56.5	9.3	78.1	12.8	101.5	12.7
Inside the United States	**550.2**	**90.7**	**531.0**	**87.2**	**696.1**	**87.3**
Total oleochemical revenues	**606.7**	**100.0**	**609.1**	**100.0**	**797.6**	**100.0**

Note:

(1) In 2010, percentage of sales to "other countries" was approximately 0.002%.

Oleochemical Revenues Inside and Outside the United States

	Three Months Ended 31 March			
	2011		2012	
(in RM millions, except percentages)	**Sales**	**Percentage (%)**	**Sales**	**Percentage (%)**
Outside the United States				
Canada	9.8	5.4	9.1	4.7
Mexico	14.0	7.8	15.2	7.8
Other countries	-	-	0.9	0.4
Total oleochemical exports	23.8	13.2	25.2	12.9
Inside the United States	**156.2**	**86.8**	**169.2**	**87.1**
Total oleochemical revenues	**180.0**	**100.0**	**194.4**	**100.0**

(i) Sales and marketing

We sell our oleochemicals predominantly to customers located in the United States. We sell fatty acids to manufacturers and distributors of tyres and other rubber products, personal care products, lubricants, plastics and paper in the United States. We sell glycerin to manufacturers and distributors of personal care, oral care, food and beverage products, as well as to tobacco and pharmaceutical companies, in the United States. These sales include oleochemical products purchased from third parties and re-sold to our customers, and were made generally on spot, prepaid or annual contract bases.

We sold 136,875 MT, 148,032 MT and 122,090 MT of oleochemicals to manufacturers and distributors in the United States in 2009, 2010 and 2011, respectively, and 30,902 MT and 33,323 MT of oleochemicals in the three months ended 31 March 2011 and 2012, respectively. Our sales volume of oleochemicals to manufacturers and distributors in the United States accounted for 90.7%, 87.2% and 87.3% of our total oleochemical product sales volume in 2009, 2010 and 2011, respectively, and 86.8% and 87.1% of our total oleochemical product sales volume in the three months ended 31 March 2011 and 2012, respectively.

Oleochemical products sold outside the United States include fatty acids and glycerin. Export sales of oleochemicals were 9.3%, 12.8% and 12.7% of total oleochemical revenues in 2009, 2010 and 2011, respectively, and 13.2% and 12.9% of total oleochemical revenues in the three months ended 31 March 2011 and 2012, respectively. Our sales of oleochemicals outside of the United States are primarily to customers located in Canada and Mexico. Sales to Canada and Mexico are made directly to the importer located in the target country. Sales to Mexico are sold "delivered at place", such that customs clearance and other import-related formalities are the obligation of the buyer. We also sell oleochemicals to customers located in other countries, such as China, when demand is present. These sales are made through foreign agents located in the target country. One foreign agent is appointed to handle all of our exports to a target country. The agents receive commissions, which vary according to the export country. We generally make export sales of oleochemicals on a forward basis from one to two months prior to actual delivery under letters of credit, cash against documents and bank guarantee arrangements.

(ii) Competition

The markets for fatty acids are highly competitive and include a number of producers globally, especially from the United States. The United States' fatty acid industry is composed primarily of large, private sector companies, such as Emery Oleochemicals, Vantage Oleochemicals and PMC Biogenix.

The markets for glycerin are highly competitive, with the United States' glycerin industry composed of large, private sector companies, such as Emery Oleochemicals, Vantage Oleochemicals, Cargill, Archer Daniels Midland Company, PMC Biogenix and the Procter and Gamble Company. In addition, these United States glycerin producers must compete with international producers, as a high volume of imported glycerin is sold in the United States for distribution.

Oleochemicals are commodities, and producers of these products compete on the basis of price and on the ability to meet the required delivery time and quantity on a consistent, long-term basis. In recent years, oleochemical producers from Malaysia and Indonesia have brought on significant competition to producers from the United States, including ourselves, due to better economies of scale.

7.8.2 Proposed Strategic Partnership

As part of a proposed strategic partnership with the Louis Dreyfus Commodities Group ("**Louis Dreyfus Commodities**"), we have entered into a memorandum of understanding dated 14 May 2012 with Louis Dreyfus Commodities Asia with a view to establishing a trading and marketing joint venture that will trade and market CPO and CPO-based products ("**Trading JV**"), which includes binding principles to establish a framework upon which we and Louis Dreyfus Commodities Asia will work together to explore investment opportunities in the downstream activities relating to palm oil ("**Downstream Framework**").

Louis Dreyfus Commodities is a world leader in the processing of agricultural products and the merchandising of a diverse range of commodities, including oilseeds and oilseed by-products. The group is privately held and whilst founded and based in Europe, Louis Dreyfus Commodities enjoys strong regional presence in North and South America, Europe, Asia, the Middle East and Africa, with offices in more than 55 countries and employs over 34,000 employees.

In the palm oil segment, Louis Dreyfus Commodities originates, stores, transforms, transports and sells a wide spectrum of oilseeds and oilseed by-products, including palm and palm oil products. Louis Dreyfus Commodities' oilseeds operations are present in all major producing and consuming regions.

Trading and Marketing JV and Downstream Framework

In May 2012, we entered into a memorandum of understanding with Louis Dreyfus Commodities Asia with a view of entering into a trading and marketing joint venture agreement and ancillary commercial agreements, including CPO supply agreements. Execution of the transaction agreements is subject to various conditions, including the ultimate agreement of the parties. As at the date of this Prospectus, the transaction documents in relation to the Trading JV and the Downstream Framework have not been executed by the parties.

Upon the execution of the CPO supply agreements, we would commit to supply and the proposed Trading JV would commit to purchase 1.1 million MT of CPO per annum. The proposed Trading JV intends to purchase the CPO based on agreed pricing formulas that are linked to MPOB prices and Malaysia Derivatives Exchange prices. Louis Dreyfus Commodities Asia would commit to offer the proposed Trading JV 500,000 MT of CPO per annum. The proposed Trading JV will purchase CPO from us and will either export the CPO (subject to availability of export quota) or refine the CPO at refineries owned by F Vegetable and sell the end products as part of its trading operations.

The proposed Trading JV is expected to commence operations in early 2013 and will have a three year review period, after which either party can terminate the Trading JV under specified conditions. The proposed Trading JV is intended to be 51% owned by Louis Dreyfus Commodities Asia and 49% owned by FGV Downstream. FGV Downstream is expected to be granted a call option over 1% of Louis Dreyfus Commodities Asia's shares in the proposed Trading JV, exercisable after three years.

In addition, the proposed agreement in respect of the Trading JV includes binding principles upon which we and Louis Dreyfus Commodities Asia will work together in the Downstream Framework, with a focus on China and India.

7.9 SUGAR BUSINESS

We are the leading refined sugar producer in Malaysia, involved primarily in the production, marketing and sale of refined sugar products, with an annual production capacity of over 1.1 million MT of refined sugar. In 2011, we produced a total of approximately 958,377 MT of refined sugar products, accounting for approximately 56.9% of total sugar production in Malaysia, according to Frost & Sullivan. We conduct our sugar business primarily through MSM Holdings and its two operating subsidiaries, MSM and KGFP. MSM Holdings was listed on the Main Market of Bursa Securities in June 2011.

In addition, we own a 20% equity interest in Tradewinds, a company listed on the Main Market of Bursa Malaysia that controls the operators of the two other sugar refineries in Malaysia, namely Central Sugar Refinery Sdn Bhd and Gula Padang Terap Sdn Bhd.

7.9.1 Sugar products

Our sugar products range from white refined sugar of various grain sizes to soft brown sugar and are marketed and sold in a variety of packaging options under the "Gula Prai" and "Gula Perlis" brands. We also sell molasses, a by-product of the refining process, to distilleries and producers of ethanol, animal feed and yeast, among other products.

Sales from our sugar business accounted for RM1,667.8 million and RM2,144.8 million of our total pro forma revenue for 2010 and 2011, respectively, and RM449.1 million and RM457.5 million of our total revenue for the three months ended 31 March 2011 and 2012, respectively.

7.9.2 Sugar production facilities

We own and operate two sugar refineries, as well as a sugar cane milling facility in Malaysia. KGFP operates a sugar refinery in Chuping, Perlis, and MSM operates a sugar refinery located in Seberang Prai, Penang. Each refining facility has packaging, storage and distribution capabilities on site. MSM also operates a packaging and distribution warehouse in Sungai Buloh, Selangor, and another distribution warehouse in Johor Bahru, Johor. Both of these facilities are connected to the refinery in Prai by rail.

The following table provides information about the location, current capacity, utilisation rate and production of our sugar production facilities as at 31 March 2012.

Production Facility	Annual Refined Sugar Production Capacity (MT)[1]	Daily Raw Sugar Melt Capacity (MT)	Refining Capacity Utilisation Rate for 2011[2]	Daily Milling Capacity (MT)	Raw to Refined Sugar Yield for 2011	Refined Sugar Production Volume for 2011 (MT)
MSM Facility, located in Prai, Penang[3]	960,000	3,000	85.7%	N/A	97.0%	822,384
KGFP Facility, located in Chuping, Perlis[4]	150,000	600	90.7%	5,500	96.6%	135,993

Notes:

(1) For the MSM Facility, calculated based on daily raw sugar melt capacity of 3,000 MT per day multiplied by 330 days per year multiplied by raw to refined sugar yield of 97.0%.

For the KGFP Facility, calculated based on (i) 5,500 MT of cane milled per day multiplied by 65 days per year divided by 13 (which is the TCTS (MT of cane to MT of sugar) ratio) plus (ii) daily raw sugar melt capacity of 600 MT per day multiplied by 212 days per year multiplied by raw to refined sugar yield of 96.6%.

(2) Calculated by dividing actual production volume per year by annual production capacity.

(3) Consists of facilities to store raw sugar, produce refined sugar using the raw sugar refining process described below, conduct quality control, package and store refined sugar products and load such products for distribution.

(4) Consists of facilities to process sugar cane into raw sugar using the process described below, store raw sugar, produce refined sugar using the raw sugar refining process described below, conduct quality control, package and store refined sugar products and load such products for distribution.

7.9.3 MSM

MSM operates the MSM Facility, a sugar refinery located in Seberang Prai, Penang, on the northwest coast of Peninsular Malaysia. The MSM Facility is the largest sugar refinery in Malaysia, with an annual production capacity of 960,000 MT of refined sugar, representing approximately 86.5% of our total capacity as at 31 March 2012. In 2010 and 2011, the MSM Facility produced 806,658 MT and 822,384 MT of refined sugar, respectively, representing 85% and 86% of our total refined sugar production output, respectively. In 2011, 79% of MSM's refined sugar products by volume were sold in the domestic market, while 16% were exported and 3% were sold as "local exports" to domestic industrial customers that use sugar purchased from us to manufacture products for export.

The MSM Facility is strategically located near Penang Port and has a dedicated jetty on-site that enables barges to easily and cost-effectively offload raw sugar taken from sea vessels directly into storage for use in our refining process.

Railways connect the MSM Facility and our warehouse facilities in Sungai Buloh, Selangor, and Johor Bahru, Johor. Products are also delivered from the MSM Facility and MSM's warehouses to our customers by lorries operated by MSM's subsidiary, Astakonas, and other modes of transportation. MSM also offers the option of bulk delivery from the Sungai Buloh facility via road tankers to customers who are able to receive the bulk sugar directly into their silos. In addition, MSM's Sungai Buloh warehouse has its own packaging facilities, enabling us to package our products at different times and in various sizes, according to our customers' needs.

For East Malaysia and overseas exports other than Singapore, our products can be sent from our dedicated on-site jetty through Penang Port as bagged bulk cargo. Alternatively, we can load our products in full container loads at MSM's loading facility, which has a 1,000 MT per day loading capacity, and send the containers to Penang Port.

7.9.4 KGFP

KGFP operates the KGFP Facility, an integrated sugar mill and refinery located in Chuping, Perlis in the northwestern part of Peninsular Malaysia. The sugar mill has a sugar cane crushing capacity of 5,500 MT per day.

The KGFP Facility has an annual production capacity of 150,000 MT of refined sugar, representing approximately 13.5% of our total capacity as at 31 March 2012. In 2010 and 2011, the KGFP Facility produced 138,045 MT and 135,993 MT of refined sugar, respectively, representing 15% and 14% of our total refined sugar production output, respectively. Currently, all of KGFP's refined sugar products are sold in the domestic market, and it expects to continue focusing on supplying the domestic market.

Approximately 85% to 90% of the raw sugar used at the KGFP Facility is imported.

The KGFP Facility has warehouse facilities on site, as well as a bulk cargo terminal at Prai, Penang, from which its products are transported throughout Malaysia via road and sea. A number of our customers also take delivery of our products directly from our warehouse located in the KGFP Facility and from our bulk cargo terminal via bulk tankers.

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7.9.5 Maintenance

Both the MSM Facility and the KGFP Facility are shut down periodically for scheduled maintenance and occasionally for unscheduled corrective maintenance and repair. We regularly monitor the performance and condition of our equipment in our production facilities, including the boilers, turbine generators, vacuum pans, centrifuges and other critical machinery. Maintenance on our facilities is performed by trained personnel to ensure long-term reliability of key equipment and the production processes as a whole.

On average, refining facilities at both the MSM Facility and the KGFP Facility operate at various production capacities for 24 hours a day, 330 to 340 days a year. Milling operations at the KGFP Facility only run seasonally to process the sugar cane harvest from December through April and are not operational for the remainder of the year. During the periods of operation, our milling facilities are shut down weekly for scheduled maintenance to optimise performance.

These comprehensive maintenance efforts contribute to reduction of our long-term costs and improvement of our asset utilisation, thereby helping to increase the overall reliability and maintain the production efficiency of these facilities.

7.9.6 Sugar production process

The primary raw material used in our refined sugar production process is raw sugar from sugar cane. Sugar cane is processed into raw sugar by raw cane mills promptly after harvest. Cane sugar refineries like those we operate purify raw sugar to produce refined sugar. Operating results of cane sugar refineries are driven primarily by the spread between raw sugar and refined sugar prices and by the conversion and other costs of the refining process.

Each of the MSM Facility and the KGFP Facility refines raw sugar to produce refined sugar, along with molasses as a by-product of the refining process. The refining process consists of several steps.

- *Affination*: Raw sugar crystals are initially mixed with raw syrup to soften them and remove impurities from the crystals' outer coating. The crystals are then separated from the syrup and washed with hot water in a centrifuge in a process called "affination".

- *Melting and Carbonation*: The washed sugar is dissolved to form "melted liquor". The melted liquor is then pumped to the carbonator, together with lime (calcium hydroxide) and carbon dioxide, for a process called "carbonation", which forms a carbonated precipitate that traps most of the impurities in the liquor.

- *Filtration*: The carbonated precipitate, together with the impurities, is removed by pressure filtering to produce "clear liquor".

- *Decolourisation*: Further colour removal is completed through either of two methods depending on the production facility, ultimately leading to the production of "decoloured liquor".

    - *Ion Exchange:* At the MSM Facility, colour removal is achieved by pumping the clear liquor through towers containing ion exchange resins that absorb the colouring matters.

  - o *Sulphitation*: At the KGFP Facility, colour removal is achieved by a "sulphitation" process that uses sulphur dioxide reaction and filtration that absorb the colouring matters.

  - o Solid impurities are removed from the decoloured liquor through a final filtration process to yield "fine liquor".

- *Evaporation*: At the MSM Facility, an additional step is undertaken to concentrate the fine liquor by having its excess water content evaporated before it undergoes crystallisation.

- *White Sugar Crystallisation*: The fine liquor is subsequently boiled in vessels called vacuum pans to form crystals. Fine sugar crystals are used as seed and are grown to the required size by adding more liquor.

- *Centrifuging*: The mixture of grown sugar crystals and syrup that is formed, called "massecuite", is placed into centrifuge machines which separate the crystals from the syrup.

- *Drying and Cooling*: The refined sugar crystals are then dried, cooled, sieved and screened into various grain-sized products and stored in silos to be transferred to warehouses or packaged into various grades for delivery to customers.

Molasses is also a by-product of this refining process after a certain amount of sugar is extracted to produce our refined sugar products.

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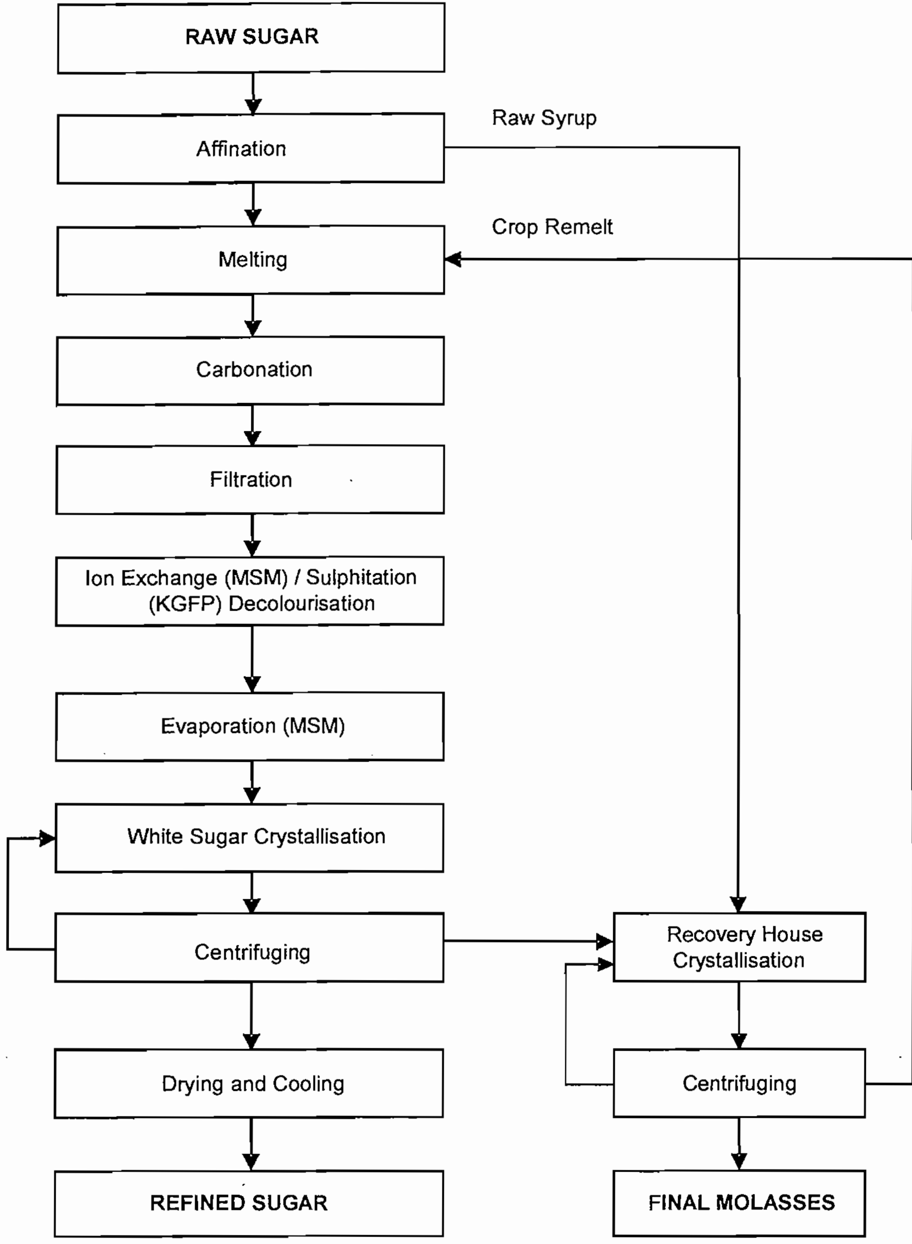
The following diagram illustrates how raw sugar is processed into refined sugar products.



7.9.7 Sugar raw materials

The main raw material for our operations is raw sugar, which is processed in our refineries to produce our sugar products. We use raw sugar produced from sugar canes that are processed in milling facilities promptly after harvest. Most of the raw sugar we require is imported, with our primary suppliers being Queensland Sugar Limited, Cargill, Noble Resources Pte Ltd, Sucres et Denrées SA and Eagle Trading Limited (currently known as Sucden Hong Kong Pty Ltd). Cost of raw sugar consumed accounted for RM1,455.6 million and RM1,581.2 million of our total pro forma cost of sales for 2010 and 2011, respectively, and RM308.2 million and RM366.3 million of our total cost of sales for the three months ended 31 March 2011 and 2012, respectively.

7.9.7.1 Raw sugar

Raw sugar is an intermediate product in cane sugar production that is used at our refineries for final processing to produce our refined sugar products. Raw sugar is a tan, coarse granulated product that is approximately 97% sucrose and obtained through the milling process that involves evaporation of clarified sugar cane juice.

In 2011, approximately 1,103,639 MT of the raw sugar we used, accounting for approximately 98.8% of our total raw sugar used, was imported sugar produced mainly in Australia and Brazil. We also purchase raw sugar from Thailand and other countries on an opportunistic basis.

Since the early 1970s, the Government, represented by the MITI, has participated, together with Malaysian refined sugar producers, including MSM and KGFP, in negotiations for long-term raw sugar supply contracts with foreign raw sugar suppliers. Pursuant to these negotiations, the MITI and all the refined sugar producers in Malaysia, including MSM and KGFP, had collectively entered into supply contracts with foreign raw sugar suppliers, typically covering a three-year period, and such contracts have helped us secure a consistent supply of raw sugar at prices that are usually lower than those available otherwise on the international spot market. These long-term supply contracts typically have had pricing terms that take into account the then-prevailing global market prices at the time of the contract and have been renegotiated and renewed for three-year terms generally on a continuous basis prior to their scheduled expiry.

7.9.8 Sugar sales and marketing

We market our sugar products to retailers, distributors and industrial food manufacturers directly through our sales force and indirectly through wholesalers and traders. Our primary business strategy is to capitalise on our well-known brands and expand brand penetration through on-going emphasis on product quality to meet customers' expectations and to leverage our effective distribution and delivery network to more easily reach customers throughout Malaysia.

7.9.8.1 Sales to distributors/retailers

We sell a variety of sugar products, including coarse and fine granulated white sugar and brown sugar, to wholesale distributors who in turn sell those products to retail outlets, manufacturers, restaurants and institutional food service establishments in a variety of packaging sizes marketed under the trade names "Gula Prai" and "Gula Perlis". Our products reach all regions in Peninsular Malaysia and East Malaysia.

7.9.8.2 Sales to industrial customers

We produce and sell refined sugar products to industrial customers, principally food manufacturers, in bulk or packaged form ranging from 50 kg to 1,400 kg. Food manufacturers purchase sugar for use in the preparation of ice cream, dairy products, beverages, confectionery and various other food products. We also sell molasses to producers of ethanol, animal feed and yeast. Historically, we have made the majority of our sales to industrial customers under fixed price, forward sales contracts with terms of up to one year.

Domestic sales primarily comprise coarse grain and fine grain white sugar, with our other refined sugar products, such as caster sugar and brown sugar, comprising the remainder of our domestic sales. Export and local export sales comprise entirely of coarse grain and fine grain white sugar products. We currently sell molasses only in the domestic market.

7.9.9 Sugar competition

We compete primarily with other domestic sugar producers in Malaysia and foreign sugar producers in overseas markets. In the domestic market for refined sugar products that are price-controlled, we compete primarily on the basis of product offerings, product quality, the ability to meet timely delivery requirements and overall customer service. In markets that are not subject to price control, we also compete on the basis of price, and refined sugar product prices in such markets are determined largely by external market factors including global supply and demand balances and raw material costs that to some extent are beyond our control.

The import of refined sugar into Malaysia is restricted by the Government, with such imports only being allowed for industrial consumers with approved permits issued by the Government. At present we are not aware of any permits for the import of refined sugar for resale in the domestic market having been approved and issued by the Government, thus our primary competitors in the domestic market are the operators of the other sugar refineries in Malaysia, namely Central Sugar Refinery Sdn Bhd and Gula Padang Terap Sdn Bhd, which are controlled by Tradewinds. In export markets, our main competitors include local sugar producers in those markets, such as SIS' 88 Pte Ltd in Singapore, as well as global sugar companies such as ED & F Man Holdings Limited, Wilmar International Limited and Mitr Phol Sugar Group.

7.10 OTHER BUSINESS

In our other business, we provide certain human resources, procurement, financial, legal and secretarial services to various companies within our group. Since 2010, we have also provided these types of services to FHB and its subsidiaries in exchange for management fees. In addition, we were engaged in real estate property management and sale of food and beverages in the Middle East until 30 December 2011. Our other business accounted for small portions of our total pro forma revenue for 2009, 2010 and 2011 and accounted for small portions of our total revenue for the three months ended 31 March 2011 and 2012.

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7.11 ASSOCIATE BUSINESSES - FHB

FHB, our 49%-owned associate, is the largest producer of CPO in the world based on production volume, having produced 3.3 million MT of CPO in 2011. Under contractual agreements between FHB's subsidiary, F Palm Industries, and us, F Palm Industries purchases from us substantially all of the FFB produced on the oil palm plantation estates on the FELDA-Leased and Managed Land. F Palm Industries produces CPO and PK using the FFB it acquires from us, as well as the FFB it acquires from FELDA Settlers, third parties and F Agricultural, a subsidiary of FHB. We purchase substantially all of the total CPO produced by F Palm Industries, other than the CPO used by its subsidiary DOP. We resell all of this CPO to third-party customers, such as refiners and traders in Malaysia and abroad, to our joint ventures and to FHB's various subsidiaries and its associate, MEO, for their production of palm oil-based products. For a summary of the terms of the contractual arrangements between F Palm Industries and us, refer to Section 7.22 of this Prospectus, and for more information on our joint ventures, refer to Section 7.12 of this Prospectus.

In its upstream business, FHB processes FFB into CPO and PK in its 70 palm oil mills in Malaysia, which have an aggregate annual capacity of approximately 20.4 million MT of FFB and are mostly located near the oil palm plantation estates on the FELDA-Leased and Managed Land. Further, FHB processes PK into PK Products, namely PKO and its by-product, PKE, in its four PK crushing plants.

In its downstream business, FHB processes CPO, including CPO purchased from us, and PKO into bulk and consumer-packed oils and fats, such as RBD products, margarine, shortening, cooking oil, vegetable ghee and industrial fats. FHB operates five palm oil refineries in Malaysia, with a total capacity of approximately 2.5 million MT, as well as one refinery in Pakistan through its associate, MEO, and another refinery in China through its associate, Voray Holdings. FHB also produces oleochemicals through an associate, FPG, in Malaysia.

FHB's manufacturing, logistics and others segment includes the production of rubber products from raw materials, including the cup lumps that we produce on our rubber plantations on the FELDA-Leased and Managed Land that F Rubber Industries, a subsidiary of FHB, purchases from us. In addition, FHB provides logistical services to support its own operations and provides products and services to third parties, including seedling and fertiliser production and R&D activities for our plantations business and sales, marketing and trading for our products. Further, FHB is engaged in cocoa product production, livestock operations and other activities, such as bulking, transportation and information technology.

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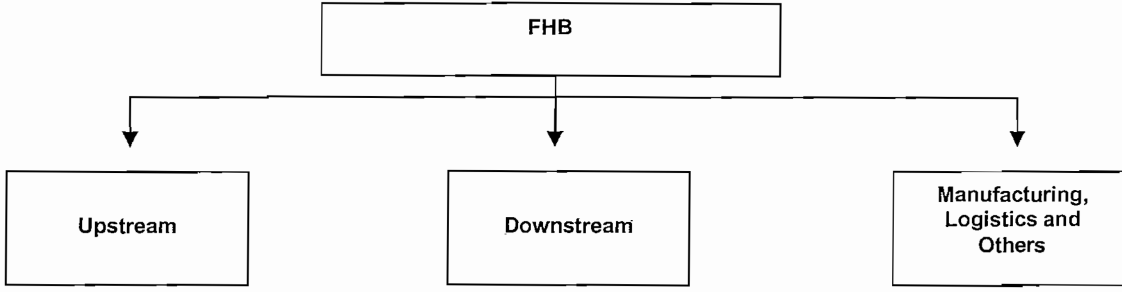
The chart below presents FHB's corporate structure and certain statistics of its businesses and subsidiaries (but not its joint ventures and associates) as at 31 March 2012.



Upstream

Malaysia

Facilities
- 70 palm oil mills
- 4 PK crushing plants
- 14 biomass-related facilities

Production*
- 3.3 million MT of CPO
- 840,746 MT of PK
- 392,083 MT of PKO
- 444,659 MT of PKE

Downstream

Malaysia

Facilities
- 5 palm oil refineries

Production*
- 1.5 million MT of RBD products
- 99,000 MT of packed goods for consumers and food services industry

Manufacturing, Logistics and Others

Malaysia

R&D Facilities
- 3 R&D centres/ laboratories
- 3 seed production facilities
- 1 rat bait production facility
- 1 oil palm and banana clone production facility

Production Capacity
- 30,000,000 germinated oil palm seeds
- 1,500,000 oil palm seedlings
- 5,000,000 oil palm and banana ramets

- Manufacturing of rubber, cocoa and fertiliser products
- Bulking installations
- Transportation services
- Other businesses

Note:

* *Production figures are for the year ended 31 December 2011.*

7.11.1 Upstream products

FHB is the largest producer of CPO in the world based on production volume, and it produced 3,112,205 MT, 2,989,215 MT and 3,293,293 MT of CPO in 2009, 2010 and 2011, respectively. FHB's sales of CPO amounted to RM3,820.6 million, RM5,158.8 million and RM6,621.2 million for 2009, 2010 and 2011, respectively.

FHB sold to us 115,064 MT of CPO in the three months ended 31 March 2012 pursuant to our contractual arrangements with F Palm Industries that came into effect on 1 March 2012. Because of transition arrangements related to the implementation of these arrangements, F Palm Industries did not sell to us all of the CPO that it produced. However, in future periods, we will purchase for resale all of the CPO that F Palm Industries produces, other than the CPO it uses for the downstream operations of its subsidiary DOP.

When FHB produces CPO from FFB at its palm oil mills, PK is also produced as part of this process. FHB produced 819,230 MT, 770,140 MT and 840,746 MT of PK in 2009, 2010 and 2011, respectively. FHB processes substantially all of its PK into PKO and its by-product, PKE, in its PK crushing plants, with a very small portion sold to unaffiliated third parties such as other PK crushing plants in Malaysia. PKO is a lauric oil that can be further refined to produce oleochemicals, while PKE is used as animal feed.

FHB produced 398,856 MT, 386,989 MT and 392,083 MT of PKO in 2009, 2010 and 2011, respectively. Sales of PKO amounted to RM927.1 million, RM1,378.4 million and RM1,810.9 million for 2009, 2010 and 2011, respectively. Sales of PKO to unaffiliated third parties amounted to RM532.2 million, RM476.4 million and RM628.7 million for 2009, 2010 and 2011, respectively.

FHB produced 439,742 MT, 437,761 MT and 444,659 MT of PKE in 2009, 2010 and 2011, respectively. FHB sold substantially all of its PKE to the European, South Korean and New Zealand export markets. Sales of PKE amounted to RM91.5 million, RM135.6 million and RM182.7 million for 2009, 2010 and 2011, respectively. All of the PKE sales were to unaffiliated third parties.

FHB also produces biomass, such as EFB, PK shells and mesocarp fibres. FHB sold the biomass it produced in 2009, 2010 and 2011 to our plantations business as mulch and fertiliser and to customers, such as fertiliser users and paper manufacturers, in Malaysia.

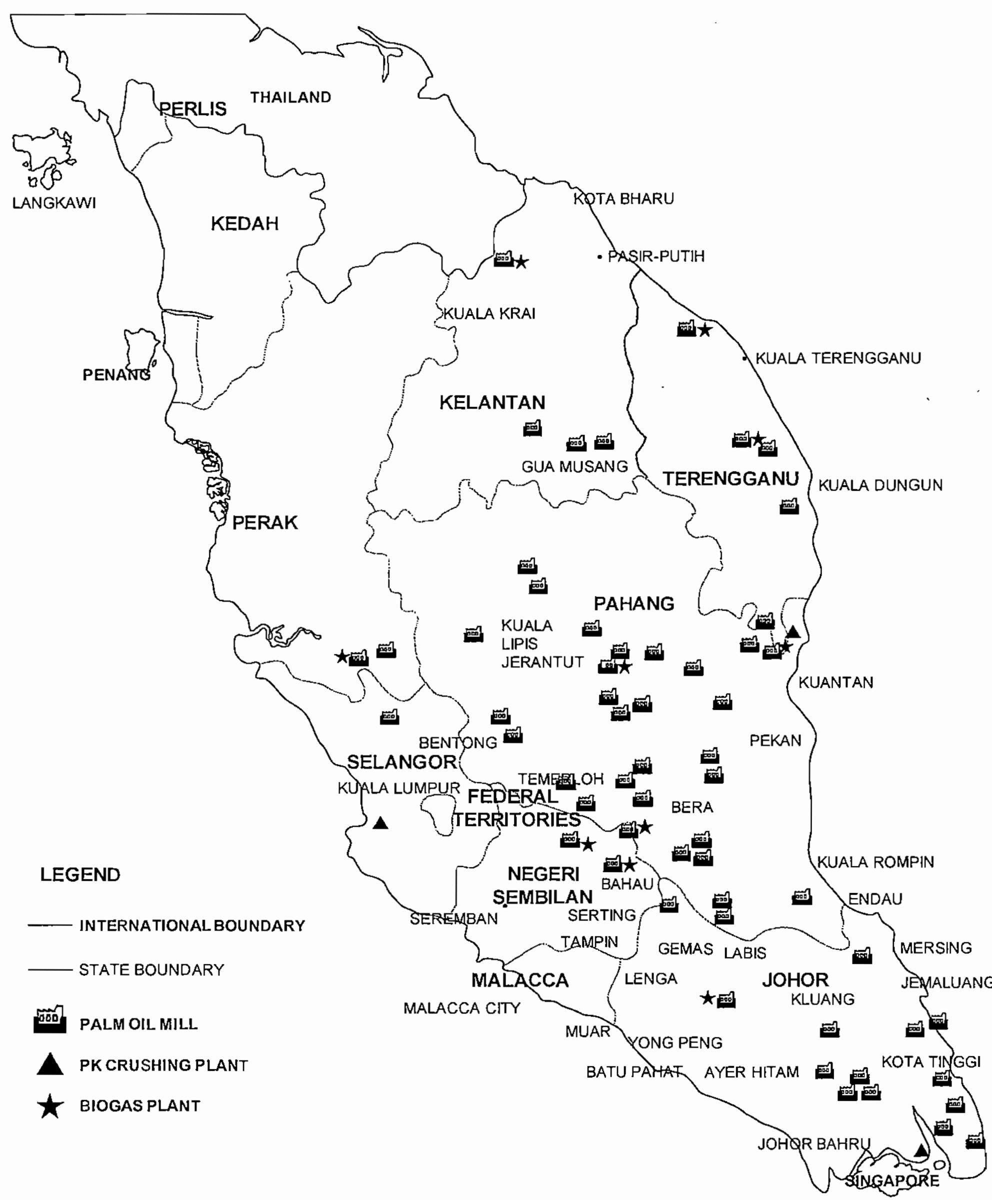
Sales of biomass did not amount to significant revenues for 2009, 2010 and 2011.

7.11.1.1 Upstream production facilities

FHB's upstream production facilities consist of palm oil mills, PK crushing plants and biomass facilities.

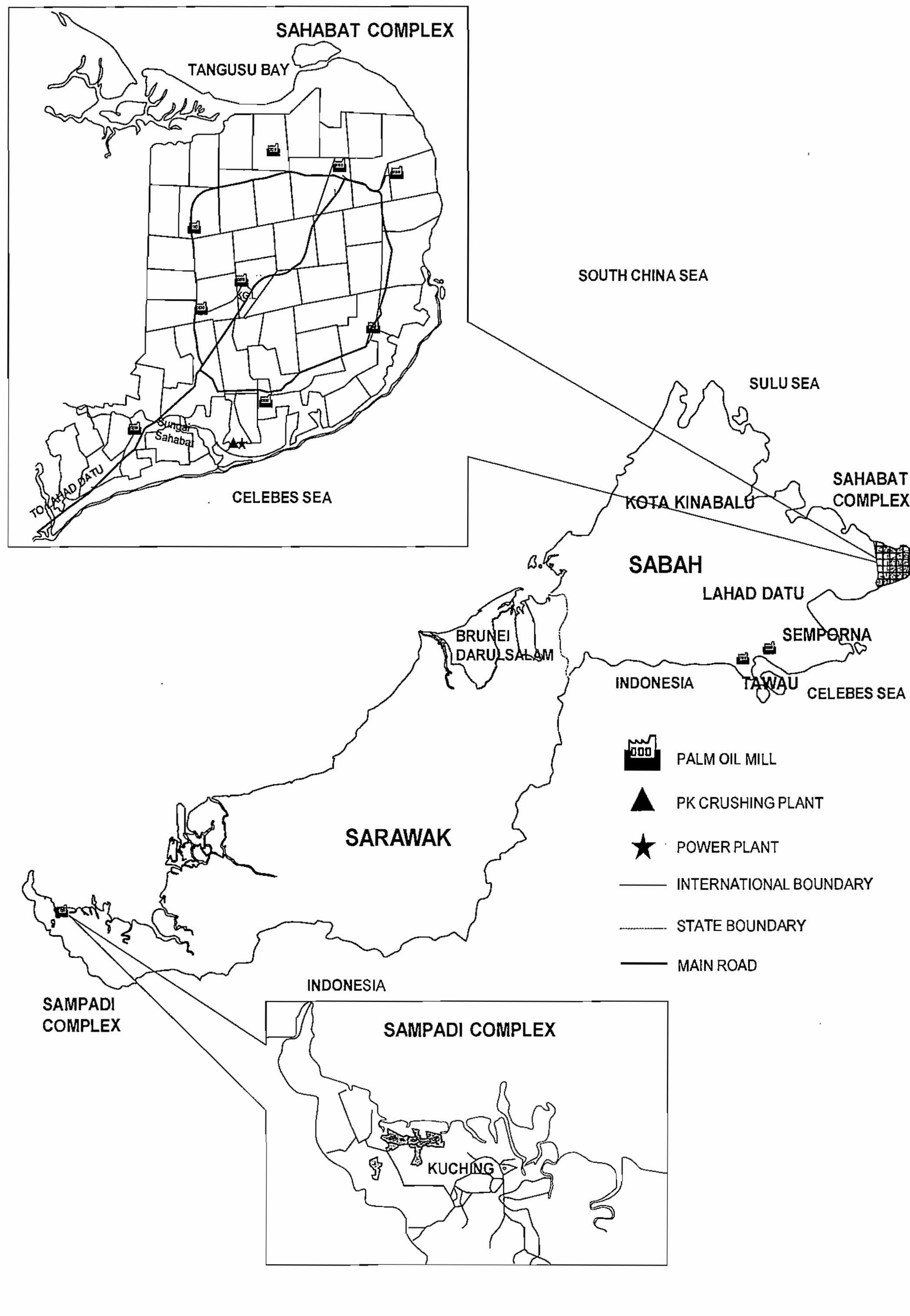
The following map shows the locations of FHB's palm oil mills, PK crushing plants and biomass-related projects in Peninsular Malaysia.

FHB's Mills, Crushing Plants and Bio-Gas Plants In Peninsular Malaysia



The following map shows the locations of FHB's palm oil mills, PK crushing plants and biomass-related projects in Sabah and Sarawak.

FHB's Mills, Crushing Plant and Power Plant In Sabah and Sarawak



Palm oil mills

FHB operates 70 palm oil mills in Malaysia, 58 of which are located in Peninsular Malaysia and 12 of which are located in Sabah and Sarawak. In addition, FHB is constructing a new palm oil mill in Johor in Peninsular Malaysia that is expected to be completed by the end of 2012. FHB is the largest operator of palm oil mills in Malaysia, with an aggregate annual milling capacity of approximately 20.4 million MT of FFB, and FHB operated approximately 20.5% of the total milling capacity in Malaysia in 2011, according to Frost & Sullivan.

The following table sets forth FHB's production of CPO and PK by region for the periods indicated.

Total Production of CPO and PK

	Year Ended 31 December		
Region	**2009**	**2010** (in MT)	**2011**
CPO			
Peninsular Malaysia	2,541,603	2,444,542	2,699,206
Sabah	535,020	507,574	550,585
Sarawak	35,582	37,099	43,502
Total	3,112,205	2,989,215	3,293,293
PK			
Peninsular Malaysia	687,621	648,436	703,909
Sabah	122,658	112,380	126,381
Sarawak	8,951	9,324	10,456
Total	819,230	770,140	840,746

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The following table sets forth FHB's actual average CPO and PK extraction rates as a percentage of FFB by weight, in each case compared to the relevant MPOB industry average figures by geographic location for the periods indicated.

Performance Metrics of Palm Oil Mills

	Year Ended 31 December		
	2009	2010	2011
Region		(%)	
CPO extraction rate			
Peninsular Malaysia – actual	20.4	20.6	20.5
MPOB Benchmark	19.9	19.9	20.1
Sabah – actual	21.2	21.2	20.5
MPOB Benchmark	21.4	21.3	20.7
Sarawak – actual	21.3	21.4	22.0
MPOB Benchmark	21.2	20.9	20.6
Average CPO extraction rate – actual[1]	20.5	20.7	20.5
MPOB Benchmark	20.5	20.5	20.4
PK extraction rate			
Peninsular Malaysia – actual	5.5	5.5	5.3
MPOB Benchmark	5.6	5.5	5.5
Sabah – actual	4.9	4.7	4.7
MPOB Benchmark	4.8	4.8	4.7
Sarawak – actual	5.4	5.4	5.3
MPOB Benchmark	4.5	4.4	4.4
Average PK extraction rate – actual[1]	5.4	5.3	5.2
MPOB Benchmark	5.3	5.2	5.1

Note:

(1) *The average is calculated by summing the extraction rates for CPO and PK, as applicable, in Peninsular Malaysia, Sabah and Sarawak and dividing the total sum by three.*

The following table provides information about the location, maximum processing capacity and approximate utilisation rate for FHB's palm oil mills as at and for the year ended 31 December 2011.

Production Facility	No. of mills	Maximum FFB processing capacity per hour (MT)	Maximum FFB processing capacity per annum (MT)[1]	FFB processed in 2011 (MT)	Approximate utilisation rate[2]
Peninsular Malaysia	58	2,600	16,224,000	13,192,420	81.3%
Sabah	11	627	3,912,480	2,691,790	68.8%
Sarawak	1	40	249,600	197,600	79.2%

Notes:

(1) *FHB's annual processing capacity is based on the optimum processing capacity of its palm oil mills and has been calculated based on the mills operating 12 months in a calendar year for 26 days a month and 20 hours a day.*

(2) *Calculated by dividing processed volume per annum by maximum processing capacity per annum.*

PK crushing plants

FHB owns and operates four PK crushing plants, three of which are located in Peninsular Malaysia and one of which is located in Sabah. FHB's PK crushing plants had an aggregate annual crushing capacity of 1,030,000 MT and FHB operated approximately 14.5% of Malaysian PK crushing capacity in 2010.

The actual extraction rates for FHB's PK crushing plants in Peninsular Malaysia and Sabah, as well as the average extraction rates for the two regions, were substantially similar to the relevant MPOB average figures in 2009, 2010 and 2011.

The following table provides information about the location, maximum processing capacity and approximate utilisation rate for FHB's PK crushing plants as at and for the year ended 31 December 2011.

Production Facility	Maximum PK processing capacity per hour (MT)	Maximum PK processing capacity per annum (MT)[1]	PK processed in 2011 (MT)	Approximate utilisation rate[2]
Pasir Gudang, Johor	35.42	302,000	273,593	90.6%
Semambu, Pahang	50.00	426,000	321,484	75.5%
Pandamaran, Selangor	16.67	142,000	136,628	96.2%
Sahabat, Sabah	18.75	160,000	125,298	78.3%

Notes:

(1) FHB's annual processing capacity is based on the optimum processing capacity of its PK crushing plants and has been calculated based on the PK crushing plants operating 12 months in a calendar year for 29.6 days a month and 24 hours a day.

(2) Calculated by dividing processed volume per annum by maximum processing capacity per annum.

Biomass facilities

FHB's upstream business includes biomass facilities that use various forms of biomass produced in palm oil mills to produce fuel, fertiliser, pellet and long fibre.

FHB has ten biogas plants that are co-located with certain of its palm oil mills. These facilities capture methane gas from palm oil mill operations, which they currently flare to comply with Malaysian Department of Environment regulations on methane emissions. In addition to its biogas plants, FHB also operates one power plant and three mini-gasifiers, all of which convert EFB into fuel for palm oil mills. In addition to FHB's power-related biomass projects, FHB also uses biomass to produce fertiliser, which is used in oil palm plantations. The table below presents the various types of biomass used in FHB's biomass projects, the estimated annual volume of these materials and their current uses.

Type of Biomass	Source	Estimated volume (in thousands of MT per annum)	Current use
EFB	Mill	3,000	Compost fertiliser, pellet, long fibre and renewable energy
Palm Kernel Shells	Mill	700	Co-generation
Mesocarp Fibre	Mill	1,700	Co-generation
Palm Oil Mill Effluent	Mill	9,000	Methane gas capture (biogas)

Maintenance

FHB's palm oil mills, PK crushing plants and biomass facilities generally undergo maintenance during the low season for FFB harvest to minimise interruption to FHB's production processes. FHB regularly monitors the performance and condition of its equipment. Maintenance of these facilities is performed by trained personnel to ensure long-term reliability of key equipment and the production processes as a whole. These comprehensive maintenance efforts contribute to reduction of FHB's long-term costs and improvement of FHB's asset utilisation, thereby helping to increase overall reliability and maintain production efficiency of these facilities.

7.11.1.2 Upstream production process

The primary raw materials used in FHB's upstream production process are FFB, which it sources from the oil palm plantation estates on the FELDA-Leased and Managed Land, FELDA Settlers, third parties and F Agricultural, as well as PK, which it sources from its palm oil mills. PK is processed at its PK crushing plants into PK products, namely PKO and its by-product, PKE. A wide range of products are produced through the downstream processing of CPO and PKO, while PKE is used as animal feed.

CPO and PK production

FFB received by FHB's palm oil mills are generally processed within 24 hours after harvesting to ensure the production of high-quality palm oil, particularly palm oil with low levels of free fatty acids. Upon delivery at a palm oil mill, incoming FFB are weighed and recorded. Thereafter, FFB undergo various processes, such as sterilisation, threshing and oil clarification, in order to produce CPO and PK.

The processing of FFB into CPO and PK is known as "milling" and consists of several steps.

- *Sterilisation*: To enable efficient mechanical threshing of FFB and to obtain high oil yield from downstream activities, the fruits are sterilised in a high-temperature pressure vessel. Sterilisation deactivates acid-forming enzymes, loosens the fruits from the stalk and pre-conditions the mesocarp and nuts for further processing.

- *Threshing*: The sterilised FFB are emptied from the fruit cages into a thresher and then fed into a revolving, slated steel drum by an auto-feeder. As non-oil bearing bunch stalks are oil absorbent, they are removed to prevent unnecessary loss of oil. FFB not fully threshed are sent for re-threshing to remove any entrapped fruits through a bunch crusher. During the threshing process, fruits loosened from FFB are dropped through a steel slate onto a conveyer below the drum and then transferred via a fruit elevator into a digester. After separation, EFB are transported using a conveyer to the empty bunch hopper, where EFB can be returned to the field for use as mulch and fertiliser due to their high nutrient levels.

- *Digester*: The purpose of a digester is to release the oil by rupturing oil bearing cells in the mesocarp, loosen the mesocarp from the nuts, raise the temperature of the mash to facilitate subsequent pressing and drain away free oil to reduce the volume to be pressed. The fruits are transported to the digester using a fruit elevator and fruit distributing conveyor. In the digester, the fruits are mashed by sets of stirring arms that create relative circular and vertical movements of fruits. Steam is injected to maintain a high temperature.

- *Pressing*: Mash passing through the digester is fed into a screw press, with the screw turning within a perforated press cage and pushing mash towards a pre-set cone. Pressure on the mash is gradually increased, forcing oil and moisture to be squeezed from the mash through a perforated press cage and leaving behind a compact, dried mass, consisting mainly of nuts and fibre known as press cake. Crude oil sludge extracted from mash is then fed into a sand trap-tank in which dirt particles and shell fragments are allowed to settle to the bottom.

- *Oil Clarification*: Free oil drained from the digester, together with crude oil sludge from the screw press, are allowed to flow past a vibrating screen to further remove any retained fibre and shell particles. The composition of crude oil varies in accordance with the composition of the fruits, but is generally made up of part oil and part sludge (dirt particles and water). At this composition, the crude oil is highly viscous and therefore difficult to separate effectively from the sludge. In order to reduce viscosity, hot water and steam are injected to accelerate the oil/sludge separation process.

- *Purification and Drying*: Crude oil is then skimmed off from the mixture, with the clarified oil then placed in a high-speed centrifuge known as a purifier to reduce the moisture content and impurities content. The purified oil is then pumped through a vacuum dryer to further reduce the moisture content. Purified and dried oil, or CPO, is then conveyed through pipes and stored in oil storage tanks before dispatch.

- *Centrifuge*: After the clarification process, the separated sludge is temporarily stored and heated in a sludge tank. The sludge goes through a second separation using a centrifuge, which is used to recover final trace amounts of suspended oil in the sludge, and thereby maximising oil recovery and achieving minimal oil loss in the sludge water discharge and solids. Recovered oil is pumped back to the crude oil clarification tank. Sludge water discharge is transported to an effluent treatment plant through a sludge pit, while solid sludge is returned to the fields for utilisation as compost.

- *Depericarping*: In the kernel recovery station, nuts are separated from the fibre, with the fibre being used as fuel to generate power for the mills. Nuts are cracked so that the kernel separates from the shell. Kernels are then dried and stored. Fibres are used in our boiler as fuel and nuts are sent to a de-stoner to remove any stones and other foreign matter.

- *Nut Drying*: Cleaned nuts are sent to a nut silo for drying, which reduces the moisture content of the nuts. The temperature of the hot air used for drying nuts is regulated to prevent discolouration of the kernel. Drying will detach the kernel inside the nut from the nut shell, which facilitates cracking and separation at a later stage.

- *Nut Cracking*: Dried nuts are fed into ripple mills for cracking. The cracked mixtures comprising kernels and shells are fed into a series of winnowers that blow the lighter shell fragments and remaining fibre off the kernels. Residual kernel and shell mixtures are then fed into a kernel grading drum. The whole kernel is then separated from the broken kernel and shell mixture in the drum before being conveyed to a kernel silo. The kernel and shell mixtures are then fed into a hydrocyclone via a conveyor.

- *Kernel Separation*: Kernels and shells are separated in a hydrocyclone, with separated shells used as boiler fuel.

- *Kernel Drying:* Kernels are dried in hot air heated by steam in a heat exchanger in the kernel silo. The drying time and temperature is regulated to achieve uniform consistency and moisture content, with dried PK stored in a bulking silo.

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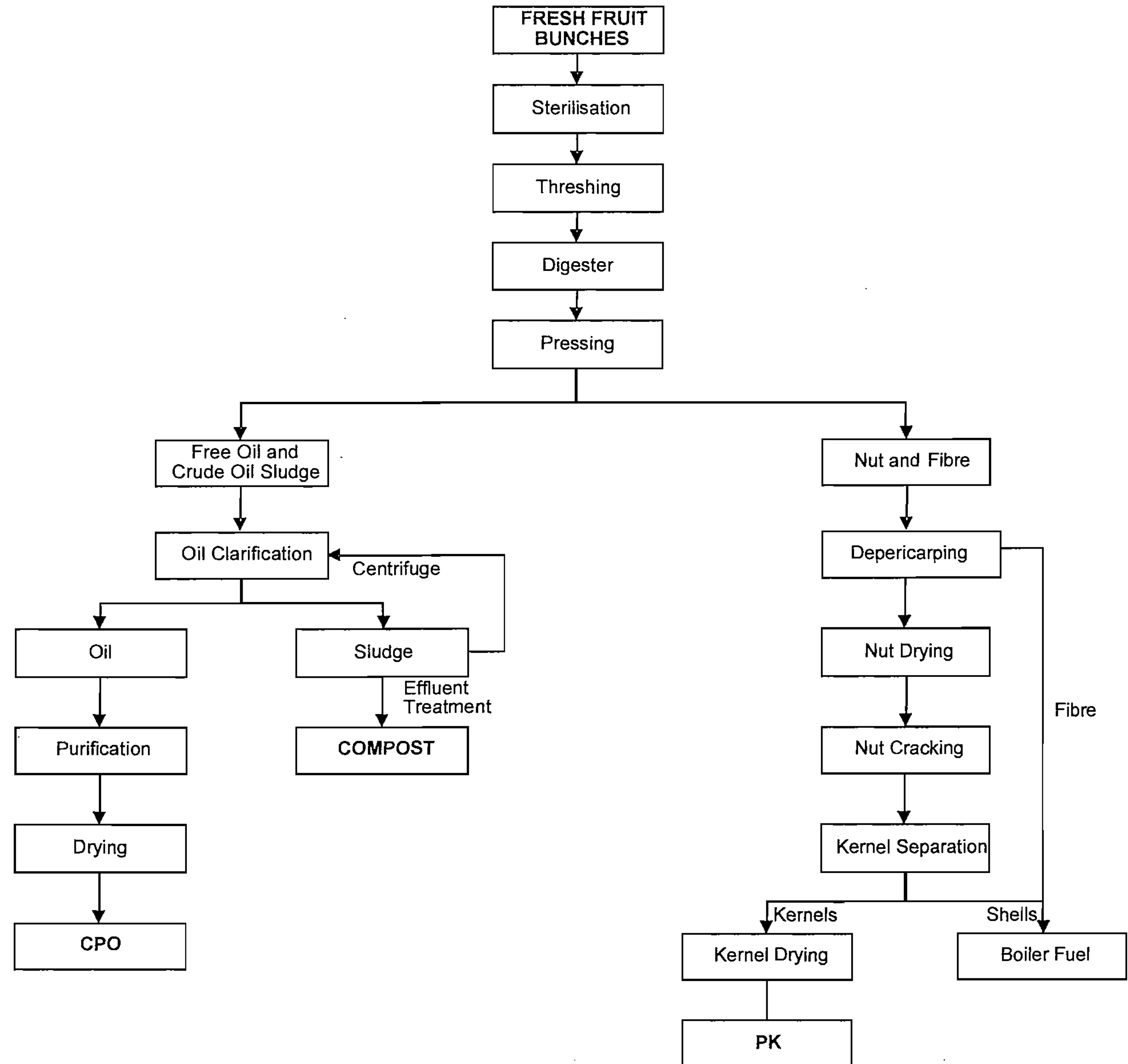
The following diagram illustrates how FFB is processed into CPO and PK.



PK product production

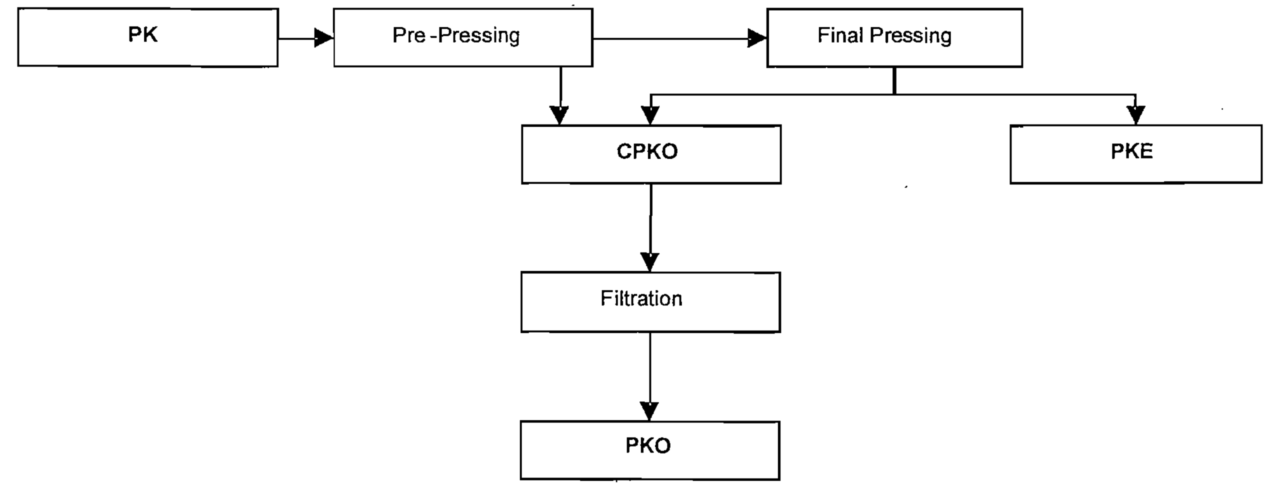
PK received by FHB's PK crushing plants are processed into PKO and its by-product, PKE, in the following process:

- *Pre-Pressing*: During pre-pressing, screw-in cage presses exert intense pressure on PK to expel oil. In pre-pressing, approximately 40% by weight of PK input is expelled as CPKO, while the remaining cake, which still contains oil, is conveyed to the final presses. The pre-pressed CPKO is pumped to the filters.

- *Final-Pressing*: The pre-pressed cake enters the final presses, such that the resulting, final-pressed CPKO joins the stream of pre-pressed CPKO and is pumped to the filters. The remaining cake, or PKE, consists of a powder containing protein and residual amounts of oil.

- *Filtration*: CPKO is filtered through horizontal leaf filters, and the resulting filtered cake is removed and recycled back into the final presses. The resulting PKO is placed in storage tanks for sale in bulk shipments from the port or in lorry tankers.

The following diagram illustrates how PK is processed into PKO and its by-product, PKE.



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7.11.1.3 Upstream raw materials

FFB are the primary raw materials used in the production of CPO, PK and biomass, while PK is the primary raw material used in the production of PK products, namely PKO and its by-product, PKE.

The FFB processed by FHB into CPO and PK are sourced from the oil palm plantation estates on the FELDA-Leased and Managed Land, FELDA Settlers, third parties and F Agricultural.

FHB's supply of FFB from FELDA Settlers is pursuant to contractual arrangements between FELDA Settlers and FELDA. Under the FELDA settlement scheme, FELDA Settlers sell their FFB to FELDA.

While FHB's supply of FFB from third parties is not fully secured by supply agreements, more than 1.44 million MT of FFB per year is pursuant to contractual arrangements between FHB and four major third-party suppliers. FHB is able to secure a steady supply of FFB from other third-party suppliers because it is considered a reliable processor of FFB given its position as Malaysia's largest operator of palm oil mills, with an aggregate annual milling capacity of approximately 20.4 million MT of FFB, representing approximately 20.5% of the total milling capacity in Malaysia in 2011. Further, FHB's palm oil mills are located throughout Peninsular Malaysia, Sabah and Sarawak, providing third parties with convenient access to a buyer in an industry where the processing of FFB within 24 hours of harvesting is critical to maintaining CPO quality, and certain palm oil mills are also constructed to be strategically located near third-party oil palm plantations.

Most of FHB's palm oil mills face competition from palm oil mills owned by other parties. Notwithstanding the number of palm oil mills owned by other parties, FHB has been able to consistently secure approximately one third of its FFB requirements from third parties for the years ended 31 December 2009, 2010 and 2011.

The following table sets forth the sources of FFB acquired by FHB's palm oil mills for the periods indicated.

Total Sources of FFB

	Year Ended 31 December					
	2009		2010		2011	
	(MT)	(%)	(MT)	(%)	(MT)	(%)
Oil palm plantation estates on the FELDA-Leased and Managed Land	5,212,860	34.4	4,743,808	32.8	5,127,680	31.9
FELDA Settlers	4,794,393	31.6	4,774,003	33.0	5,307,029	33.0
Third parties[1]	4,895,641	32.3	4,693,477	32.5	5,381,172	33.4
F Agricultural	259,897	1.7	248,093	1.7	272,100	1.7
Total	15,162,791	100.0	14,459,381	100.0	16,087,981	100.0

Note:

(1) Includes private plantation owners and small FFB growers.

Cost of FFB purchased amounted to RM6,601.6 million, RM7,449.2 million and RM8,170.1 million for 2009, 2010 and 2011, respectively. The prices of FFB are volatile, as they are based indirectly on CPO market prices published by the MPOB, which in turn are based on domestic and international market prices of CPO.

FHB currently sources all of its PK requirements for its PK crushing plants from its palm oil mills.

7.11.2 Downstream Businesses

FHB produces and sells a variety of products derived from the downstream palm oil process, such as oils and fats (including RBD products) and packed goods for consumers and food services industry. Through its associate, FPG, FHB produces and sells oleochemicals, while through its other associate, MEO, FHB produces and sells oils and fats, such as refined oils, and through its associate, Voray Holdings, FHB packs and sells cooking oils..

7.11.2.1 Downstream products

FHB's downstream products as well as those of its associates, FPG, MEO and Voray Holdings, include:

- oils and fats, such as RBD products and refined oils, produced in its five palm oil refineries in Malaysia and MEO's refinery in Pakistan;
- packed goods for consumers and food services industry, such as margarine, shortening, cooking oil, vegetable ghee and industrial fats, produced in its integrated manufacturing facility in Malaysia; and
- oleochemicals produced in FPG's facility in Malaysia.

RBD products and packed goods for consumers and food services industry

FHB produces RBD products and packed goods for consumers and food services industry from its palm oil refineries. RBD products can be further processed at oleochemical facilities to produce oleochemicals, while packed goods for consumers and food services industry can be sold to retailers, wholesalers (including re-packing operations) and manufacturers.

FHB's RBD products include:

- RBD PKO, derived by processing PKO;
- RBD palm kernel fatty acid distillate, a by-product of processing PKO into RBD PKO;
- RBD palm oil, derived by processing CPO;
- palm fatty acid distillate, a by-product of processing CPO into RBD palm oil;
- RBD palm olein, the liquid product of fractionating RBD palm oil; and
- RBD palm stearin, the solid product of fractionating RBD palm oil.

FHB is one of the largest producers of RBD products in the world. FHB produced 1,642,285 MT, 1,831,450 MT and 1,507,514 MT of RBD products in 2009, 2010 and 2011, respectively. It sold substantially all of its RBD products to customers such as industrial manufacturers in Malaysia and in the export market.

Sales of RBD products amounted to RM3,526.7 million, RM4,282.9 million and RM5,150.6 million for 2009, 2010 and 2011, respectively. Sales of RBD products to unaffiliated third parties amounted to RM3,502.9 million, RM3,914.5 million and RM4,480.3 million for 2009, 2010 and 2011, respectively.

FHB's packed goods for consumers and food services industry include margarine, shortening, cooking oil, vegetable ghee and industrial fats.

FHB produced 93,071 MT, 98,388 MT and 99,000 MT of packed goods for consumers and food services industry in 2009, 2010 and 2011, respectively. These products were sold through Malaysian retailers, wholesalers and manufacturers for commercial use and to the Malaysian food service and baking industries for industrial use. These products were also sold in the export market.

Sales of packed goods for consumers and food services industry amounted to RM232.3 million, RM265.3 million and RM316.1 million for 2009, 2010 and 2011, respectively. Almost all of these sales were made to unaffiliated third parties.

FHB is a market leader in the oils and fats category of packed goods for consumers and food services industry in Malaysia.

Oleochemical products

Through FHB's associate, FPG, in Kuantan, Malaysia, FHB produces oleochemicals, such as methyl esters, fatty alcohols and glycerin, from downstream products, such as PKO and RBD palm stearin, sourced internally and externally.

These oleochemicals include various precursors and intermediate products that are used primarily in the consumer goods sector for the production of toiletries, personal care items and household detergents, as well as the industrial sector for the production of paints, resins and fuels. The following is a brief description of these oleochemicals:

- *Methyl Esters*: Methyl esters are primarily used as intermediaries in the production of fatty alcohols that are used in the production of detergents, emulsifiers and cosmetics.

- *Fatty Alcohols*: Fatty alcohols, which are the result of hydrogenating methyl esters, are used as emulsifiers, emollients and thickeners in both the cosmetics and food industry.

- *Glycerin*: Glycerin is widely used in pharmaceutical formulations, including as food and beverage additives or as intermediaries in the production of soaps and other pharmaceuticals.

FPG also manufactures detergents from a number of inputs, including fatty alcohols produced at its facility.

7.11.2.2 Downstream facilities

FHB's downstream facilities as well as those of its associates, FPG, MEO and Voray Holdings, consist of refineries to produce oils and fats (such as RBD products and refined oils) and packed goods for consumers and food services industry, as well as oleochemical facilities to produce oleochemicals.

Palm oil refineries

FHB operates five palm oil refineries in Malaysia, with a total capacity of approximately 2.5 million MT. In 2010, FHB operated approximately 11% of Malaysia's palm oil refining capacity.

Of FHB's five palm oil refineries in Malaysia, FHB owns and operates two palm oil refineries in Peninsular Malaysia and three palm oil refineries in Sabah. The following table sets forth the aggregate annual refining capacity, aggregate annual fractionation capacity and aggregate annual packed products capacity of FHB's Malaysian palm oil refineries as at 31 March 2012.

Location	Refining capacity(1) (MT per year)	Fractionation capacity(1) (MT per year)	Packed products capacity(1) (MT per year)
Pasir Gudang, Johor............	336,000	302,400	134,400
Kuantan, Pahang................	1,260,000	806,400	-
Tawau, Sabah....................	151,200	201,600	-
Lahad Datu, Sabah............	336,000	268,800	-
Sahabat, Sabah.................	403,200	369,600	-
Total............................	**2,486,400**	**1,948,800**	**134,400**

Note:

(1) FHB's processing capacity is based on the optimum processing capacity of its palm oil refineries and has been calculated based on the palm oil refineries operating 12 months in a calendar year for 28 days a month and 24 hours a day.

In 2011, FHB's palm oil refineries had capacity utilisation rates of approximately 62% for refining, 71% for fractionation and 74% for packed product production, based on the refineries operating 12 months in a calendar year for 28 days a month and 24 hours a day.

MEO Refinery

Through FHB's associate, MEO, a joint venture with the Westbury Group, FHB has a 30.0% equity interest in a refinery in Port Qasim, Pakistan. As at 31 March 2012, the MEO refinery had an annual refining capacity of 360,000 MT of CPO and canola, soy and sunflower oils.

MEO refines soft oils, including CPO and canola, soy and sunflower oils, for sale to industrial users, such as Unilever, and manufacturers of vegetable ghee and soy and canola oil-based packed goods for consumers and food services industry in the Pakistani market. Most of the CPO required for its operations is sourced from FGV Plantations Malaysia, while the other soft oils required for its operations are sourced from a number of international and local suppliers. In 2011, its capacity utilisation rate was approximately 75%, based on the refinery operating 12 months in a calendar year for 17 days a month and 24 hours a day.

Voray Holdings Refinery

Through FHB's associate, Voray Holdings, which is FHB's venture with Kuala Lumpur Kepong Berhad, FHB has a 27.0% equity interest in a refinery in Wuhan, China. As at 31 March 2012, the Voray Holdings' refinery had an annual refining capacity of 100,000 MT of CPO, soy and other vegetable oils.

The Wuhan, China operations do not currently conduct refining operations and, accordingly, do not have meaningful capacity utilisation rates. Currently, the Wuhan, China operations focus on packing, marketing and selling cooking oils for the Chinese market. It sources the RBD palm olein, soy oil and other vegetable oils required for its operations from a number of international and local suppliers based in China.

Oleochemical production facilities

Through its associate, FPG, which is FHB's 50:50 joint venture with Procter & Gamble in Kuantan, Malaysia, FHB produces oleochemicals. Procter & Gamble has management control of FPG. FHB accounts for the results of FPG as an associate, and its results are not consolidated in its financial statements.

FPG's oleochemical production plant is adjacent to one of FHB's palm oil refineries, which supplies the primary feedstock for its operations. FPG manufactures methyl ester, fatty alcohol, refined glycerin and detergents under the "Dynamo" brand. The oleochemical production plant has an annual production capacity of 280,000 MT of methyl ester, 80,000 MT of fatty alcohol, 35,000 MT of refined glycerin and 60,000 MT of detergent.

FPG sells its detergents and oleochemical products to Procter & Gamble under a supply agreement.

FPG sources its raw materials, such as PKO and RBD palm stearin, from FHB's palm oil refineries and PK crushing plants and from third parties.

Maintenance

FHB's downstream facilities are shut down periodically for scheduled maintenance and occasionally for unscheduled corrective maintenance and repair. FHB regularly monitors the performance and condition of its equipment in such facilities. Maintenance of FHB's facilities is performed by trained personnel to ensure long-term reliability of key equipment and the production processes as a whole. These comprehensive maintenance efforts contribute to the reduction of FHB's long-term costs and an improvement in FHB's asset utilisation, thereby helping to increase overall reliability and maintain production efficiency of these facilities.

7.11.2.3 Downstream production process

RBD products and packed goods for consumers and food services industry

CPO is refined in FHB's palm oil refineries to produce RBD palm oil and its by-product, palm fatty acid distillate, while PKO is refined in FHB's palm oil refineries to produce RBD PKO and its by-product, RBD palm kernel fatty acid distillate. RBD palm oil can be fractionated into a liquid component, RBD palm olein, and a solid component, RBD palm stearin, both of which are used in the production of packed goods for consumers and food services industry, such as margarine, shortening, cooking oil, vegetable ghee and industrial fats. RBD palm stearin can be further fractionated into hard stearin and soft stearin, while RBD palm olein can be further fractionated into super olein and palm mid-fraction.

CPO is processed into RBD palm oil and its by-product, palm fatty acid distillate, after which point RBD palm oil can be further fractionated into a solid component, RBD palm stearin, and a liquid component, RBD palm olein. RBD palm stearin can be further fractionated into hard stearin and soft stearin, while RBD palm olein can be further fractionated into super olein and palm mid-fraction. PKO is processed into RBD PKO and its by-product, RBD palm kernel fatty acid distillate, in a similar process.

- *Bleaching Process*: CPO is fed from a storage tank to a dryer vessel through a heat recovery system to remove moisture and to increase the CPO temperature from 40 – 60°C to a CPO temperature around 90 – 120°C.

  - *Degumming*: Degumming removes phosphatide gums from the CPO, which, if retained, could have an adverse effect on the shelf life of the RBD palm oil and cause processing problems, such as scaling in the deodoriser. Phosphoric acid is dosed in line into the dry CPO to precipitate the phosphatide gums. Thorough mixing of acid and oil is achieved through in line static and dynamic mixers before storage in a degumming vessel for approximately 20 minutes. The precipitated gums are thereafter ready to be removed during the subsequent bleaching and filtration process.

  - *Bleaching*: The degummed CPO, still at a temperature around 90 – 120°C, is fed into a bleacher vessel and mixed with about 0.8% bleaching earth, where various grades of activated or non-activated bleaching earth are used depending on the quality of the CPO. Low pressure steam is sparged into the bleacher to agitate the concentrated slurry, permitting the bleaching earth to absorb impurities from the CPO. The slurry containing the CPO and bleaching earth is then passed through a Niagara filter.

  - *Filtration*: In the Niagara filter, the slurry passes through the filter, with the bleaching earth, precipitated gums and other impurities trapped on the filter leaves. The purpose is to produce clean oil free from impurities. Degummed bleached palm oil from the Niagara filter is then pumped into a buffer tank for temporary storage.

- *Deodoriser and Storage*: Deodorisation removes fatty acids and volatile impurities from the CPO, renders the CPO's taste bland and changes the CPO's colour from deep red to almost colourless. The degummed bleached palm oil is pumped to a deodoriser at around 250 – 260°C and kept under a vacuum. Vaporised fatty acids rise up the deodoriser column, are pulled out by a vacuum system and collected in a fatty acid condenser as fatty acids. The fatty acids are cooled and discharged as palm fatty acid distillate. The deodoriser also produces RBD palm oil, which, after being cooled to 50°C, can be either placed in storage or fractionated.

- *Fractionation:* Through a simple fractionation process, RBD palm oil can be fractionated into a solid component, RBD palm stearin, and a liquid component, RBD palm olein. RBD palm oil is heated to 70°C and passed through a crystalliser vessel, where it is cooled under a slow and carefully controlled cooling curve in order to produce large grain crystals that are more easily filtered. When optimum crystal growth has been obtained, a cooled slurry is pumped into a membrane filter press, separating the RBD palm stearin and RBD palm olein components. The RBD palm stearin cakes are dropped into a melting tank, with both RBD palm stearin and RBD palm olein pumped to storage tanks for sale or further processing. Through double and multiple fractionations, RBD palm stearin can be further fractionated into hard stearin and soft stearin, while RBD palm olein can be further fractionated into palm mid-fraction and super olein.

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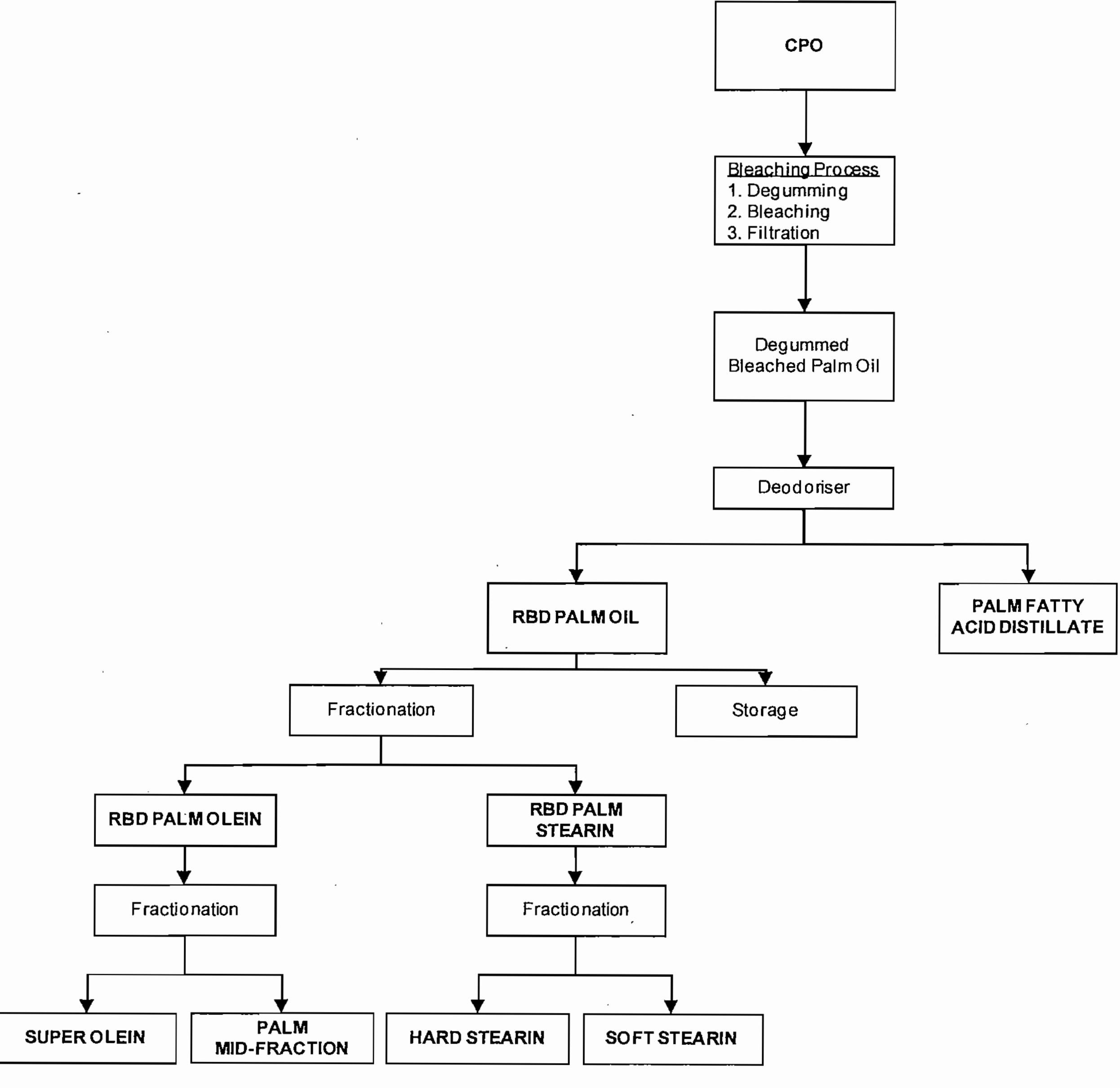
7. BUSINESS OF OUR GROUP *(Cont'd)*

The following diagram illustrates how CPO is processed into RBD palm oil and its by-product, palm fatty acid distillate, after which point RBD palm oil can be further fractionated into a solid component, RBD palm stearin, and a liquid component, RBD palm olein. RBD palm stearin can be further fractionated into hard stearin and soft stearin, while RBD palm olein can be further fractionated into super olein and palm mid-fraction. PKO is processed into RBD PKO and its by-product, RBD palm kernel fatty acid distillate, in a similar process.



RBD products, such as RBD palm olein and RBD palm stearin, are processed into margarine and shortening in the following process:

- *Oil Phase Preparation*: Margarine and shortening are made from different blends of oils and fats depending on the desired melting characteristics and texture. The oil and fat components for a particular formulation may include RBD products, such as RBD palm oil and RBD palm stearin, PKO, soft oils or hydrogenated fats. After mixing in a three-MT blending tank in the appropriate proportions, oil-soluble ingredients, such as lecithin, emulsifiers, flavours and colourant, are blended in to produce the finished oil phase.

- *Water Phase Preparation*: Water-soluble ingredients, such as salt, citric acid and preservatives, are measured and dissolved in purified water in a one-MT water phase preparation tank.

- *Emulsion Preparation*: Margarine is a liquid-in-oil emulsion composed of 80% oil phase and 20% water phase. The appropriate amounts of oil and water phases are mixed together in a three-MT blending tank, and agitated to produce a pre-emulsion, which is pumped to an in-line holding tank.

- *Chilling, Crystallisations and Texturising*: For margarine production, the pre-emulsion is pumped under high pressure through crystalliser units, which are refrigerated, scraped-surface heat exchangers that use ammonia as the refrigerant. The higher melting point fats are crystallised and the premix becomes a soft, homogeneous and finely divided emulsion recognisable as margarine. The emulsion then passes through various configurations of worker units and dwell tubes to achieve the appropriate texture and plasticity, with the finished margarine piped directly to a packing machine. As shortening is a 100% fat product that contains no water phase, the chilling and texturising of shortening follow a similar process as that of margarine, except that no water phase is used.

- *Packing:* The chilled and texturised margarine or shortening is pumped from crystalliser/texturiser units to the packing hall, where they are automatically packed into consumer packs or into 18 kg bags in cartons for industrial bakery and food service customers. Margarine and shortening are relatively soft when packed and firm up in storage. Pastry fats that have higher melting points pass through a high residence-time dwell tube prior to packing, with the hardened, texturised fat cut and packed for the bakery industry.

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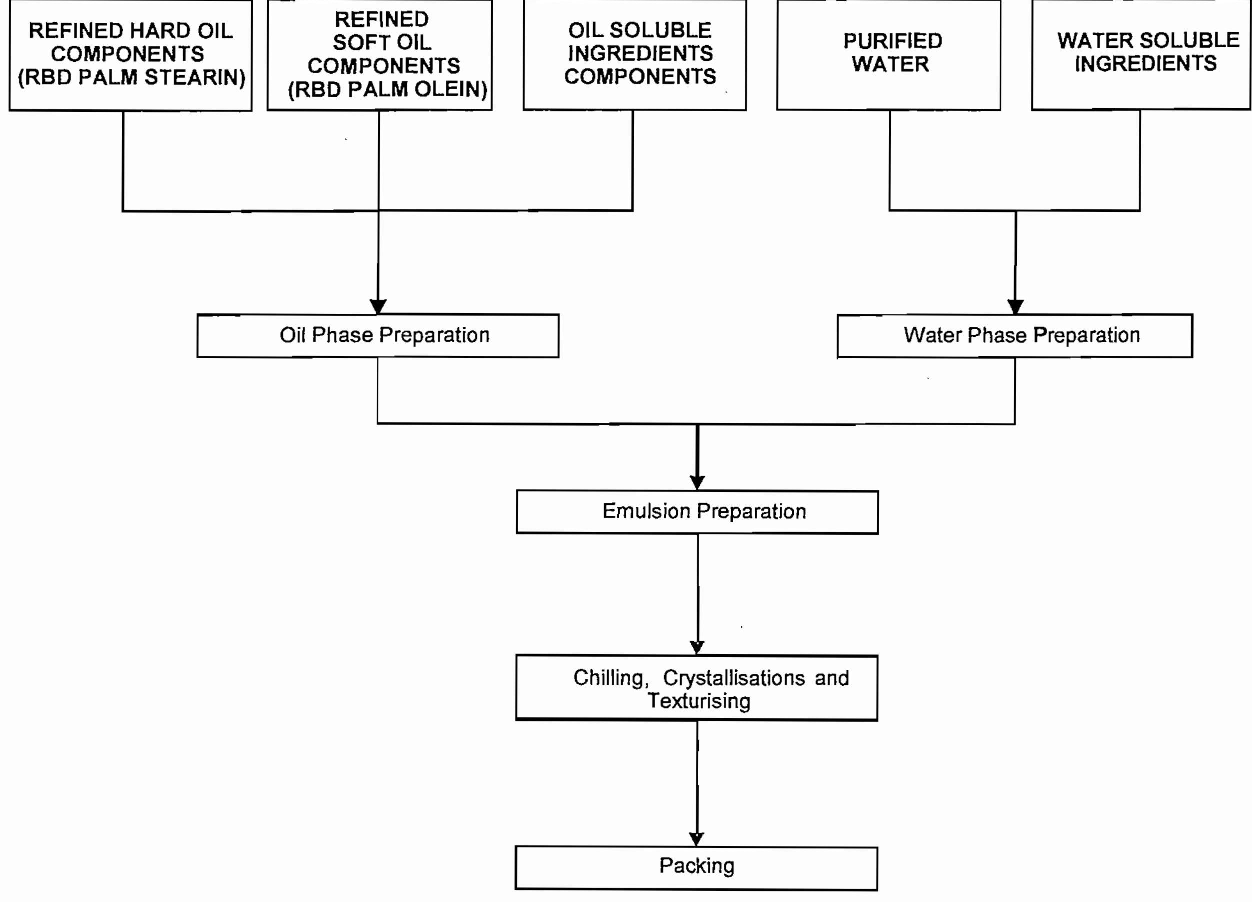
The following diagram illustrates how RBD products, such as RBD palm olein and RBD palm stearin, are processed into margarine and shortening:



RBD products, such as RBD palm olein and RBD palm stearin, are processed into cooking oil and vegetable ghee. RBD palm olein is packed as cooking oil under brands, such as "Saji", "Tiara" and "Tiga Udang". After pumping into the packing area, RBD palm olein is mixed with small quantities of antioxidants and thereafter dispensed into 1 kg, 2 kg and 5 kg bottles. For sale of FHB's cooking oil in sachets, FHB uses third-party packers who are closer to the centres of distribution and produce the sachet packs pursuant to tolling arrangements. Vegetable ghee is a large-grain crystal blend of CPO and RBD palm stearin that is packed directly into tins, without any need for pre-chilling or texturising, under brands, such as "Nadim".

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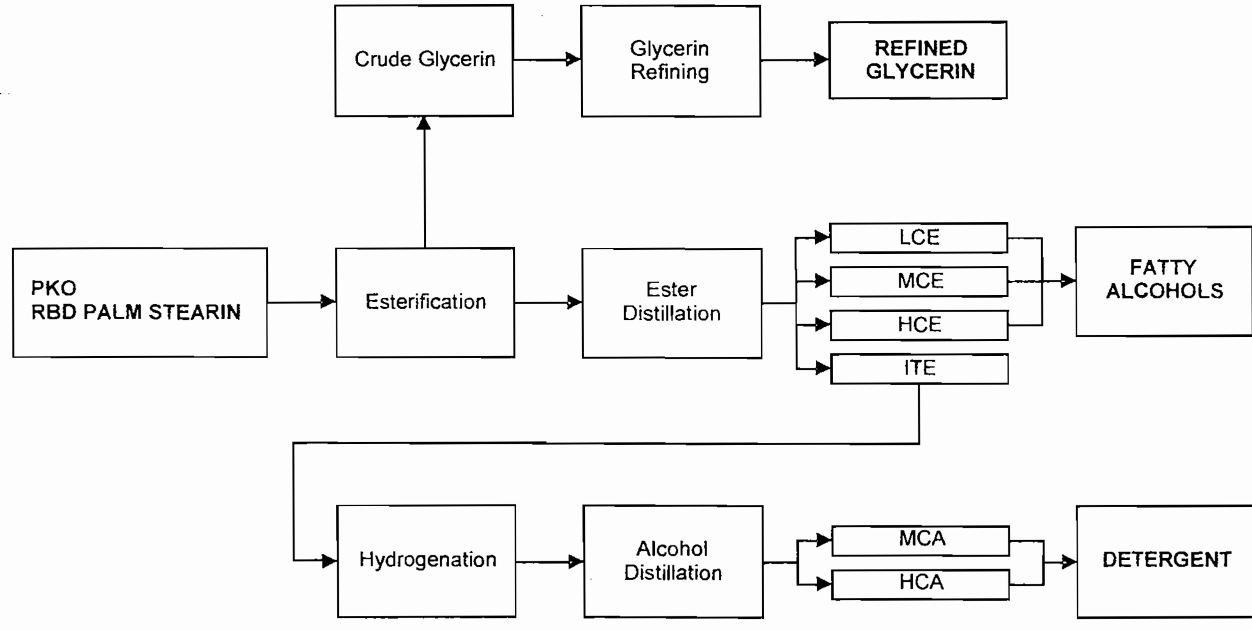
Oleochemical production

FHB's associate, FPG, produces methyl ester, fatty alcohols and refined glycerin from PKO and RBD palm stearin from FHB's palm oil refineries and PK crushing plants and from third parties. In addition, it produces detergents from a number of inputs, including fatty alcohols produced at its facility. FPG's products are exported globally through Procter & Gamble.

PKO and RBD palm stearin is processed into oleochemicals, such as methyl ester, fatty alcohols and refined glycerin, and detergent in the following process:

- *Esterification*: A mixture of RBD palm stearin and RBD PKO is reacted with methanol and sodium methoxide in an ester reactor to produce whole cut methyl ester and crude glycerin.
- *Ester Distillation*: The whole cut methyl ester is washed and dried to remove soap and moisture before it is further separated into different cuts in a series of distillation columns. The ester distillation processes will produce Light Cut Ester (LCE), Intermediate Cut Ester (ITE), Middle Cut Ester (MCE) and Heavy Cut Ester (HCE). The ITE is sent for hydrogenation to convert methyl esters into fatty alcohols.
- *Glycerin Refining*: Crude glycerin is sent into a separate process to be acidulated, washed, dried and sent to a glycerin refinery, which further processes crude glycerin into refined glycerin of 99.8% purity.
- *Hydrogenation*: The ITE is hydrogenated by reacting it with hydrogen and a catalyst under high pressure to produce crude fatty alcohol.
- *Alcohol Distillation*: The crude fatty alcohol is sent through a series of distillation columns to produce different cuts of fatty alcohol product, such as Middle Cut Alcohol (MCA) and Heavy Cut Alcohol (HCA), which in turn can be processed into detergent.

The following diagram illustrates the processing of PKO and RBD palm stearin into oleochemicals, such as methyl ester, fatty alcohols and refined glycerin, and detergent:



7.11.2.4 Downstream raw materials

CPO and PKO

CPO and PKO are the primary raw materials in the production of palm oil-based products, including RBD products.

Since the contractual arrangements regarding the supply and delivery of CPO between F Palm Industries and us became effective on 1 March 2012, FHB now sources a substantial portion of its CPO requirements from us. FHB continues to source internally CPO used by its subsidiary DOP, which produces cooking oil and other packed products for consumers and food services industry, primarily for the Malaysian domestic market. The following table sets forth the annual CPO consumption of DOP for the periods indicated.

	Year Ended 31 December		
	2009	2010	2011
		(in MT)	
Annual CPO consumption of DOP............	241,220	215,023	237,368

FHB sources all of its PKO requirements internally from its PK crushing plants.

Cost of CPO purchased from third parties other than FGVH, including the purchase of CPO pursuant to swap arrangements with certain of FHB's suppliers, amounted to RM743.7 million, RM902.0 million and RM1,209.6 million for 2009, 2010 and 2011, respectively.

RBD products

RBD palm oil and its by-product, palm fatty acid distillate, and RBD PKO and its by-product, RBD palm kernel fatty acid distillate, are intermediate products in the production of packed goods for consumers and food services industry and oleochemicals.

FHB currently sources substantially all of its RBD palm oil and its by-product, palm fatty acid distillate, and RBD PKO and its by-product, RBD palm kernel fatty acid distillate, internally from its palm oil refineries.

7.11.3 Manufacturing, logistics and others

Through various subsidiaries and joint ventures, FHB is engaged in the production of rubber and cocoa products and provides products and services both to entities within its group and to third parties in the following areas:

- R&D, including R&D activities and seedling production for our plantations business;
- bulking installations;
- transportation;
- fertilisers, including fertiliser production for our plantations business; and
- others, including sales, marketing and trading for our plantation products.

FHB developed its capabilities in these areas primarily to support its main palm oil business, which required certain services, such as bulking installations for product storage, and generated certain opportunities, such as the transportation of its products. FHB then began providing these services to third parties to leverage its capabilities and the scale of these operations to generate additional income. While FHB intends to concentrate on its core palm oil business, it will continue to also offer services to third parties in order to increase its earnings and defray the costs of its services operations.

7.11.3.1 Rubber business

Through its subsidiary, F Rubber Industries, FHB produces rubber products from rubber grown on our rubber plantations on the FELDA-Leased and Managed Land and rubber that it purchases from FELDA Settlers and third parties, including small rubber holdings and rubber importers.

FHB is a large processor of rubber in Malaysia, processing 140,839 MT, 132,053 MT and 139,950 MT of rubber products in 2009, 2010 and 2011, respectively. FHB sold most of its rubber products to manufacturers in the export markets and Malaysian domestic market. In addition to FHB's operations in Malaysia, its rubber business includes purchasing, processing and marketing operations in both Thailand and Indonesia.

Sales of FHB's rubber products amounted to RM932.1 million, RM1,423.5 million and RM2,074.5 million for 2009, 2010 and 2011, respectively. These sales were all to unaffiliated third parties.

FHB's rubber products are:

- SMR 10 and SMR 20;
- SIR 10 and SIR 20;
- compound rubber;
- 60% DRC latex concentrates;
- SMR constant viscosity rubber (CV 50 and CV 60) from high-quality latex;
- skim block, a by-product of producing 60% DRC latex concentrates; and
- others, such as crepe rubber and skimp lump.

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The following table sets forth the primary end-product applications for FHB's major rubber products.

Product	Primary End Product Applications
SMR and SIR 10/20 and compound rubber	tyres, conveyor belts, rubber mountings and rubber moldings for automotive industry
Latex concentrates	rubber gloves (examination, surgery, household and industrial), rubber threads, mattresses, pillows, carpet lining, prophylactics, catheters and toys
SMR CV 50/60	adhesive, engine mounting, carpet underlay and other specialised high-quality products
Skim block	shoe soles and battery casings

Rubber production facilities

FHB has eight rubber processing facilities located throughout Peninsular Malaysia, two in Thailand and one in Indonesia. FHB's rubber processing facilities have an aggregate annual production capacity of 270,400 MT, including 26,400 MT in Thailand and 24,000 MT in Indonesia.

FHB's two processing facilities in Thailand are operated by a joint venture company, Feltex, which it established in 1994 with Teck Bee Hang Company Limited, one of the largest processors of natural rubber in Thailand that was subsequently acquired by GMG Global Ltd. FHB's processing facilities produce latex concentrates, and have an aggregate annual production capacity of 26,400 MT. FHB has a 51% equity interest and management control of the joint venture company, and it is included as a consolidated subsidiary in FHB's financial statements.

PT Felda Indo Rubber, FHB's 90%-owned Indonesian subsidiary, produces SIR 10 and SIR 20, and has an aggregate annual production capacity of 24,000 MT.

The following table sets forth FHB's production in MT by rubber product for the periods indicated.

	Year Ended 31 December		
	2009	**2010**	**2011**
Production		**(in MT)**	
SMR and SIR 10/20/Compound Rubber	117,929	115,402	123,903
Latex concentrates	19,788	14,322	13,516
SMR CV 50/60	1,459	1,219	1,322
Skim block	1,645	1,110	1,206
Others (crepe rubber/skimp lump)	18	-	3
Total	**140,839**	**132,053**	**139,950**

The following table provides information about the location, maximum processing capacity and approximate utilisation rate for FHB's rubber processing facilities as at 31 March 2012.

Production Facility	Maximum processing capacity per annum (MT)[(1)]	Processed in 2011 (MT)	Approximate utilisation rate[(2)]
Malaysia	220,000	109,079	49.6%
Thailand	26,400	15,714	59.5%
Indonesia	24,000	15,157	63.2%

Notes:

(1) FHB's annual processing capacity is based on what FHB believes to be the optimum processing capacity having regard to the designed capacity of its rubber processing facility and has been calculated based on such rubber processing facility operating 12 months in a calendar year for 25 days a month and 16 hours a day.

(2) Calculated by dividing processed volume per annum by maximum processing capacity per annum.

Maintenance

FHB conducts preventative maintenance of its rubber processing facilities at regularly scheduled intervals by using in-house mechanical and electrical teams. Damaged facility parts are sent to authorised workshops for refurbishing, re-grooving and other repairs.

Rubber raw materials

FHB sources two types of rubber, field latex and cup lumps, from our rubber plantations on the FELDA-Leased and Managed Land, FELDA Settlers and third parties.

Cost of field latex and cup lumps consumed amounted to RM735.8 million, RM1,261.8 million and RM1,802.7 million for 2009, 2010 and 2011, respectively. FHB's field latex and cup lump purchases from third parties are according to long-term supply contracts that generally last six months to two years. The prices of field latex and cup lumps from third parties are volatile, as they are based on local and international market prices.

FHB generally purchases field latex from FELDA Settlers and third parties. The following table sets forth the sources of field latex acquired by FHB's rubber processing facilities for the periods indicated.

Total Sources of Field Latex

	Year Ended 31 December		
	2009	**2010**	**2011**
	Percentage (%)		
Rubber plantations on the FELDA-Leased and Managed Land	-	-	-
FELDA Settlers	14	8	4
Third parties	86	92	96
Total	100	100	100

FHB generally sources cup lumps from our rubber plantations on the FELDA-Leased and Managed Land, FELDA Settlers and third parties. The following table sets forth the sources of cup lumps acquired by FHB's rubber processing facilities for the periods indicated.

Total Sources of Cup Lumps

	Year Ended 31 December		
	2009	**2010**	**2011**
	Percentage (%)		
Rubber plantations on the FELDA-Leased and Managed Land	8	5	6
FELDA Settlers	54	39	32
Third parties	38	56	62
Total	100	100	100

7.11.3.2 Cocoa business

FHB's primary cocoa products are:

- cocoa powder;
- cocoa butter, which is produced as either pure prime pressed cocoa butter or deodorised cocoa butter, a premium grade of cocoa butter; and
- cocoa liquor.

FHB produced 17,117 MT, 20,008 MT and 18,108 MT of cocoa products in 2009, 2010 and 2011, respectively. FHB sold 64%, 56% and 45% in 2009, 2010 and 2011, respectively, of its cocoa products to Nestle Malaysia under short-term sales contracts that expire upon fulfillment of the contractual terms of delivery. The balance of FHB's cocoa products is sold on the open market in the Middle East, Europe, Asia and Australia directly to cocoa product users, such as confectioners, and dealers in the international markets.

Sales of FHB's cocoa products amounted to RM210.7 million, RM280.3 million and RM232.1 million for 2009, 2010 and 2011, respectively. Substantially all of FHB's sales of cocoa products were to unaffiliated third parties.

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Cocoa production facilities

FHB grinds cocoa beans in its processing factory in Seremban, Malaysia, which has a grinding capacity of approximately 30,000 MT of cocoa beans per year.

FHB's factory operates two grinding lines. The following table sets forth FHB's production in MT by cocoa product for the periods indicated.

	Year Ended 31 December		
	2009	2010	2011
Product		(in MT)	
Cocoa powder	9,631	11,470	10,295
Cocoa butter	7,481	8,538	7,813
Cocoa liquor	5	-	-

In 2011, the capacity utilisation rate for FHB's cocoa production facility was approximately 77%, based on the facility operating 12 months in a calendar year for 30 days a month and 24 hours a day.

Maintenance

FHB conducts maintenance and repair of its cocoa production facility to ensure a monthly efficiency rate above 85%.

Cocoa raw materials

FHB obtains all of its cocoa beans from third parties. A substantial majority is purchased from Indonesia, with the remainder purchased from African countries and approximately 5% purchased within Malaysia.

Cost of cocoa beans consumed amounted to RM205.8 million, RM250.7 million and RM212.2 million for 2009, 2010 and 2011, respectively.

FHB currently purchases cocoa beans from suppliers, according to short-term supply contracts that expire upon delivery of contractual quantities. The prices of cocoa beans from third parties are volatile, as they are based on local and international market prices.

7.11.3.3 R&D

R&D is an important function of FHB's palm oil operations and has led to improvements in its agricultural techniques, yields and profitability, many of which also have benefits for us. FHB's R&D operations through F Agricultural are intended to provide technical support to our plantations business through:

- supply of planting materials;
- supply of rat baits and other agricultural products;
- providing of estate support services, such as soil sustainability studies, laboratory services and agronomic advisory visits; and
- R&D on oil palms and other potential crops.

As at 31 March 2012, FHB's R&D division had 81 researchers, 69 of which specialised in biology and biotechnology and 12 of which specialised in applied technology. Its R&D division is headed by a senior director with more than 30 years of R&D experience and who is supported by three principal researchers in the fields of biology, biotechnology and applied technology. In 2009, 2010 and 2011, FHB spent approximately RM19.2 million, RM29.5 million and RM32.9 million, respectively, which represented approximately 0.2%, 0.2% and 0.1% of its total revenue, respectively, on oil palm-related R&D activities. For a more detailed description of FHB's achievements in R&D, refer to Section 7.2.6 of this Prospectus.

FHB's R&D division operates approximately 12,746 hectares of oil palm plantation land, of which approximately 11,723 hectares are used for oil palm-related research purposes and the remaining approximately 1,023 hectares are used for miscellaneous crops, such as tropical fruits, and infrastructure, such as housing, offices and laboratories. The FFB produced on this land is used in FHB's palm oil mills. This land is managed mainly for research purposes, and FHB's R&D division has achieved successful research findings on this land that we plan to eventually apply to the oil palm plantation estates on the FELDA-Leased and Managed Land in order to increase production yield, enhance operational efficiency and improve overall maintenance.

In addition, FHB's R&D division is engaged in various ancillary businesses, including:

- production and sale of planting materials, which include the award-winning "Felda Yangambi" oil palm seed that has a strong market share in Malaysia and oil palm seedlings;
- production and sale of tissue culture planting material, such as oil palm ramets and banana ramets, and the undertaking of fertiliser, foliar and soil analyses;
- production and sale of rat baits; and
- offering in-house advisory services regarding crop protection and fertiliser recommendation.

The following table provides the annual production capacity of various ancillary businesses engaged in by FHB's R&D division:

Activities	Annual Production Capacity
FFB Production from oil palm plantation land (approximately 11,723 hectares)	28 MT/hectare
Oil Palm Seed Production	30,000,000 germinated seeds
Oil Palm Seedlings Production	1,500,000 seedlings
Tissue Culture Production	
Oil Palm Ramets	2,500,000 oil palm ramets
Banana Ramets	2,500,000 banana ramets
Rat Baits	200,000 boxes
Fertiliser, Foliar and Soil Analysis	
Fertiliser Analysis	500,000 MT
Foliar Analysis	600,000 hectares
Soil Analysis	600,000 hectares

FHB's R&D efforts aim to maintain and improve oil palm productivity and quality, ensuring that it enjoys a regular and continuous supply of quality FFB for its palm oil mills. FHB's main research facility in Tun Razak Agricultural Services Centre in Jerantut, Pahang, which began operations in 1968, performs upstream research on a wide range of activities, including:

- *Breeding and selection for higher yielding oil palm planting materials.* In addition to producing higher yielding FFB with higher oil content, these planting materials are also selected for producing compact palms with desirable size characteristics that extend an oil palm's economic life and permit desirable planting density. Further, FHB's breeding research includes breeding for other traits, such as high carotene, high oleic acid content and tolerance to basal stem rot caused by *Ganoderma boninense.*

- *Agronomic research on soil and plant health, biomass and microbes.* Agronomic research is centred on soil and plant health in order to maximise the yield output from oil palm plantings. Emphasis is placed on soil and moisture conservation as well as determining the optimum fertiliser requirement under a particular environment, such as soil type, land terrain and moisture regime. Further, FHB's agronomic research focuses on the recycling of oil palm biomass into the field in order to reduce mineral fertilisers and improve the physico-chemical properties of the soil and the usage of beneficial microbes in order to improve soil and plant health.

- *Crop protection R&D focused on integrated pest management.* Crop protection R&D focuses on four main pests, namely rats, leaf-eating caterpillars, rhinoceros beetle and the fungal pathogen *Ganoderma boninense.* FHB's R&D centres on developing protocols not only for chemical control but also for biological control, such as through the usage of predators, pheromones and parasites. This form of integrated pest management allows the use of less chemicals.

- *Review of alternative crops on land with marginal oil palm yield.* FHB's R&D division is exploring pilot programmes for alternative crops, such as tropical fruit trees, including mangosteens, rambutan, jackfruit, fragrant coconuts and dragon fruit, selected herbs, such as Tongkat Ali, and other crops for use on land with marginal oil palm yield.

FHB's R&D division also includes a Biotechnology Research Centre located in Enstek, Nilai. The Centre's operations include oil palm and banana cloning, which have been engaged in since 1983, beginning with collaborative work with IRHO-ORSTOM (Institute of Oils and Oil Seeds—The French Overseas Office for Scientific Research). The facility is recognised as a leader in its field, having produced 1.5 million oil palm ramets in 2011 and planted oil palm clones on approximately 15,000 hectares of the oil palm plantation estates on the FELDA-Leased and Managed Land as at 31 March 2012. These operations are intended to produce high-quality, oil palm clonal planting material, which produces approximately 20% to 30% higher oil yields as compared to conventional planting materials, and to develop and use biotechnology tools to improve oil palm planting material production. The facility's development of oil palm suspension culture technology permits clonal productions of up to one million, thereby increasing the efficiency and reducing the cost of the tissue culture process. In addition, the facility conducts research on molecular markers to complement its clonal work. FHB's molecular marker programme is focused on developing molecular

markers that can be used to improve its oil palm breeding programme. By developing its own genetic maps, molecular markers help FHB to identify important agronomic traits, such as yield and compact palm, obtain *Ganoderma boninsense*-tolerant oil palms and identify floral abnormalities in clonal oil palms. To date, FHB's facility has filed two patents, one of which relates to a phosphate transport marker that can be used to detect oil palms with lower phosphate fertiliser requirements and another of which is a *Ganoderma boninsense* marker that is intended to be used to develop *Ganoderma boninsense*-tolerant planting material. The phosphate transport marker patent was jointly filed with the Universiti Putra Malaysia and the *Ganoderma boninsense* marker patent was jointly filed with the University of Nottingham.

FHB's R&D division has recently established an Applied Technology Division (ATD), which will consider the use of new technologies and systems to improve productivity and efficiency in palm oil operations. The technologies to be considered by ATD include electronics, wireless sensor network technologies, geographical information systems and remote sensing, as well as the automation and mechanisation of daily operations. ATD is also considering how to improve oil extraction through the use of new technologies at palm oil mills.

A new R&D division of FHB will commence operations in 2013 to focus on downstream operations. This new division will consider market-driven development of new products from both palm oil and palm kernel oil for food and non-food uses.

FHB's R&D division collaborates with institutions locally and abroad, including the MPOB, which regularly shares agronomic improvements and developments with oil palm growers in Malaysia; CIRAD (Centre de Coopération Internationale en Recherche Agronomique pour le Développement), a French governmental agency that specialises in crop R&D, and other organisations in Europe, including NEIKER (Basque Institute for Agricultural Research & Development, Neiker – Tecnalia) and CABI (Centre for Agriculture & Biosciences International). FHB is also a member of the Oil Palm Genome Project Consortium, an organisation of 16 oil palm companies worldwide dedicated to developing a molecular marker-assisted selection programme. Further, FHB obtains annual guidance from its R&D panel, consisting of local and foreign experts, including those from the MPOB, CIRAD (France), Plant Research International (the Netherlands), the University of Nottingham (the United Kingdom), the University of Bath (the United Kingdom), Cambridge University (the United Kingdom) and various other institutes.

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7.11.3.4 Bulking Installations

FHB owns and operates bulking installations, warehouses and distribution depots throughout Malaysia and overseas that provide logistical support for the storage and distribution of its palm oil-based products. FHB's bulking installations also provide storage and distribution for other vegetable oil-based products, including oleochemicals and biodiesel, for major customers and traders.

As at 31 March 2012, FHB owned seven bulking installations located at Port Klang, Port Pasir Gudang, Port Tanjung Langsat and Kuantan in Peninsular Malaysia and Sahabat and Lahad Datu in Sabah for bulk distributions. These installations have 486 storage tanks with a total capacity of 752,250 MT. FHB's bulking installations provide annual storage of approximately eight million MT, 40% of which are for crude palm oil products, 50% of which are for processed or refined products and 10% of which are for oleochemicals, biodiesel, acids and other specialty products, such as cocoa butter. The majority of FHB's bulking terminals are licensed for bonded storage by Royal Malaysian Customs, while its bulking terminals in Port Pasir Gudang and Port Klang are authorised by Bursa Securities to handle physical storage of CPO/PKO for the futures market.

As at 31 March 2012, FHB operated two warehouses in Port Pasir Gudang and Kuantan, with total storage capacity of 88,000 MT of PKE, PK pellets and grains. In addition, FHB had seven distribution depots in Kota Bharu in Kelantan, Kuantan in Pahang, Malacca, Seremban in Negeri Sembilan, Butterworth in Penang, Ipoh in Perak and Kota Kinabalu in Sabah for distribution of packed goods for consumers and food services industry in the domestic market to wholesalers, supermarkets and other retailers.

In addition, FHB's joint venture companies operated bulking installations in Port Qasim, Pakistan, Palembang, Indonesia, Guangzhou, China and Tianjin, China for CPO and palm oil-based products as well as vegetable oils, such as soy and canola oils.

7.11.3.5 Transportation Services

FHB provides land transportation services throughout Malaysia. As at 31 March 2012, FHB operated a fleet of 251 palm oil tanker vehicles that carry liquid cargo and 186 lorries that carry dry cargo. Although this fleet of vehicles is primarily used in FHB's operations, FHB's fleet also provides transportation services for our CPO. Third parties generally transport FFB to FHB's palm oil mills, while FHB's lorries primarily transport palm oil products and PK products. FHB also manages and operates the Sahabat jetty and warehouse in Sabah that assist in the transportation of products. The average age of FHB's land transportation fleet is 8.9 years. Continuous upgrading of the fleet is implemented every year. The total capacity that can be transported by land is 16,100 MT per day.

7.11.3.6 Fertiliser products

FHB manufactures urea and ammonium sulphate-based compound fertiliser from urea, ammonium sulphate, phosphate rock, muriate of potash and kieserite that it sources from Malaysian and overseas suppliers, including Phosphate Resources Ltd., Daewoo International and Canpotex Limited. In addition to FHB's compound fertiliser production, it also packages and sells straight and mixture fertilisers.

FHB produced 265,937 MT, 268,012 MT and 267,807 MT of compound fertiliser, 172,102 MT, 239,117 MT and 280,381 MT of mixture fertiliser and 114,338 MT, 85,678 MT and 81,620 MT of straight fertiliser in 2009, 2010 and 2011, respectively. FHB sold approximately 29%, 30% and 25% of its compound fertiliser to our plantations business in 2009, 2010 and 2011, respectively. FHB sold the balance of its compound fertiliser in Malaysia under the "Sun Bear" and "Sun Flower" brands. FHB sold approximately 57%, 68% and 66% of its mixture fertiliser and approximately 84%, 38% and 40% of its straight fertiliser to our plantations business in 2009, 2010 and 2011, respectively. FHB sold the balance of its mixture and straight fertilisers to other third parties.

Sales of fertilisers amounted to RM883.8 million, RM622.9 million and RM675.9 million for 2009, 2010 and 2011, respectively. Sales of fertilisers to other third parties amounted to RM468.0 million, RM352.2 million and RM376.7 million in 2009, 2010 and 2011, respectively. Sales of fertilisers to our plantations business amounted to RM415.8 million, RM270.7 million and RM299.2 million in 2009, 2010 and 2011, respectively.

Fertiliser production facilities

FHB operates three fertiliser manufacturing facilities in Malaysia. FHB's plant in Pasir Gudang, Johor has an annual production capacity of 300,000 MT of compound fertiliser and 50,000 MT of mixture fertiliser. FHB also has two fertiliser mixing plants, one in Kuantan, Pahang, with an annual production capacity of 250,000 MT and the other in Lahad Datu, Sabah, with an annual production capacity of 80,000 MT. FHB also imports and repackages for sale straight fertiliser.

The following table sets forth FHB's production in MT by fertiliser product for the periods indicated.

	Year Ended 31 December		
Products	**2009**	**2010** **(in MT)**	**2011**
Compound fertiliser	265,937	268,012	267,807
Mixture fertiliser	172,102	239,117	280,381
Straight fertiliser	114,338	85,678	81,620

In 2011, the capacity utilisation rate for the:

- Pasir Gudang, Johor facility was approximately 95%, based on the facility operating 10.5 months in a calendar year for 30 days a month and 24 hours a day;

- Kuantan, Pahang facility was approximately 95%, based on the facility operating 10.5 months in a calendar year for 26 days a month and 10 hours a day; and

- Lahad Datu, Sabah facility was approximately 95%, based on the facility operating 10.5 months in a calendar year for 26 days a month and 10 hours a day.

Maintenance

FHB conducts annual maintenance of its fertiliser manufacturing facilities over a six-week period during the off-peak season from mid-October to November. FHB contracts this maintenance to third parties, except in the case of specialty equipment, which is serviced by its in-house technicians.

Fertiliser raw materials

Urea, ammonium sulphate, phosphate rock, muriate of potash and kieserite are the primary raw materials for fertiliser production. FHB obtains substantially all of its raw materials from outside suppliers.

Cost of raw materials consumed for fertiliser production amounted to RM625.6 million, RM563.6 million and RM546.0 million for 2009, 2010 and 2011, respectively.

FHB currently purchases all of its raw materials from third parties according to spot, half-yearly and yearly terms. The prices of raw materials from third parties are volatile, as they are based on local and international market prices.

7.11.3.7 Other businesses

Through our associate, FHB is a producer of livestock (primarily cattle and goats) and related products (such as food products and organic fertiliser). FHB's product lines include cattle and goats for breeding and Qurban, beef and mutton for consumption, animal feed for livestock operations and organic fertiliser produced from feedlots.

FHB's engineering, construction and services include providing solutions for:

- planning, design and construction of palm oil mills, refineries and tank farms, including the training of staff and operation of such plants; and

- infrastructure and village development for settlers' holdings.

FHB also constructs buildings, factories and mills, and performs other civil and mechanical works, primarily to support its operations as well as for third parties.

Since 1999, FHB has also developed residential properties and retail shops as a service to FELDA under its settlement scheme. New real estate development projects being undertaken by FHB are focused on constructing houses for settlers' dependents residing on the settlers' holdings, for which FHB is paid project management fees. FHB estimates that approximately 1,000 houses will be built between 2012 and 2013.

In addition, FHB provides travel services, including corporate, government and leisure travel as well as pilgrimage services. In Malaysia, FHB operates five plantation resorts and one hotel as at 31 March 2012. FHB markets the resorts as "eco-tourism" destinations to both the international and Malaysian markets. FHB's resorts provide tours of the oil palm plantation estates on the FELDA-Leased and Managed Land, organise eco-trips to national parks and other protected natural habitats and offer outdoor activities, such as caving, jungle trekking, teambuilding, sea sports and other activities.

Further, FHB provides information technology related products and services, including the sale and rental of computer hardware and software, rental of CPU time, hardware maintenance, system consultancy, computer applications systems support and maintenance, including SAP implementation, and general information technology training. FHB is also a distributor for MacroMedia products and other software packages.

FHB also provides security services, printing and advertising services and the supply of chemicals and agricultural equipment to various plantations and governmental agencies. The scale of these operations is limited. In addition, FHB's subsidiary, F Marketing, provides marketing, selling and trading services for our CPO pursuant to an agreement effective 1 April 2012.

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7.12 JOINT VENTURE BUSINESSES – FELDA IFFCO

Through 50:50 joint ventures with IFFCO Group, a mass-market consumer goods manufacturer and marketer based in the United Arab Emirates, we have:

- palm oil refineries and downstream processing facilities in Malaysia, Indonesia, China, Turkey and South Africa;
- an other oils and fats facility in the United States;
- sales and marketing offices in France and Spain; and
- livestock operations through a 17% equity interest in Australian Agricultural Company, the largest cattle producing company in Australia by herd size.

7.12.1 Palm oil refineries and downstream processing facilities

Felda IFFCO has two palm oil refineries in Malaysia: one in Pandamaran, Selangor and one in Pasir Gudang, Johor. Felda IFFCO also has four refineries in Indonesia, China and Turkey and two downstream processing facilities in China and South Africa.

The following table sets forth the refining capacity, fractionation capacity and packed products capacity per year of Felda IFFCO's palm oil refineries as at 31 March 2012.

Location	Effective Interest of FGVH	Refining capacity[3] (MT per year)		Fractionation capacity[3] (MT per year)		Packed product capacity[3] (MT per year)
		CPO	PKO	CPO	PKO	
Malaysia						
Pandamaran, Selangor	50.0%	350,000	192,500	262,500	70,000	653,100
Pasir Gudang, Johor	37.5%	490,000	-	455,000	-	108,500
Batam, Indonesia	25.0%	525,000	-	525,000	-	87,500
Dongguan, China[1]	48.5%	630,000	-	930,000	-	152,000
Izmir, Turkey	50.0%	52,500[2]	-	-	-	82,250[2]
Total	-	**2,047,500**	**192,500**	**2,172,500**	**70,000**	**1,083,350**

Notes:

(1) Dongguan, China has two plants.

(2) Capacity includes soft oils, such as palm, soy, canola and sunflower oils.

(3) Capacity figures have not been discounted to reflect joint venture interest.

The Pandamaran, Malaysia operations refine both CPO and PKO into bulk and packed products for sale to other Felda IFFCO entities and external customers. The products are sold to consumers, the food service industry and other industrial users. Substantially all of the CPO and PKO required for its operations are sourced from Felda IFFCO. In 2011, its capacity utilisation rate was approximately 85%, based on the refinery operating 12 months in a calendar year for 30 days a month and 24 hours a day.

The Pasir Gudang, Malaysia operations refine CPO into bulk RBD products for sale to industrial users both in the Malaysian market and overseas markets, including Southeast Asia, the United Arab Emirates, South Africa and North America. Substantially all of the CPO required for its operations is sourced from Felda IFFCO. Previously, the operations manufactured bulk RBD products under tolling arrangements for local clients such as Sime Darby Berhad ("**Sime Darby**"); however, these activities have diminished following Sime Darby's installation of new capacity. In 2011, its capacity utilisation rate was approximately 84%, based on the refinery operating 12 months in a calendar year for 30 days a month and 24 hours a day.

The Indonesia operations refine CPO into bulk RBD products for sale to overseas markets, including South Asia, North Africa and the Middle East. The CPO required for its operations is sourced from Tabung Haji Indo Plantation (THIP) and from other third parties within Indonesia. In 2011, its capacity utilisation rate was approximately 74%, based on the refinery operating 12 months in a calendar year for 30 days a month and 24 hours a day.

The Turkey operations refine soft oils, including canola, soy, olive and palm oils, sourced from the local market and our Malaysian operations under Felda IFFCO to produce specialty fats such as margarines for sale to the retail and food service sectors. Its operations also produce refined oils for sale to industrial customers such as processors, repackagers and traders. Its products are sold in Turkey, Africa, the Middle East and the Balkan region. In 2011, its capacity utilisation rate was approximately 58%, based on the refinery operating 12 months in a calendar year for 30 days a month and 24 hours a day.

The China operations do not conduct significant refining or downstream processing activities and, accordingly, do not have meaningful capacity utilisation rates. Currently, the China operations focus mainly on refreshing or double fractionating oils on a tolling basis. In addition, the China operations produce limited amounts of specialty fats, such as margarine and shortening, in its downstream processing facility, which had 63,360 MT margarine production capacity and 79,200 MT shortening production capacity as at 31 March 2012. The operations also provide storage services to third parties in its storage tanks, which have a storage capacity of 170,000 MT, and conduct trading of bulk RBD palm olein and RBD palm stearin, which are imported from our Malaysian operations under Felda IFFCO.

In addition, the South Africa operations, which are a wholly owned subsidiary of Felda IFFCO, do not conduct refining activities. The South Africa operations further process RBD products imported from the Malaysian operations of Felda IFFCO to produce specialty fats according to customer specifications. As at 31 March 2012, the South Africa operations had annual capacities of 42,000 MT of blending and deodorising, 23,520 MT of specialty fat production and 13,520 MT of packing frying oil for food service and repackager customers. These palm oil-based products are used in the industrial food products sector for the production of biscuits, ice cream, coffee creamer and bread and in the bakery sector. In 2011, its capacity utilisation rate was approximately 62%, based on the downstream processing facility operating 12 months in a calendar year for 30 days a month and 24 hours a day.

7.12.2 Other oils and fats facility

A subsidiary of our 50:50 joint venture with IFFCO Group, FI Inc, produces other oils and fats. FI Inc has operations in Cincinnati, Ohio, in the United States. Its other oils and fats facility has an annual production capacity of 90,000 MT of interesterified fats, 4,500 MT of omega-3 triglycerides, 90,000 MT of sucrose polyesters (primarily Olestra and Sefose) and 204,000 MT of biodiesel. The following is a brief description of these other oils and fats:

- *Interesterified Fats*: Interesterified fats are used for deep frying and the production of margarine and shortening with saturated fatty acid contents lower than competing products.

- *Omega-3 Triglycerides*: Omega-3 triglycerides are used as dietary supplements and pharmaceuticals.

- *Sucrose Polyester*: Sucrose polyester is used for both consumer and industrial purposes.

    - *Olestra*: One of our branded sucrose polyesters, Olestra is a food additive used as a substitute fat that reduces calories derived from frying and baking snack foods to zero, leaving only calories from other ingredients.

    - *Sefose*: One of our branded sucrose polyesters, Sefose, is an industrial additive used primarily in the manufacturing of paints and exterior deck sealants, as well as personal care products, PVC lubes, metal work lubes and resins.

- *Biodiesel*: Vegetable oil-based biodiesel can be used as fuel in standard diesel engines or as an alternative to heating oil.

FI Inc sells its Olestra and Sefose to Procter & Gamble under exclusive manufacturing contracts, and generally sells its interesterified fats to food manufacturers, omega-3 triglycerides to pharmaceutical manufacturers and biodiesel to oil companies.

The raw materials for the production of other oils and fats are described below:

- interesterified fats are produced from the processing of refined palm oil-based products, including fractionated RBD products, such as super olein and super stearin;

- omega-3 triglycerides are produced from the processing of fish oils;

- sucrose polyesters (such as Olestra and Sefose) are produced from the processing of vegetable oils, including soy oil, canola oil and cotton oil; and

- biodiesel can be produced from a variety of sources, including vegetable oils.

FI Inc sources its raw materials for interesterified fats from FHB's Malaysian operations and our Malaysian joint ventures. The raw materials required for its other products are generally sourced locally from North America. In addition, the sales of its products are primarily to the North American market.

7.12.3 Sales and marketing offices and livestock operations

Felda IFFCO also operates sales and marketing offices in France and Spain, which handle the sales and marketing of crude and refined palm oil-based products produced by Felda IFFCO's operations for markets in West Africa, the Mediterranean and Black Sea regions and South America.

Further, Felda IFFCO holds a 17% equity interest in Australian Agricultural Company, the largest beef cattle producing company in Australia by herd size.

7.13 SUPPLIERS AND CUSTOMERS

The following table sets forth information about our third-party supplier, FHB, including its subsidiaries, which accounted for more than 10% of our total pro forma cost of sales in 2009, 2010 and 2011 and accounted for more than 10% of our total cost of sales for the three months ended 31 March 2011 and 2012. We believe we are not dependent on any other single third-party supplier. For a summary of the terms of the contractual arrangements between F Palm Industries and us, refer to Section 7.22 of this Prospectus.

	Percentage of FGVH's Cost of Sales				
	Year Ended 31 December			Three Months Ended 31 March	
Supplier	**2009**	**2010**	**2011**	**2011**	**2012**
FHB	37.1%	15.7%	13.9%	21.1%	37.0%

In our plantations business, our third-party supplier of oil palm seedlings is F Agricultural, a subsidiary of FHB; our third-party suppliers of rubber seedlings are Malaysian nurseries and our third-party suppliers of fertiliser (including biomass-generated fertiliser) include F Palm Industries and FPM, both subsidiaries of FHB, and Malaysian and international fertiliser companies. In our downstream business, historically, our third-party suppliers of soybeans and canola seeds generally were trading companies and other corporate sellers in Canada. Since 9 December 2011, when we entered into a tolling agreement with our joint venture, Bunge ETGO, all of the soybeans and canola seeds that we used were provided to us on a tolling basis by Bunge ETGO. Our third-party suppliers of tallow, lauric oils and vegetable oils generally are producers in North America and FHB's subsidiary, F Marketing. In our sugar business, our third-party suppliers of raw sugar generally are producers abroad, primarily in Australia and Brazil.

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The following table sets forth information about our customer, FHB, including its subsidiaries, which contributed more than 10% of our total pro forma revenue in 2009, 2010 and 2011 and accounted for more than 10% of our total revenue for the three months ended 31 March 2011 and 2012. We believe we are not dependent on any other single customer. For a summary of the terms of the contractual arrangements between F Palm Industries and us, refer to Section 7.22 of this Prospectus.

	Percentage of FGVH's Revenue				
	Year Ended 31 December			Three Months Ended 31 March	
Customer	**2009**	**2010**	**2011**	**2011**	**2012**
FHB	78.6%	45.0%	43.1%	45.9%	46.8%

In our plantations business, our customers are FHB, including its various subsidiaries and its associate, MEO, our joint ventures and third parties, such as refiners and traders in Malaysia and abroad. In our downstream business, historically, our soybean and canola product customers generally were repackers, food processors, biodiesel manufacturers and other third parties, such as feed compounders, resellers and cooperatives, in Canada, the United States and Germany. Since 9 December 2011, when we entered into a tolling agreement with our joint venture, Bunge ETGO, all of the soybean and canola products that we produced were sold by Bunge ETGO. Our oleochemical customers generally are manufacturers in the United States and abroad. In our sugar business, our customers generally are retailers, distributors and industrial food manufacturers in Malaysia and abroad. In our other business, our customers are FHB and its subsidiaries.

7.14 BUSINESS INTERRUPTIONS

There has not been any material interruption to our business activities during the past 12 months.

7.15 QUALITY CONTROL AND CERTIFICATIONS AND RECOGNITIONS

We believe that quality control is important to the conduct of our business, and we implement strict quality control procedures at all stages of our business process to ensure that the quality of our products meets the expectations of our customers and achieves maximum customer satisfaction.

We have implemented a comprehensive total quality management programme, and adhere to a strict quality control system over our entire operations, from sourcing of raw materials to processing, manufacturing, packaging, inspection of finished goods, inventory storage and distribution and sales. We always strive to source high-quality raw materials. The incoming raw materials are inspected thoroughly through various processes to ensure that they fulfil our quality standards. Throughout the production process and before the finished goods are distributed, our products must pass through various quality control inspection as per our standard operating procedures.

Our quality control programmes at our production facilities have received a variety of certifications in relation to their operations.

7.15.1 Soybean and canola crushing and refining facility

Our soybean and canola crushing and refining facility has been certified with the ASI organisation, and we are seeking Safe Quality Food (SQF) and ISCC certification.

7.15.2 Oleochemical facilities

TRT US has received various certifications, including the following:

- Kosher Certification for Specific Raw Materials and Finished Products from the Orthodox Union;
- Good Manufacturing Practices and Food Grade Certification from the American Institute of Baking;
- Certification for United States Pharmacopeia (USP) grade glycerin production from the United States Food & Drug Administration; and
- AOCS Analytical Fats & Oils Quality Laboratory Certification for its quality laboratory.

7.15.3 Sugar production facilities

MSM has received various certifications, including the following:

- certification for white refined sugars for general and industrial use from SIRIM QAS Sdn Bhd;
- Halal product certification for compliance with stringent food processes from JAKIM;
- ISO 9001:2000 certification for compliance with quality management systems from SIRIM QAS Sdn Bhd;
- HACCP certification from the Ministry of Health of Malaysia; and
- Kosher product certification from the Court of The Chief Rabbi Beth Din, London.

KGFP has received various certifications, including the following:

- Buatan Malaysia certification for white refined sugars for general and industrial use from SIRIM QAS Sdn Bhd;
- Halal product certification for compliance with stringent food processes from the Halal Industry Development Corporation;
- ISO 22000:2005 certification for compliance with food safety management systems from SIRIM QAS Sdn Bhd; and
- ISO 9001:2008 certification for compliance with quality management systems from SIRIM QAS Sdn Bhd.

7.16 ENERGY, UTILITIES AND OTHER MATERIALS

We require a significant amount of electricity and water for our operations, which generally are supplied by local utilities.

Certain other materials, including chemicals for treatment of facility equipment, are required for the operation of our production facilities and are critical in our production processes. We typically purchase these and other products and services from outside suppliers. We also employ local contractors for the maintenance and repair of equipment in our production facilities.

7.17 OCCUPATIONAL SAFETY AND HEALTH AND ENVIRONMENTAL MATTERS

We have comprehensive health, safety and environmental management policies and systems covering environmental protection and conservation, people safety, food safety, health and asset protection.

7.17.1 Occupational safety and health

The occupational safety and health of our employees, as well as safety and health of our customers, are of critical importance to our company, and we are required to comply with a range of health, safety and food safety laws and regulations that are designed to protect workers, customers and consumers of our products. In order to comply with these regulations, we have developed specific operating and maintenance procedures and are required to maintain records and report data on a timely basis. We review our health, safety and food safety standards on an ongoing basis and our operations are subject to inspections by government authorities throughout the year. Our ongoing training programmes apply to all phases of our production processes to ensure safe and hygienic conditions for our production facilities. We hold regular safety awareness meetings, and we conduct walk-through inspections to verify safety conditions and employee activities.

We maintain compliance with health, safety and food safety regulations promulgated by local and national governing bodies. The results of inspections and other compliance requirements are typically within the required specifications. We report the compliance related data on a regular basis to the local regulatory offices.

Additionally, we have a management system for health, safety and environment, such as our Department of Occupational Safety and Health in our Malaysian operations, that enables us to effectively manage the minimum environment management standard that we have established that is in line with international best practices.

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7.17.2 Environmental compliance

7.17.2.1 Malaysia

Our cultivation of oil palms raises environmental considerations. At the oil palm plantation estates, we aim to minimise the use of pesticides by introducing more environmentally-friendly, biological methods of controlling pests and preventing diseases.

We promote environmentally-friendly oil palm plantation practices and have adopted best management practices at the plantation estates to ensure sustainable oil palm cultivation. These include:

- using biomass, such as EFB, as organic mulch and fertiliser for the oil palm plantation estates on the FELDA-Leased and Managed Land;
- constructing terraces on sloping land and planting leguminous cover crops to reduce soil and water runoff during early oil palm establishment;
- avoiding blanket weeding, which allows grass to grow in between the oil palm rows in order to conserve moisture; and
- adopting "zero burn" techniques during replanting, thereby allowing the biomass of old trees to rot and gradually return nutrients to the ecosystem.

We are also committed to the principles of RSPO, an international initiative to address the issue of sustainable palm oil production, and ISCC, a global certification system that permits certified providers of sustainable biomass and biofuels to sell their products in Europe under the Renewable Energy Directive. As part of the RSPO, we are required to undertake certification of the various supply-chain models that we use in our business, and, depending on the model, we may be required to segregate our production between RSPO- and non-RSPO-certified raw materials or permit independent verification that our RSPO-certified input corresponds to our RSPO-certified output, among other measures. In addition, we have established RSPO test sites, and we continue to obtain RSPO certification for the plantation estates on the FELDA-Leased and Managed Land. Pursuant to ISCC, we are required to undertake certification that our products were not produced from "no-go areas" (primarily areas with high biodiversity or high carbon stock), that they yield savings in greenhouse gas emissions of at least 35% and that they are part of supply-chain models that can evidence the origin, quantity and savings in greenhouse gas emissions.

In order to reduce the environmental impact of oil palm plantation estates, the Government requires that an environmental impact assessment be prepared before any grant of approval to develop new oil palm plantation estates. Substantially all of our land suitable for cultivation of oil palms has been developed. Should we acquire new lands, we would comply with the environmental impact assessment requirements.

With respect to our 49%-owned associate FHB, air pollution and waste water effluent produced by its palm oil mills and refinery operations are monitored by the Department of Environment, the Government agency responsible for implementing and monitoring the Government's pollution control regulations and policies, as well as by certain local government authorities. The Government has the power to take action against Malaysian companies, including FHB, for failure to comply with its environmental regulations. The Government can suspend operations, impose fines and revoke licenses and concessions. From time to time, the Department of Environment has levied small fines against FHB and suspended operations of specific facilities for limited times for exceeding permitted levels of air and water pollution. These fines have generally been levied with respect to FHB's older palm oil mills that lack up-to-date pollution control equipment and its palm oil mills operating at peak capacity for extended periods. FHB is in the process of installing up-to-date anti-pollution control equipment in its older palm oil mills in order to meet Department of Environment guidelines.

We believe we are in material compliance with all applicable Malaysian environmental rules and regulations. However, it is possible that the Government, its environmental agency or other governmental authorities could impose additional regulations, which may require us to spend additional funds on environmental matters.

7.17.2.2 Overseas operations

Our business is guided by various environmental regulations in the jurisdictions where we operate.

For instance, environmental regulations in the United States are administered and enforced by multiple government and quasi-government agencies that regulate and affect many facets of manufacturing operations. The primary regulatory body in the United States is the Environmental Protection Agency, but state and local authorities may, and often do, have regulations more stringent than those of the Environmental Protection Agency. As our United States operations, TRT US, are located in Massachusetts, we are also subject to environmental regulations from the Massachusetts Department of Environmental Protection.

Regulatory agencies establish and enforce limits, levels and boundaries regarding air emissions, water and wastewater discharges, solid and hazardous waste management and disposal and use of property. These limits are assigned to our facility by permit, and we are subject to reporting procedures prescribed by federal and state regulations. Regulatory bodies have the authority to take both civil and criminal actions against companies or individuals in violation of these codes. The United States federal and state governments may take actions against us, including, but not limited to, issuing warnings, sending notices of non-compliance and violation, imposing fines and penalties, revoking permits and licenses and instituting consent orders to facilitate compliance.

One area of the site used in our United States operations was involved in a petrochemical spill in the late 1970s and is in the process of being remediated, while a second, small area is subject to site use limitations due to soil contamination. However, neither of these site conditions impact operations.

Our United States operations have developed and implemented an Environmental Management System to ensure we maintain regulatory compliance. This system helps manage required permitting, reporting, audits, inspections, training and management of operations and development activities at the facility. When an issue develops that can lead to, or has led to, a non-compliance event, we receive notice from, or we report this event to, the appropriate regulatory agency and implement corrective measures in order to regain compliance.

We believe we are in material compliance, or are working to regain compliance regarding known issues, with all applicable United States environmental laws. However, United States regulations are continuously reviewed, revised and reauthorised. In the event regulations that directly affect our operations change, additional funds to address them may be necessary to maintain compliance in the future.

In addition, our Canadian operations' environmental compliance policy covers a range of areas, including air, water and noise pollution, liquid and solid waste disposal and ecological protection. Environmental protection is one of the important criteria our Canadian operations use when selecting new technologies, plants and equipment. In addition, our Canadian operations implement environmental protection practices through the inclusion of control equipment and pollution monitoring in their plant design and an emphasis on control and pollution management procedures.

Our Canadian operations' environmental policy requires full compliance with local, provincial and federal laws and regulations in Canada concerning environmental protection and related matters. Our Canadian operations are monitored by the Ministry of Sustainable Development, Environment and Parks (Québec) (MSDEP), which is responsible for enforcing pollution control regulations and policies in Québec, Canada, and which has issued various environmental authorisations to our Canadian operations, including those for construction of their facilities and other installations, such as water treatment equipment.

We maintain compliance with environmental regulations promulgated by municipal authorities and MSDEP. The results of inspections and other compliance requirements are typically within the required specifications, and we report monitoring data on a regular basis to MSDEP as required by MSDEP certificates of authorisation. We believe we are in material compliance with applicable environmental laws and regulations currently in effect in Québec, Canada.

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7.18 INSURANCE

We maintain insurance policies for our equipment, machinery, motor vehicles, buildings, facilities and assets (excluding oil palms and rubber trees) and for foreign workers compensation. The insurance policies provide for the replacement cost of the assets covered, including losses from fires, earthquakes, floods, explosions, strikes, aircraft damage and malicious damage. Further, we maintain business interruption insurance, which includes losses due to fire or machinery breakdown as well as consequential and profit losses. In addition, we maintain insurance for the transportation of FFB from the plantation estates to FHB's palm oil mills and CPO from FHB's palm oil mills to oil tanker vehicles.

While we do not insure our plantation estates against fire, disease, pests or flooding, we believe our insurance coverage is consistent with standard practices in the Malaysian plantation and refining industries. In addition, we believe our risk of loss from forest fires is reduced because the oil palm plantation estates are located in various parts of Peninsular Malaysia and Sabah and Sarawak, areas in which slash and burn practices that may lead to fires are not common. Furthermore, our oil palms are spaced 9.2 meters apart, which reduces the ability of fires to spread from tree to tree. Moreover, live oil palms have high water content and do not ignite easily. We also take other pre-cautionary steps to reduce the risks of fire, such as using firefighting equipment and watch towers on our plantation estates.

We generally maintain insurance policies for our employees, including personal accident coverage and professional indemnity for our engineers.

Our operations overseas carry various insurance policies to cover their business activities. For instance, our United States and Canadian operations carry insurance policies to cover their activities in their respective country of operation and abroad, including business interruption, property, automobile, flood, ocean cargo and general liability. In addition, they also carry insurance for employees, such as worker's compensation, and board and management, such as directors and officers insurance.

For the years ended 31 December 2009, 2010, 2011 and the three months ended 31 March 2012, we paid an aggregate of RM9.7 million, RM16.7 million, RM15.6 million and RM3.6 million, respectively, in insurance policy premiums.

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7.19 EMPLOYEES

The following table sets forth our number of employees and estate workers for the dates indicated.

Job Function	Year Ended 31 December			Three Months Ended 31 March	
	2009	2010	2011	2011	2012
Employees					
Executives	679	830	881	843	929
Non-executives	1,865	2,842	2,842	2,808	3,614
Others (daily rated workers)	-	185	135	177	140
Subtotal	*2,544*	*3,857*	*3,858*	*3,828*	*4,683*
Estate Workers					
Local estate workers	5,469	4,499	4,542	4,464	4,712
Foreign estate workers	25,553	23,572	22,026	23,063	25,558
Subtotal	*31,022*	*28,071*	*26,568*	*27,527*	*30,270*
Total	**33,566**	**31,928**	**30,426**	**31,355**	**34,953**

As at 31 March 2012, we employed a total of 4,323 permanent staff and 360 contract staff, excluding estate workers. Permanent staff generally includes executives and non-executives, while contract staff generally includes others (daily rated workers) and certain executives and non-executives.

Our permanent staff and contract staff were employed in the following locations as at 31 March 2012.

Employee Type	Three Months Ended 31 March 2012				
	Malaysia	Indonesia	United States	Canada	Others
Permanent staff	4,081	3	119	117	3
Contract staff	356	-	3	1	-
Total	**4,437**	**3**	**122**	**118**	**3**

For our Malaysia operations, we are largely dependent on foreign estate workers, primarily from Indonesia, for our plantation business. As the standard of living in Malaysia has improved over time, we have found it increasingly difficult to hire Malaysian workers to work on the plantation estates. As at 31 March 2012, foreign estate workers constituted 73.1% of our total workforce. Estate workers are employed by us directly or through third-party operators, with foreign estate workers enjoying the same benefits as local estate workers under collective bargaining agreements, excluding contributions to the EPF, Social Security Organisation and housing subsidies.

Malaysian employment regulations require employers and employees to contribute to the EPF to provide for the retirement and other needs of employees. Under present regulations, employees contribute 11% of their monthly salary to the EPF via payroll deductions. Employers are required to contribute a minimum amount equivalent to 12% to 13% of an employee's monthly salary to the EPF. Under employment contracts and collective agreements entered into by us, we contribute up to 16% of the employees' salaries to the EPF. As the Government does not require employers to make contributions to the EPF with respect to foreign workers, we do not make contributions to the EPF for our foreign estate workers.

Other than our contributions to the EPF, we do not maintain any other retirement, pension or severance plans or have any unfunded pension liabilities, nor do we owe any amounts to any present or former employees not in the ordinary course of business operations.

Wages for estate workers are based on a basic salary and a variable component dependent on the quantity of produce a worker harvests. A newly recruited foreign estate worker is generally permitted to work on the oil palm plantation estates on the FELDA-Leased and Managed Land for a period of at least three years, which may be extended on a yearly basis. As a result of the limited duration of their work permits, we must recruit between 5,000 and 6,000 foreign estate workers annually in order to meet the workforce requirements of the plantation estates. Approximately 1,908 employees, or approximately 40.7% of our total workforce (excluding estate workers), are unionised under six unions and subject to collective employment agreements. The largest of these unions, which comprises employee members from our palm oil operations business segment, has 1,038 employee members. We have not experienced any strike or work stoppages in the past, and have also not experienced any significant problems with employee unions. Collective employment agreements concerning unionised employees are generally re-negotiated every three years. In certain instances, negotiations over these agreements may be prolonged, and we and the unions, by mutual agreement, may request the Industrial Relations Department of the Government to play the role of mediator in these negotiations.

The following table lists the six unions, of which our employees are members.

Kesatuan Pekerja-Pekerja FGV Plantations Malaysia Semenanjung
Kesatuan Pekerja-Pekerja FGV Plantations Malaysia Sabah
Malayan Sugar Manufacturing Company Employees' Union
Kesatuan Pekerja Kilang Gula Felda Perlis Sendrian Berhad
Fore River and United Transportation Union
Communications, Energy and Paperworkers Union of Canada

We recognise the need to retain our senior and middle management in order to ensure continuity in the achievement of our corporate objectives and the seamless implementation of our programmes and initiatives. Our key management, as profiled in "Information on our Directors, Key Management, Substantial Shareholders and Promoters", have on average over 31 years of experience.

Our Board believes that continued success depends on the support and dedication of our management personnel. A large proportion of our senior management has been enrolled by us for advanced degrees and management and other courses to continuously upgrade their management and technical knowledge and expertise.

The following table provides details of the recent training programmes attended by our employees:

Skills	Name of Programme	Job Grade	Year
Leadership	Senior Executive Institute Felda	General Manager and above	2010
Leadership	Leadership Institute Felda	Managers and Senior Managers	2010
Leadership	Executive Institute Felda	Executives	2010
Performance	Performance Improvement Programme	Non-Performing Employees	Ongoing
Talent Engagement	Induction Programme	New Employees	Ongoing
Talent Development	Executive Master in Management	Executives	Ongoing
Talent Development	Cadetship in Plantation Management Course	Executives	Ongoing
Talent Development	Accountant Training Programme	Executives	Ongoing
Talent Development	Management Training Programme	Executives	Ongoing
Talent Development	Certificate in Plantation Management	Non-Executives	Ongoing
Talent Development	Certificate in Planting Industry Management	Non-Executives	Ongoing
Talent Development	Diploma in Management	Managers and above	Ongoing
Talent Development	Executive Professional Diploma in Human Resources Management	Executives and Managers	Ongoing
Talent Development	Safety Health Officer	Executives and above	Ongoing

In addition, we provide our employees opportunities to participate in externally conducted training programmes, such as those relating to various aspects of our business operations, laws and regulations governing employment practice, computer software skills and knowledge, work safety and inventory control best practices.

We believe that our wages and benefits are generally in accordance with market practices and our relationships with our employees are generally good.

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7.20 TECHNOLOGY AND INTELLECTUAL PROPERTY

Save as disclosed below, as at Latest Practicable Date, we do not have any brand names, patents, trademarks, technical assistance agreements, franchises and other intellectual property rights.

7.20.1 Trademarks

We use a number of trademarks, trade names in connection with our business. Several of our Subsidiaries market their products using a number of registered brand names and trade names:-

Registered trademarks

No.	Trade mark	Owner	Registration no.	Place of registration	Validity period	Description of trade mark	Class of trade mark
1.		KGFP	86000996	Malaysia	Expiring on 12.03.2013	*GULA PERLIS MUKIM CHUPING & Device*	30 of the Nice Classification
2.		KGFP	M/096172	Malaysia	Expiring on 16.08.2013	*Kilang Gula Perlis Device*	16 of the Nice Classification
3.		MSM	M/045350	Malaysia	Expiring on 28.02.2021	*MSM*	30 of the Nice Classification

7. BUSINESS OF OUR GROUP *(Cont'd)*

No.	Trade mark	Owner	Registration no.	Place of registration	Validity period	Description of trade mark	Class of trade mark
4.		MSM	99009415	Malaysia	Expiring on 24.09.2019	*GULA PASIR HALUS PRAI*	30 of the Nice Classification
5.		MSM	99009416	Malaysia	Expiring on 24.09.2019	*GULA ICING PRAI*	30 of the Nice Classification
6.		MSM	99009417	Malaysia	Expiring on 24.09.2019	*GULA PASIR KASAR PRAI*	30 of the Nice Classification
7.		MSM	99009418	Malaysia	Expiring on 24.09.2019	*GULA MERAH LEMBUT PRAI*	30 of the Nice Classification
8.		MSM	99009419	Malaysia	Expiring on 24.09.2019	*GULA KASTOR PRAI*	30 of the Nice Classification

7.20.2 Patents and other intellectual property

We are not dependent on any patents or other intellectual property for the operation of our business operations.

7.20.3 Dependency on licenses, trademarks, patents and other intellectual property

Save as disclosed in Section 10 of this Prospectus, our Group is not dependent on any other major licences, permits, registrations and other intellectual property rights for our business operations.

7.21 GOVERNING LAWS AND REGULATIONS

7.21.1 Ministry of Plantation Industries and Commodities

The Ministry of Plantation Industries and Commodities is responsible for the development of the primary commodity sector of the economy, which amongst others, includes palm oil. The Ministry of Plantation Industries and Commodities is empowered to make regulations for the palm oil industry of Malaysia.

7.21.2 Governing Laws and Regulations Relating to Palm Oil Industry

The cultivation, movement, sale, purchase and milling of the palm fruit as well as the sale, movement and purchase of palm oil and PK in Malaysia are governed by the following legislations:

(i) Malaysian Palm Oil Board Act, 1998 ("**MPOB Act**")

MPOB Act empowers MPOB to govern and regulate every aspect of palm oil business. The MPOB Act emphasises on the composition and the powers of the MPOB. The establishment of the MPOB is to promote and develop the oil palm industry of Malaysia and to develop national objectives, policies and priorities for the orderly development and administration of the oil palm industry of Malaysia. Furthermore, the MPOB is also responsible for regulating, registering and coordinating all activities relating to planting, production, harvesting, extraction, processing, storage, transportation, use, consumption and marketing of oil palm and its products.

Hence, our Group has a duty to work hand in hand with the MPOB to ensure the objective can be achieved and will benefit the country. Our Group will have to comply with regulations passed by the MPOB, where applicable.

(ii) Palm Oil Industry (Licensing) Regulations, 2005

Pursuant to the Section 78 of the MPOB Act, the Palm Oil Industry (Licensing) Regulations regulate the palm oil licensed activities. These regulations prescribe the procedures and the relevant forms for applications for licences to produce, sell, store, purchase, export or import of oil palm planting material, oil palm fruit, PK and other palm oil produce.

As our Group's main business revolves around palm oil plantation, these regulations must be adhered to ensure smooth and legitimate operations whether in producing or manufacturing palm products. Our Group's obligation is to monitor all existing licences and apply for renewal if necessary.

(iii) MPOB (Quality) Regulations, 2005

The purpose of MPOB (Quality) Regulations is to control and determine the quality of all activities in the palm oil industry. This includes, inter alia, production and management of palm oil planting material; grading and milling of oil palm fruit; and processing, handling, storage, transportation of oil palm products. Quality declarations for the export, import and internal trade of palm oil products shall be made to the MPOB in order to determine whether such product conform to the type and quality of palm oil products that may be sold, exported and imported or to those specified in the contract for sale relating to such product. Furthermore, the MPOB may set conditions on the sale of palm oil products.

Our Group shall refer to the guidelines stated in the MPOB (Quality) Regulations to ensure the quality of the palm oil product.

(iv) MPOB (Registration of Contracts) Regulations, 2005

The diverse nature of our Group's business in palm oil plantation involves a lot of highly dependent contracts to maintain a sustainable business model. The MPOB (Registration of Contracts) Regulations provide for the registration of contracts in relation to the sale and purchase of oil palm products and the details of such contracts (other than contracts for palm oleochemicals which need not be registered but not including international contracts for export of palm oleochemicals). It is a requirement to ensure such contracts are specifically tailored for palm oil business. The MPOB must be informed of such contracts based on the procedures laid out under these regulations.

(v) MPOB (Compounding of Offences) Regulations, 2005

Under the MPOB (Compounding of Offences) Regulations, all offences committed under the MPOB Act and regulations enacted under the MPOB Act that are specified in this regulation, may be compounded by the Director-General of the MPOB. Due to the complexity of process and nature of the palm oil business, it is important for our Group to distinguish the act or conduct which amounts to an offence.

(vi) Industrial Co-ordination Act, 1975

Under the Industrial Co-ordination Act, 1975 and the Industrial Co-ordination (Exemption) Order, 1976, a licence is required for any manufacturing activity with shareholders' funds of RM2.5 million and above and/or manufacturing activity employing 75 or more full-time paid employees. A licence will have to be obtained for the manufacture of specified products at each separate manufacturing site. Licences are typically issued in accordance with national economic and social objectives and to promote the orderly development of manufacturing activities in Malaysia. They are issued by the MITI, subject to conditions of the licence and are non-transferable save with the prior approval of MITI.

(vii) Control of Supplies Act, 1961

This Act governs the law on controlled article in Malaysia. Cooking oil, fertiliser and sugar are products that have been gazetted as controlled article in Malaysia. Pursuant to the Control of Supplies Regulations 1974, a licence is required for any person to deal, by wholesale or retail, in any scheduled article (which includes a controlled article as defined in this Act and is specified in Part 1 of the Schedule) or to manufacture any scheduled article.

The Controller of Supplies has the authority in enforcing the rules and regulations as provided in this Act. As our Group's main business revolves around the palm oil business, this will prevent any misuse or speculation on the controlled article and prevent black market operations with regards to palm oil industry.

(viii) Price Control and Anti Profiteering Act, 2011 (the "**PCAPA**")

The PCAPA replaced the Price Control Act, 1946 ("**PCA**") and came into force on 1 April 2011. The PCAPA provides for the control of prices of goods whereby the Ministry of Domestic Trade, Cooperative and Consumerism ("**MDTCC**") may, among other things, determine the maximum, minimum or fixed prices for the manufacturing, producing, wholesaling or retailing of goods.

In addition, the Price Advisory Council shall advise the Minister of MDTCC on issues relating to profiteering and the Minister of MDTCC shall prescribe the mechanism to determine whether profit is unreasonably high. The Price Controller is empowered to investigate and enforce the provisions of the PCAPA including any person making unreasonably high profits by selling, supplying or offering to sell or supply goods.

7.21.3 Other relevant Malaysian legislation

(i) Factories and Machinery Act, 1967 ("**FMA**")

The FMA governs the occupational safety, health and welfare of persons working in a factory. The FMA also governs the registration and inspection of the machines used in a factory. The FMA and the regulations enacted under it is the cornerstone legislation for occupational, safety and health improvement in the manufacturing industry, mining, quarrying and construction industries, apart from the general duties to employees under the Occupational Safety and Health Act 1994.

Under the FMA, our Group has a duty to maintain the standards of safety, health and welfare of our factories and our factory workers. In addition, our Group must ensure that the machineries used are in good condition and must be registered.

(ii) Occupational Safety and Health Act, 1994 ("**OSHA**")

Under the OSHA, we have a general duty to our employees to provide and maintain the plants and systems of work that are, so far as is practicable, safe and without risks to health, provide information, instruction, training and supervision to ensure, so far as is practicable, the safety and health of our employees at work, and to provide a working environment, which is as far as possible safe, without risks to health, and adequate as regards facilities for their welfare at work. We also have a duty to ensure, so far as is practicable, that other persons, not being our employees, who may be affected thereby are not thereby exposed to risks to their safety or health.

As we employ more than 100 employees, we are obliged under the OSHA to employ a safety and health officer, who is tasked with ensuring the due observance of the statutory obligations as regards to workplace health and safety and the promotion of a safe conduct of work at the place work. We have also set up a health and safety committee, which we consult in promoting and developing measure to ensure the safety and health at the place of work of the employees, and in checking the effectiveness of such measures.

(iii) Environmental Quality Act, 1974

The Environmental Quality Act, 1974 restricts pollution of the atmosphere, noise pollution, pollution of the soil, pollution of inland waters without a licence, prohibits the discharge of oil into Malaysian waters without licence, discharge of wastes into Malaysian waters without a licence, and prohibits open burning. The agency responsible for implementing and monitoring Malaysian's environmental regulations and policies is the Malaysian Department of Environment and the local environmental authority.

(iv) Employment Act, 1955

The Employment Act, 1955 governs the law on the employment contracts entered into between employer and employee in Peninsular Malaysia and Federal Territory of Labuan, Malaysia. Our Group employs a vast amount of workers in management as well as at operational level. Furthermore, our Group's business is highly dependent on foreign labour and contractors in maintaining an efficient operation. As such, the Employment Act, 1955 is important as it stipulates the laws on foreign workers and contractors.

7.21.4 Relevant foreign legislations

(i) The Food and Drugs Act (Canada)

The Food and Drugs Act is the primary federal legislation governing the safety and nutritional quality of food sold in Canada. The Food and Drugs Act and its regulations govern, among other issues, food labelling and advertising, food standards, packaging material and pesticides. The objective is to protect the public against health hazards and fraud from the sale of food. The Canadian Food Inspection Agency is responsible for enforcing the food safety rules in the Food and Drugs Act and has broad powers of inspection.

Most importantly, the Food and Drugs Act prohibits selling food that is unfit for human consumption or was manufactured or stored under unsanitary conditions. It also prohibits labelling or advertising food in a manner that is false, misleading or deceptive. Food may not be adulterated by pest control products exceeding a specified maximum residue limit. Nonetheless, there are no specific labelling requirements that apply since we understand that TRT-ETGO Inc does not sell pre-packaged products, meaning products contained in a package in the manner in which it is ordinarily sold to consumer. Furthermore, the regulations to the Food and Drugs Act do not prescribe any specific standard for the manufacture of edible oils and meals.

(ii) The Federal Food, Drug, and Cosmetic Act (USA)

Some of the fatty acids produced by our Group are used as ingredients in various types of products regulated by the United States Food and Drug Administration ("**FDA**"), including food, cosmetics and soaps. The ingredients of an FDA-regulated product are generally subject to similar regulatory requirements as are applicable to the final product. As a component of food, a "food additive" must, (i) receive pre-market approval by the Food and Drug Administration; or (ii) be determined by the FDA to be "generally recognised as safe" among experts qualified by scientific training and experience to evaluate its safety under the conditions of its intended use, or (iii) be expressly excluded from the food additive definition set forth in the Federal Food, Drug, and Cosmetic Act. Accordingly, the food additive products must come within one of the three categories in order to be lawfully sold in the United States. Food additives must also be manufactured in compliance with current good manufacturing practise ("**CGMP**") requirements set forth in governing regulations. The CGMP regulations set forth requirements affecting personnel, buildings and facilities, equipment, production and process controls, storage, and distribution.

If a food additive is not manufactured in compliance with CGMP, the FDCA prohibits its sale or distribution in interstate commerce. Manufacturers who violate these rules may be subject to enforcement actions, including seizure of the violative product, injunctions prohibiting or limiting their manufacturing activities, and civil and criminal penalties and fines. Food additive products are also subject to certain FDA labelling and packaging requirements, food facility registration, restrictions on advertising and promotional labelling, and recordkeeping requirements to ensure that the food additives are safe for consumption and not otherwise adulterated or misbranded. Cosmetics are not subject to CGMP requirements by law. The FDA considers a soap product that carries a medical claim, such as dandruff relief, to be a drug, and therefore subject to CGMP regulations, drug labeling requirements, and pre-market approval, which involves the submission of clinical data demonstrating the product is safe and effective for its intended use.

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7.22 DEPENDENCY ON COMMERCIAL CONTRACTS

The following contracts and arrangements, being contracts and arrangements within the ordinary course of business, are those which our Group is highly dependent on and are material to our Group's business or profitability:

7.22.1 FGVH

(i) Agreement to lease dated 1 November 2011 made between FELDA and FGVH for the lease of lands owned by FELDA and supplemented by an addendum dated 2 January 2012 and as implemented by the tenancy agreement dated 6 January 2012 between FELDA and FGV Plantations Malaysia and the tenancy agreement dated 21 January 2012 between FELDA and FGV Plantations Malaysia (refer to Section 7.22.2 of this Prospectus for further details on the tenancy agreements). FELDA has agreed to lease to FGVH lands with individual land titles issued to FELDA as the registered owner ("**Existing Lands**") and existing lands granted to FELDA for development but where individual titles have not been issued to FELDA ("**Additional Existing Lands**"), as well as other lands to be alienated or to be acquired by FELDA in the future ("**Future Lands**") (collectively known as "**Lands**") and FGVH has agreed to accept the lease of the Lands from FELDA in consideration of an annual fixed lease amount and 15% of the plantations operating profit of FGVH derived from the Lands for the relevant financial year, which is calculated in accordance with the terms of the Land Lease Agreement. The annual fixed lease amount is subject to review once every 20 years at FELDA's request to adjust the lease amount to reflect then-prevailing State land premiums. Calculating amounts payable in respect of the 15% of the plantations operating profit of FGVH is based on revenue from commercial agricultural activities that FGVH undertakes on the Lands, minus certain related operating costs, including costs of sales, replanting costs, depreciation expenses, certain infrastructure costs, a specified profit levy and estate management costs. In the case of agricultural output that FGVH uses internally and does not sell to a third party, revenue for purposes of calculating plantations operating profit includes the amount of revenue that FGVH would have generated if it had sold that output to a third party. For FFB that FGVH uses internally, the amount of revenue is equal to the product of the amount of FFB harvested, multiplied by the average FFB price, with the average FFB price equal to the value of CPO and PK extracted from the FFB, minus a milling charge.

Through the implementation of the tenancy agreements and the addendum, FELDA has agreed to lease to FGVH a total of approximately 347,584 hectares of Lands, comprising approximately 261,291 hectares of Existing Lands and approximately 86,293 hectares of Additional Existing Lands. FGVH is required to pay consideration of RM248,481,321.81 per annum, together with 15% of FGVH's yearly plantations operating profit attributable to the Lands.

The term of lease for the Lands is 99 years from 1 January 2012 ("**Term**"), subject to (a) FELDA undertaking all necessary endeavours to obtain an extension to the leasehold period on the titles to the Lands on a best effort basis, and FGVH assisting FELDA in applying for the said extension, in the event that the remainder of the leasehold period is less than the Term; and (b) in the event FELDA is unable to obtain an extension to the leasehold period, the Term shall be the remaining leasehold period of the Lands as appearing on the titles.

As for the Additional Existing Lands, FELDA shall grant to FGVH either an assignment of development rights or a tenancy exempt from registration of three years commencing from 1 January 2012, with automatic renewals for further terms of three years each, whichever is permissible under the law. In respect of the Existing Lands which require the consent by the relevant State Authorities for the Lease to be granted to FGVH ("**Approval**"), FELDA shall grant to FGVH a tenancy exempt from registration of three years commencing from 1 January 2012, with automatic renewals of further terms of three years each. As and when the Approval is obtained, such tenancy will be converted to the Lease for the Term commencing from the date the Lease is created after receipt of Approval.

The Lands shall only be used by FGVH for commercial agriculture, cultivation of any plant or fungi, raising of animal for purpose of selling such animals or products derived from them, beekeeping, horticultural purposes, aquaculture, conduct processes related to agricultural activities undertaken (e.g. milling) or related by-products or waste (e.g. biomass).

In addition to the above, FELDA may also terminate the lease in respect of all or part or parts of the Lands by giving a prior written notice of six months for any portion of the Lands where the aggregate size is less than 10,000 hectares, and prior written notice of 18 months for any portion of the Lands where the aggregate size is 10,000 hectares or more. FELDA is obligated to compensate us based on the calculation of average profit per mature hectare per year for the entire Lands for the latest year in which our audited financial statements are available multiplied by the aggregate size of all of the Lands specified in the notice to terminate multiplied by the loss of our expected future profit. We shall be compensated for the loss of (a) ten years of expected future profits if the termination occurs less than eight years from the date such Lands were most recently replanted; or (b) five years of expected future profits if termination occurs eight years or more from the date such Lands were most recently replanted.

Pursuant to the Land Lease Agreement, FGVH has sole and absolute control over existing and future crops and vegetation and shall be entitled to make all decisions as to replanting and shall have all rights and responsibilities to maintain and construct the infrastructure on the Lands.

The Land Lease Agreement may be terminated on the occurrence of any of the following events, namely (a) land acquisition by the State or Federal Government under the Land Acquisition Act, 1960 or any land reclamation by the State or Federal Government under any legislation; and (b) any unwarranted termination on parcels of lands by FELDA. In the event (a) above occurs, FELDA shall give notice to FGVH within 10 days of receiving the notice from the relevant authorities and compensate FGVH on the replanting and upkeep cost for Lands where crops are planted but have not matured. For mature hectarage, FELDA shall compensate FGVH on loss of three years' expected future profits if it receives compensation from the relevant authorities. In the event (b) above occurs, FELDA shall give FGVH six months' notice where the area is below 10,000 hectares and 18 months' notice where the area is above 10,000 hectares and compensation. FELDA shall also be under obligation to take over FGVH's plantations staff on termination of the Lease. In the event FGVH fails to pay any Lease Consideration or interest accrued thereon 36 months after due date, such failure shall result in the automatic termination of the Land Lease Agreement. In the event FGVH breaches any of its obligations and fails to rectify after 90 days from the date of notice from FELDA, FELDA may either choose to terminate by giving 60 days notice or require FGVH to pay an amount equivalent to the Lease amount pro-rated in respect of such part or parts of the Lands affected by breach on the part of FGVH. Upon receipt of the payments, FELDA shall allow the lease arrangement to continue for the remainder of the Term. In the event of any unwarranted termination on parcels of lands by FGVH, FGVH shall give six months notice if the area is below 10,000 hectares and 18 months notice if the area is above 10,000 hectares and compensation

equivalent to one year Lease Amount pro-rated based on the size of the lands in question. FGVH shall also settle all outstanding payments of the Lease Consideration by the Termination Date. FELDA shall be entitled to require FGVH to remove from the Lands any fixtures on the Lands and to make good any damage caused by such removal.

Pursuant to the Land Lease Agreement, if FGVH continues to occupy the lands after the expiry of the lease or after the lease is terminated, FGVH shall pay FELDA double the amount of the Lease Amount for each and every month during the holding-over period.

As part of its restructuring process, FELDA, FGVH and FGV Plantations Malaysia had, on 6 January 2012, entered into a Novation Agreement whereby all benefits, rights, title, interest, obligations, undertakings, covenants and liabilities of FGVH under the Land Lease Agreement shall be transferred by FGVH to FGV Plantations Malaysia from 1 January 2012 and FELDA has consented to the transfer of all of FGVH's benefits, rights, title, interest, obligations, undertakings, covenants and liabilities to FGV Plantations Malaysia subject to the terms and conditions of the Novation Agreement.

For details of the lands under the Land Lease Agreement, refer to Section 11.2 of this Prospectus.

7.22.2 FGV Plantations Malaysia

(i) Tenancy agreement dated 6 January 2012 between FELDA and FGV Plantations Malaysia pursuant to Clause 2.12 of the Land Lease Agreement in respect of the implementation of the Land Lease Agreement whereby FELDA agreed to grant tenancy and FGV Plantations Malaysia agreed to accept tenancy of (a) all lands listed in Exhibit 1 of the Tenancy Agreement dated 6 January 2012 for which individual land titles have been issued to FELDA but pending Approvals from the relevant authorities ("**Remaining Existing Lands**"); and (b) all lands listed in Exhibit 2 of the Tenancy Agreement dated 6 January 2012 for which the State Authority has granted FELDA the right to develop but individual land titles have not been issued to FELDA ("**Additional Existing Lands**") (the Remaining Existing Lands and Additional Existing Lands shall collectively be referred to as "**Lands**"), both together measuring 336,009 hectares. This tenancy shall commence on 1 January 2012 ("**Commencement Date**") and shall be for an initial period of three years ("**Initial Term**"). Upon expiry of the Initial Term, FGV Plantations Malaysia shall have the option to renew the tenancy for further terms of three years each up to a total duration of 99 years ("**Renewal Terms**") unless terminated in accordance with the provisions of the Land Lease Agreement (Initial Term and Renewal Terms shall be collectively referred to as "**Term**"). The option to renew shall be exercisable by written notice, or by conduct of the parties allowing continued enjoyment of rights of the Lands by FGV Plantations Malaysia under the agreement.

In the event that the Approvals for any part of the Lands are obtained from time to time or individual land titles are issued by the state authorities for any part of the Additional Existing Lands and the Approvals are obtained ("**Approved Lands**"), the parties will proceed to register the lease in accordance with Clause 2.9 of the Land Lease Agreement, and thereafter the Approved Lands shall be excluded from this agreement and the tenancy therein and shall fall under the lease in the Land Lease Agreement.

FGV Plantations Malaysia shall pay to FELDA an agreed consideration which reflects the Lease Consideration in accordance with the Land Lease Agreement.

On 21 May 2012, the Tenancy Agreement dated 6 January 2012 was supplemented by an addendum, whereby both FELDA and FGV Plantations Malaysia acknowledged that as at 1 January 2012, FGV Plantations Malaysia has yet to be deemed or recognised as native in respect of 8,280 hectares of all the lands in Sarawak ("**Sarawak Lands**") pursuant to the Land Code (Cap 81) of Sarawak. Both FELDA and FGV Plantations Malaysia agree to exclude all the Sarawak Lands from the Tenancy Agreement and the Land Lease Agreement. Both FELDA and FGV Plantations Malaysia agree that no lease consideration shall be deemed payable in respect of these Sarawak Lands for the tenancy for the period commencing from 1 January 2012 until FGV Plantations Malaysia has duly obtained the status of native pursuant to the Land Code (Cap 81) of Sarawak, all Approvals have been obtained and upon registration of the lease in accordance with the Land Code (Cap 81) of Sarawak. Upon fulfilment of the aforementioned conditions, the Sarawak Lands will be included as part of the Remaining Existing Lands and the terms of the Land Lease Agreement shall be applicable in respect thereof.

(ii) Tenancy agreement dated 21 January 2012 between FELDA and FGV Plantations Malaysia pursuant to Clause 2.12 of the Land Lease Agreement in respect of the implementation of the Land Lease Agreement whereby FELDA agreed to grant tenancy and FGV Plantations Malaysia agreed to accept a tenancy of certain plantation lands measuring 19,854 hectares which are vested in FELDA, which the parties have decided to segregate the tenancies of these lands as set out in the tenancy agreement ("**Plantation Lands**"). This tenancy shall commence on 1 January 2012 and shall be for an initial period of three years ("Initial Term TA2"). Upon expiry of the Initial Term TA2, FGV Plantations Malaysia shall have the option to renew the tenancy for further terms of three years each up to a total duration of 99 years unless terminated in accordance with the provisions of the Land Lease Agreement. The option to renew shall be exercisable by written notice, or by conduct of the parties allowing continued enjoyment of rights of the Lands by FGV Plantations Malaysia under the agreement.

FGV Plantations Malaysia shall pay to FELDA an agreed consideration which reflects the Lease Consideration in accordance with the Land Lease Agreement.

Notwithstanding the default provisions and rights to terminate under the Land Lease Agreement, FELDA has the right to terminate the tenancy by providing 30 days' notice to FGV Plantations Malaysia in the event that FELDA loses possession of or right to use or any part of the Lands in favour of any third party for any reason whatsoever ("**Excluded Lands**"). Save and except for the special right to terminate by FELDA as set out above, all other events of defaults or rights to terminate under the Land Lease Agreement is applicable to this Tenancy Agreement.

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(iii) Supply and delivery agreement dated 22 February 2012 between FGV Plantations Malaysia and F Palm Industries for the sale of FFB produced by FGV Plantations Malaysia on the FELDA-Leased and Managed Land to F Palm Industries and the purchase of CPO produced by F Palm Industries at their Mills (as defined in this agreement) that is not purchased by DOP for its own business and consumption, which is currently approximately 21,000 MT of CPO per month, by FGV Plantations Malaysia.

In respect of the sale of FFB, F Palm Industries shall pay FGV Plantations Malaysia a price based on a formula comprising the relevant extraction rates of FFB Milling Products and the price of the FFB Milling Products, minus the processing charges and other related costs. Prices for the FFB Milling Products will be based on MPOB's prices for Peninsular Malaysia or Sabah and Sarawak. In respect of the sale of CPO, FGV Plantations Malaysia shall pay F Palm Industries a price based on MPOB's CPO price for Peninsular Malaysia or Sabah and Sarawak.

The agreement is valid for a period of 99 years, commencing from 1 March 2012 ("**Effective Date**") to 28 February 2111, or such other period that the parties may mutually agree in writing, unless otherwise terminated in accordance with the terms thereof.

The parties acknowledge that F Palm Industries shall continue to source and purchase FFB from third parties to fulfill its requirements and to maximise the utilisation factor of its Mills, at its own costs, risk and expense and F Palm Industries agrees and undertakes to indemnify and keep FGV Plantations Malaysia harmless against any liabilities, costs, damages, disputes, demands, claims, compensations or litigations in any form whatsoever in relation to F Palm Industries' purchase of all FFB from third parties at any time, including those prior to the Effective Date.

FGV Plantations Malaysia or F Palm Industries may terminate the agreement at any time without assigning any reason whatsoever, in respect of, (a) one and up to three Mills, by giving six months' prior written notice to the other party; and (b) more than three Mills, by giving 24 months' prior written notice to the other party.

For further details regarding the historical FFB sources used by F Palm Industries, including those from the FELDA-Leased and Managed Land to which this contract would apply and the CPO production and extraction rates, refer to sections 7.11.1.3 and 7.11.1.1 of this Prospectus, respectively.

7.22.3 MSM

(i) MSM had on 29 September 2011 entered into a lease agreement with Perbadanan Aset Keretapi whereby the Perbadanan Aset Keretapi has agreed to grant to the MSM and MSM has agreed to accept a lease for a total land area of 763,553 square feet located entirely on HSD 28137 Lot 287 and HSD 28162, Lot 286 both at Bandar Prai Daerah Seberang Perai Tengah, Pulau Pinang at the rental rates of RM0.18 per square foot for the period commencing from 1 December 1994 to 30 November 2009 and RM0.27 per square foot for the period commencing from 1 December 2009 to 30 November 2024. The agreement is valid for a lease period of 30 years commencing from 1 December 1994 to 30 November 2024.

(ii) Agreement dated 10 May 2012 for the supply of raw sugar between the Government, as represented by MITI, MSM, Central Sugars Refinery Sdn Bhd, Gula Padang Terap Sdn Bhd and Queensland Sugar Limited, whereby Queensland Sugar Limited has agreed to supply the specified amounts of raw sugar to MSM, Central Sugars Refinery Sdn Bhd and Gula Padang Terap Sdn Bhd and MSM, Central Sugars Refinery Sdn Bhd and Gula Padang Terap Sdn Bhd have agreed to purchase the raw sugar at the stated consideration. The agreement is valid for a period of three years commencing from 1 January 2012 to 31 December 2014, unless otherwise terminated in accordance with the terms thereof.

(iii) Agreement dated 10 May 2012 for the supply of raw sugar between the Government, as represented by MITI, MSM, Central Sugar Refinery Sdn Bhd, Gula Padang Terap Sdn Bhd, KGFP and Cargill International SA, whereby Cargill International SA has agreed to supply the specified amounts of raw sugar to MSM, Central Sugar Refinery Sdn Bhd, Gula Padang Terap Sdn Bhd and KGFP and MSM, Central Sugar Refinery Sdn Bhd, Gula Padang Terap Sdn Bhd and KGFP have agreed to purchase the raw sugar at the stated consideration. The agreement is valid for a period of three years commencing from 1 January 2012 to 31 December 2014, unless otherwise terminated in accordance with the terms thereof.

7.22.4 KGFP

Agreement dated 10 May 2012 for the supply of raw sugar between the Government, as represented by MITI, MSM, Central Sugar Refinery Sdn Bhd, Gula Padang Terap Sdn Bhd, KGFP and Cargill International SA as referred to in Section 7.22.3(iii) above.

7.22.5 TRT-ETGO Inc

Tolling Agreement dated 9 December 2011 between Bunge ETGO and TRT-ETGO Inc, whereby TRT-ETGO Inc has agreed to crush canola seeds and soybeans into meals, hulls and crude oil, to degum crude oil, to refine and bleach crude oil, and to refine, bleach and deodorise crude oil for Bunge ETGO at the canola and soybean crushing plant and oil refinery owned by TRT-ETGO Inc. Bunge ETGO shall supply canola seeds and soybeans to TRT-ETGO Inc. TRT-ETGO Inc shall perform certain upgrades to the TRT facility in order to be able to achieve the agreed benchmarks. Until achievement of the benchmarks, Bunge ETGO shall pay to TRT-ETGO Inc fixed and variable fees for each MT of crushed raw materials, degummed oil and refined and bleached crude oil (subject to a minimum of 60,000 MT per year of refined and bleached oil) and 80% of certain applicable transportation costs incurred by TRT-ETGO Inc. After achievement of the benchmarks, Bunge ETGO shall pay to TRT-ETGO Inc a monthly fixed fee (irrespective of the quantity of product produced) to be determined, a variable fee per MT of crushed raw materials, degummed oil, refined and bleached crude oil and refined, bleached and deodorised crude oil, and 80% of certain applicable transportation costs incurred by TRT-ETGO Inc. TRT-ETGO Inc shall crush canola seeds and soybeans into meals, hulls and crude oil, degum crude oil, refine and bleach crude oil, and refine, bleach and deodorise crude oil exclusively for Bunge ETGO. The agreement shall commence on 9 December 2011 and shall terminate upon the termination of Bunge ETGO, a limited partnership formed between TRT-ETGO Inc and Bunge Ventures Canada L.P. as the limited partners, and Bunge ETGO G.P. Inc as the general partner. Although the term of the limited partnership is indefinite, either party to the joint venture may terminate it as of 9 December 2014.

8.1 PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

8.1.1 Pro forma consolidated statements of comprehensive income

The pro forma consolidated statements of comprehensive income for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 have been prepared for illustrative purposes only to show the effects on the pro forma consolidated statements of comprehensive income on the assumption that our Group had been in existence throughout the financial years under review. The pro forma consolidated statements of comprehensive income should be read in conjunction with Section 8.2 of this Prospectus and notes to the pro forma consolidated statements of comprehensive income set out in Section 8.10 of this Prospectus. The financial information included in this Prospectus does not reflect our Group's results of operations, financial position and cash flow in the future, and our Group's past operating results are not indicative of our Group's future operating performance.

	Pro Forma		
	Year Ended 31 December		
	2009	2010	2011
	RM '000	RM '000	RM '000
Revenue	2,880,343	5,804,601	7,474,846
Cost of sales	(2,013,369)	(3,961,878)	(5,464,452)
Gross profit	866,974	1,842,723	2,010,394
Other operating income	18,347	19,418	78,836
Selling and distribution expenses	(56,273)	(98,562)	(96,983)
Administrative expenses	(131,149)	(167,700)	(212,546)
Other operating expenses	(68,620)	(45,388)	(85,833)
Other (losses)/gains, net	-	(66,316)	35,923
Fair value changes in Land Lease Agreement liability	(515,805)	(527,027)	(529,970)
Finance costs	(10,035)	(151,557)	(141,211)
Finance income	6,878	12,243	38,055
Share of results from Associates	349,227	391,225	329,328
Share of results from Jointly-Controlled Entities	8,818	(24,668)	(53,964)
PBT	468,362	1,184,391	1,372,029
Taxation	(35,494)	(255,024)	(357,364)
Profit for the financial year from continuing operations	432,868	929,367	1,014,665
Discontinued operation:			
Loss for the financial year from discontinued operation	(139,297)	-	-
PAT for the financial year	293,571	929,367	1,014,665
PAT attributable to:			
Owners of our Company	322,297	932,011	942,182
Non-controlling interest	(28,726)	(2,644)	72,483
	293,571	929,367	1,014,665

	Pro Forma		
	Year Ended 31 December		
	2009	2010	2011
	RM '000	RM '000	RM '000
Profit for the financial year	293,571	929,367	1,014,665
Share of other comprehensive income of Associates	-	1,124	20,141
Share of other comprehensive income of Jointly-Controlled Entities	-	(20,211)	(3,194)
Other reserves	-	(2,934)	-
Currency translation differences	19,846	(62,912)	(4,255)
Total comprehensive income for the financial year	313,417	844,434	1,027,357
Attributable to:			
Owners of our Company	342,133	843,262	954,874
Non-controlling interests	(28,716)	1,172	72,483
	313,417	844,434	1,027,357
Amortisation	21,918	20,401	12,176
Depreciation	47,884	99,260	111,468
EBITDA[1]	1,057,126	2,036,709	2,092,876
NA	5,007,505	5,151,458	5,483,830
No. of Shares in issue[2] (000)	3,648,152	3,648,152	3,648,152
Gross EPS[3] (sen)	12.8	32.5	37.6
Net EPS[4] (sen)	8.0	25.5	27.8
NA per Share[5] (sen)	137.3	141.2	150.3
Gross profit margin (%)	30.1	31.7	26.9
PBT margin (%)	16.3	20.4	18.4
PAT margin (%)	10.2	16.0	13.6
EBITDA margin (%)	36.7	35.1	28.0

Notes:

(1) Our EBITDA presented in this Prospectus is a supplemental measure of our performance and liquidity and is not required by, or presented in accordance with FRS and should not be considered as an alternative to PAT, operating income, or any other performance measures derived in accordance with FRS or as an alternative to our cash flows or as a measure of our liquidity. In addition, EBITDA is not a standardised term, hence a direct comparison between companies using such a term may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure.

We believe that the presentation of EBITDA facilitates the operating performance comparisons from period to period and from company to company by eliminating potential differences caused by variations in capital structures (affecting finance costs), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of tangible assets (affecting relative depreciation expense).

The following is a reconciliation of our PBT to EBITDA:

	Pro Forma		
	Year Ended 31 December		
	2009	**2010**	**2011**
	RM '000	**RM '000**	**RM '000**
PBT	468,362	1,184,391	1,372,029
Amortisation	21,918	20,401	12,176
Depreciation	47,884	99,260	111,468
Finance costs	10,035	151,557	141,211
Finance income	(6,878)	(12,243)	(38,055)
Other (losses)/gains - net	-	66,316	(35,923)
Fair value changes in Land Lease Agreement liability*	515,805	527,027	529,970
EBITDA	**1,057,126**	**2,036,709**	**2,092,876**

* *Adjustment relating to the fair value change in the finance liability arising from the Land Lease Agreement.*

(2) *Based on the enlarged issued and paid-up share capital after the IPO Transactions.*

(3) *Computed as PBT divided by the enlarged issued and paid-up share capital after the IPO Transactions.*

(4) *Computed as PAT divided by the enlarged issued and paid-up share capital after the IPO Transactions.*

(5) *Computed as NA divided by the enlarged issued and paid-up share capital after the IPO Transactions.*

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8.1.2 Pro forma consolidated statement of financial position

The pro forma consolidated statement of financial position as at 31 December 2011 has been prepared for illustrative purposes only to show the effects on the pro forma consolidated statement of financial position on the assumption that the entry into the Land Lease Agreement and the Sarawak Land Management Agreement, conversion of all RCPS and RCCPS, IPO and utilisation of proceeds had been effected on 31 December 2011 and should be read in conjunction with the notes to the pro forma consolidated statement of financial position set out in Section 8.10 of this Prospectus.

Pro forma I : After the entry into the Land Lease Agreement and the Sarawak Land Management Agreement and conversion of all RCPS and RCCPS.

Pro forma II : After IPO and utilisation of proceeds.

	Audited as at 31 December 2011	Pro forma I	Pro forma II After Pro forma I
	RM '000	RM '000	RM '000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1,001,764	1,703,304	1,803,304
Goodwill and intangible assets	662,686	662,686	662,686
Interests in Associates	2,388,197	2,388,197	2,388,197
Interests in Jointly-Controlled Entities	349,353	349,353	349,353
Prepaid lease payments	785	785	785
Loan due from other related company	17,090	17,090	17,090
Biological assets	622	1,858,842	1,858,842
Amount due from Jointly-Controlled Entity	45,520	45,520	45,520
Deferred tax assets	41,998	1,484,797	1,484,797
TOTAL NON-CURRENT ASSETS	4,508,015	8,510,574	8,610,574
CURRENT ASSETS			
Inventories	406,629	464,117	464,117
Biological assets	11,198	11,198	11,198
Receivables	395,478	403,428	403,428
Amounts due from related companies	4,118	4,270	4,270
Tax recoverable	21,729	21,729	21,729
Loan due from other related company	10,836	10,836	10,836
Derivative financial assets	2,842	2,842	2,842
Cash and cash equivalents	1,777,824	1,723,439	5,662,439
TOTAL CURRENT ASSETS	2,630,654	2,641,859	6,580,859
TOTAL ASSETS	7,138,669	11,152,433	15,191,433

	Audited as at 31 December 2011	Pro forma I	Pro forma II After Pro forma I
	RM '000	RM '000	RM '000
EQUITY AND LIABILITIES			
Share capital	1,767,612	2,668,152	3,648,152
RPS	9,005	-	-
Share premium	881,783	-	3,370,682
Foreign exchange reserve	(60,608)	(60,608)	(60,608)
Other reserves	68,188	68,188	68,188
Retained earnings	601,541	591,789	540,107
Reorganisation reserve	-	(2,082,691)	(2,082,691)
Equity attributable to:			
Owners of our Company	3,267,521	1,184,830	5,483,830
Non-controlling interests	823,362	823,362	823,362
TOTAL EQUITY	4,090,883	2,008,192	6,307,192
CURRENT LIABILITIES			
Payables	121,015	244,982	244,982
Amounts due to ultimate holding body	5,448	5,448	5,448
Amounts due to Associates	21	21	21
Amount due to other related companies	87,905	217,699	217,699
Amount due to Jointly-Controlled Entity	35,091	35,091	35,091
Borrowings	761,974	761,974	501,974
Provision for liabilities	1,738	1,738	1,738
Current tax liabilities	14,278	14,278	14,278
Land Lease Agreement liability	-	541,741	541,741
Total current liabilities	1,027,470	1,822,972	1,562,972
NON CURRENT LIABILITIES			
Borrowings	40,518	40,518	40,518
Loan due to ultimate holding body	1,835,000	1,835,000	1,835,000
Provision for liabilities	7,398	7,398	7,398
Provision for defined benefit plan	492	492	492
Deferred tax liabilities	136,908	136,908	136,908
Land Lease Agreement liability	-	5,300,953	5,300,953
Total non-current liabilities	2,020,316	7,321,269	7,321,269
TOTAL LIABILITIES	3,047,786	9,144,241	8,884,241
TOTAL EQUITY AND LIABILITIES	7,138,669	11,152,433	15,191,433
NA attributable to equity holders of our Company (RM '000)	3,267,521	1,184,830	5,483,830
Number of Shares (000)	1,767,612	2,668,152	3,648,152
NA per Share (RM '000)	1.85	0.44	1.50

8.1.3 Pro forma consolidated statement of cash flows

The pro forma consolidated statement of cash flows for the financial year ended 31 December 2011 has been prepared for illustrative purposes only to show the effects on the pro forma consolidated statement of cash flows on the assumption that our Group had been in existence throughout the financial year under review. The pro forma consolidated statement of cash flows should be read in conjunction with Section 8.2 of this Prospectus and notes to the pro forma consolidated statement of cash flows set out in Section 8.10 of this Prospectus.

	RM '000
Profit for the financial year	1,005,030
Adjustments for:	
Taxation	366,999
Depreciation of property, plant and equipment	111,468
Amortisation of intangible assets	5,851
Amortisation of prepaid lease payments	6,325
Fair value changes in Land Lease Agreement liability	529,970
Impairment loss on property, plant and equipment	164,687
Impairment loss on intangible assets	42,792
Gain on disposal of Subsidiaries	(68,220)
Gain on disposal of property, plant and equipment	(66)
Property, plant and equipment written off	1,765
Biological assets written off	4,509
Share of results from Associates	(329,328)
Share of results from Jointly-Controlled Entities	53,964
Finance costs	141,211
Finance income	(38,064)
Impairment for receivables	79
Provision for retirement benefits	78
Other (gains)/losses	(35,923)
Provision for asset retirement	259
Provision for restructuring	4,392
Net unrealised foreign exchange (gain)/loss	(4,565)
Operating profit before working capital changes	1,963,213
Working capital changes	
Receivables	84,609
Inventories	84,351
Intercompany balances	18,033
Payables	50,467
Biological assets	(459)
Cash generated from operations	2,200,214
Taxation paid	(380,808)
Finance income	35,294
Retirement benefits paid	(618)
Net cash generated from operating activities	1,854,082
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from disposal of property, plant and equipment	486
Dividend received from Associate	203,685
Purchase of biological assets	(6,397)
Purchase of property, plant and equipment	(128,818)
Deposit for acquisition of a Subsidiary	(5,775)
Acquisition of a Jointly-Controlled Entity	(75,664)
Loan to a Jointly-Controlled Entity	(45,520)
Payment for asset retirement obligation	(33)
Payment for land lease premium	(41,063)
Repayment of loan to a related company	10,456
Accretion of interest in Subsidiaries	(3,827)
Proceeds from dilution of interest in Subsidiaries	1,160,505
Net cash outflow from disposal of Subsidiaries	(12,325)
Net cash generated from investing activities	1,055,710

	RM '000
CASH FLOWS FROM FINANCING ACTIVITIES	
Drawdown of borrowings	332,133
Repayment of borrowings	(290,000)
Repayment of Land Lease Agreement liability	(549,241)
Finance costs paid	(123,587)
Dividend paid to shareholders	(25,000)
Payment for capital lease	(461)
Net proceeds from bankers acceptances	71,300
Dividend paid to non-controlling interest	(36,481)
Increased in fixed deposits pledged for bank guarantees	(286,510)
Net cash used in financing activities	(907,847)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,001,945
Effect of currency translation differences	(5,266)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	4,301,652
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6,298,331

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8.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF PRO FORMA FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our pro forma consolidated financial information with respect to the years ended 31 December 2009, 2010 and 2011 are based on, and should be read in conjunction with, our pro forma consolidated financial information and related notes included in this Prospectus. You should also read the following discussion together with (i) the historical audited consolidated financial statements of FGVH and related notes and (ii) the carved out historical financial information of the Plantation Estates (as defined below) and related notes, all of which are included in this Prospectus.

8.2.1 Overview

We are a global agricultural and agri-commodities company based in Malaysia, with operations across ten countries. According to Frost & Sullivan, we were the third largest oil palm plantation operator in the world based on planted hectarage (other than plantings of immature oil palms) in 2011. We currently operate 343,521 hectares of oil palm plantation estates in Malaysia that produced 5.2 million MT of FFB in 2011. FHB, our 49%-owned Associate, is the largest producer of CPO in the world based on production volume, having produced 3.3 million MT of CPO in 2011, and our Subsidiary, MSM Holdings, which is listed on the Main Market of Bursa Securities, is the leading refined sugar producer in Malaysia.

We were incorporated in Malaysia on 19 December 2007 as the commercial arm of FELDA for overseas investments in the upstream and downstream palm oil business and other agribusinesses, and we are currently a producer of oil palm and rubber plantation products, soybean and canola products, oleochemical products and sugar products.

Our primary business activities are classified into three main business segments: plantations business, downstream business and sugar business.

- We have approximately 355,864 hectares of plantation estates on the FELDA-Leased and Managed Land in Malaysia pursuant to tenancy agreements with FELDA with respect to 347,584 hectares of land in Peninsular Malaysia and Sabah and a management agreement with FELDA with respect to 8,280 hectares of land in Sarawak. The vast majority of the FELDA-Leased and Managed Land is devoted to the cultivation of oil palms, with a small amount used to cultivate rubber trees. In 2011, 5.2 million MT of FFB were produced from the oil palm plantation estates on the FELDA-Leased and Managed Land.

  F Palm Industries, which is a subsidiary of our 49%-owned Associate FHB, has historically purchased from FELDA substantially all of the FFB produced on the oil palm plantation estates on the FELDA-Leased and Managed Land, and, with the effectiveness of the Land Lease Agreement and Sarawak Land Management Agreement on 1 January 2012, F Palm Industries has purchased that FFB from us. Pursuant to contractual arrangements that we entered into with F Palm Industries with effect from 1 March 2012, F Palm Industries will purchase from us substantially all of the FFB produced on the oil palm plantation estates on the FELDA-Leased and Managed Land. F Palm Industries produces CPO and PK using the FFB it acquires from us, as well as the FFB it acquires from FELDA Settlers, third parties and F Agricultural, a subsidiary of FHB.

Pursuant to the same contractual arrangements between F Palm Industries and us, F Palm Industries sells to us a substantial portion of the total CPO that it produces. We resell this CPO to third-party customers, such as refiners and traders, in Malaysia and abroad, to our joint ventures and to FHB's various subsidiaries and its associate, MEO, for their production of palm oil-based products. For a summary of the terms of the contractual arrangements between F Palm Industries and us, refer to Section 7.22.2(iii) of this Prospectus.

Outside of Malaysia, we have invested in Trurich, a joint venture, that owns 42,000 hectares of oil palm plantations in East and Central Kalimantan, Indonesia, and we have acquired PT Citra Niaga, a company that owns 14,385 hectares of land in West Kalimantan, Indonesia for oil palm plantation development.

In addition to oil palms, in our rubber plantation operations, we cultivate and harvest cup lumps on 10,308 hectares of rubber plantations on the FELDA-Leased and Managed Land, all of which we sell to F Rubber Industries, a subsidiary of FHB, as raw materials for its production of rubber products.

- In our downstream business segment, we produce soybean and canola products through our subsidiary, TRT-ETGO Inc, in Québec, Canada, and we produce oleochemicals through our subsidiary, TRT US, in Massachusetts, United States. Our soybean and canola business' commercial operations are conducted through our joint venture, Bunge ETGO, with Bunge Limited, which is a vertically integrated food and feed ingredient company. We entered into a tolling agreement with Bunge ETGO on 9 December 2011, pursuant to which Bunge ETGO provides us with soybeans and canola seeds, which we process into soybean and canola products that Bunge ETGO sells and markets. Following the implementation of this tolling agreement, we now recognise revenue from tolling fees that Bunge ETGO pays us, and we no longer recognise revenue from the sale of soybean and canola products or cost of sales from the purchase of soybeans and canola seeds. For a summary of the terms of the tolling agreement between Bunge ETGO and us, refer to Section 7.22.5 of this Prospectus.

  We have a joint venture called Felda IFFCO with IFFCO Group, a mass-market consumer goods manufacturer and marketer based in the United Arab Emirates. Through this joint venture, we have interests in palm oil refineries and downstream processing facilities in Malaysia, Indonesia, China, Turkey and South Africa, a facility for other oils and fats in Ohio, United States, and sales and marketing offices in France and Spain.

- Through our subsidiary, MSM Holdings, we produce a full range of refined sugar products for both the commercial and retail sectors. According to Frost & Sullivan, in 2011, we were the largest refined sugar producer in Malaysia based on production volume of 958,377 MT of sugar products and an annual production capacity of over 1.1 million MT of sugar products. The customers of our sugar business segment are primarily in Malaysia.

As at 31 December 2011, we had total assets of RM11,152.4 million on a pro forma basis following the Pre-IPO Transactions (as defined below) but prior to the IPO Transactions (as defined below). For the years ended 31 December 2009, 2010 and 2011, we generated pro forma profits for the year of RM293.6 million, RM929.4 million and RM1,014.6 million, respectively, on pro forma revenues of RM2,880.3 million, RM5,804.6 million and RM7,474.8 million, respectively.

8.2.2 Basis of Pro Forma Presentation

We have presented our pro forma consolidated financial information for the years ended 31 December 2009, 2010 and 2011 to provide an illustration of our financial condition and the trend in our financial performance had our current structure following the Pre-IPO Transactions been in existence throughout those periods presented and the IPO Transactions had occurred prior to the periods presented. The objective of our pro forma consolidated financial information is to show what our results of operations, our financial position and our cash flows would have been if the following events had occurred at an earlier date:

(i) the Land Lease Agreement, novated on 6 January 2012, to lease (1) lands with individual land titles issued to FELDA as the registered owner, (2) existing lands vested with FELDA for development but where individual land titles have not been issued to FELDA and (3) other lands to be alienated to or to be acquired by FELDA in the future; a total of 347,584 hectares of land (the "**FELDA-leased Land**") are covered under the Land Lease Agreement;

(ii) the addendum to the Land Lease Agreement we entered into with FELDA on 2 January 2012 to acquire all fixed and tangible assets (excluding infrastructure), net current assets and net current liabilities as of 31 December 2011 related to the operation of the Plantation Estates;

(iii) the tenancy agreement we entered into with FELDA on 6 January 2012, together with the addendum entered into on 21 May 2012 in respect of the 8,280 hectares of land in Sarawak (the "**Sarawak Land**" and together with the FELDA-leased Land, the "**Plantation Estates**"), and the tenancy agreement we entered into with FELDA on 21 January 2012, in each case, to implement the Land Lease Agreement with effect from 1 January 2012;

(iv) the Sarawak Land Management Agreement, with effect from 1 January 2012, in respect of the Sarawak Land;

(v) the conversion of our 329,949,500 RCPS and our 570,590,000 RCCPS into FGVH Shares, resulting in the issuance of 900,539,500 new FGVH Shares (items (i), (ii), (iii), (iv) and (v) collectively, the "**Pre-IPO Transactions**"); and

(vi) the IPO, the Listing and certain application of proceeds from the IPO, in accordance with Note 2.2.2 to our pro forma consolidated statement of financial position (the "**IPO Transactions**").

For information on the terms of the Land Lease Agreement, refer to Section 7.22.1(i) of this Prospectus.

Our pro forma consolidated financial information has been prepared based on the historical audited consolidated financial statements of FGVH and the carved out historical financial information of the Plantation Estates solely for illustrative purposes to show the effects of the Pre-IPO Transactions and the IPO Transactions on these historical audited consolidated financial statements. Accordingly, our pro forma consolidated financial information has been presented as though our pro forma Group had been in existence (i) throughout the financial years under review in our pro forma consolidated statements of comprehensive income and our pro forma consolidated statement of cash flows and (ii) on the date of our pro forma consolidated statement of financial position.

In our pro forma consolidated statements of comprehensive income for the past three financial years, the Pre-IPO Transactions and the IPO Transactions were assumed to have occurred on 31 December 2008. As a result of the assumed completion of the IPO Transactions, our pro forma cost of sales for each of 2009, 2010 and 2011 includes RM14.0 million of depreciation expenses recorded in respect of certain assets assumed to have been acquired through our application of RM100 million of proceeds from the IPO as capital expenditures in accordance with Section 4.12 of this Prospectus, which, in each of the three years, lowered our profit before taxation by the same amount and, consequently, lowered our tax expenses by RM3.5 million. Our pro forma consolidated statement of financial position as at 31 December 2011 has been prepared on the assumption that the Pre-IPO Transactions and the IPO Transactions had occurred on 31 December 2011, the end of the most recent completed financial year. We have also presented the pro forma consolidated statement of cash flows for 2011, the most recent completed financial year, on the assumption that the Pre-IPO Transactions and the IPO Transactions had occurred on 31 December 2010. However, as noted below in Section 8.3, we have adjusted the presentation and the discussion of certain aspects of our pro forma consolidated statement of financial position and consolidated statement of cash flows to exclude the IPO Transactions.

Our pro forma consolidated financial information included in this Prospectus has not been audited and has been created solely to present an illustration of how the Pre-IPO Transactions and the IPO Transactions might have affected us had they been undertaken on the relevant dates assumed above. Accordingly, our pro forma consolidated financial information does not purport to represent our actual consolidated results of operations or financial position had the Pre-IPO Transactions and the IPO Transactions actually been completed on the relevant date assumed. Our pro forma consolidated financial information is also not indicative of our future consolidated financial position or results of operations following the IPO and the Listing. In particular, our pro forma consolidated financial information does not reflect our contractual arrangements with F Palm Industries for the supply and delivery of FFB and CPO, which came into effect on 1 March 2012. We did not sell any CPO prior to entering into these arrangements with F Palm Industries in March 2012, and, accordingly, our pro forma consolidated financial information is not necessarily indicative of our business and results of operations going forward following the relevant periods covered therein. Refer to Section 8.2.3(ii) of this Prospectus for more information.

Our pro forma consolidated financial information also reflects the management arrangements for the Plantation Estates that existed prior to 1 March 2012, where a management fee (which includes a profit sharing element) was paid to F Plantations, a subsidiary of FHB. For periods after 1 March 2012, our future consolidated financial statements will not include the payment of this management fee, but our operating expenses will include our expenses related to the management of the Plantation Estates. In addition, our pro forma consolidated financial information reflects the revenue from the sale of soybean and canola products and cost of sales from the purchase of soybeans and canola seeds for periods following the commencement of operations of our soy and canola business in 2010 until 9 December 2011, when our tolling agreement with our joint venture, Bunge ETGO, took effect, as described above and in Section 7.7 of this Prospectus. Following the effectiveness of the tolling agreement, we no longer recognise such revenue and such cost of sales in our consolidated financial statements, and accordingly, our pro forma consolidated financial information is not necessarily indicative of our business and results of operations going forward following the relevant periods covered therein. We expect these differences will have a significant impact on our financial position and results of operation going forward following the relevant periods covered therein.

8.2.3 Significant factors affecting our pro forma results of operations

(i) Commodities Prices

The prices of commodities have a significant impact on the revenues and cost of sales of our primary businesses, including sale of FFB and CPO and businesses producing fatty acids and glycerin, soy and canola products and refined sugar, as well as the primary businesses of our Associates and Jointly-Controlled Entities, including businesses producing palm oil-based products and other agri-businesses such as rubber and cocoa products.

The prices of products that we, our Associates and our Jointly-Controlled Entities sell are subject to volatility and cyclicality. Prices of CPO and PKO in particular are heavily influenced by the prices of crude petroleum oil and substitute vegetable oils, such as soybean, canola and sunflower oils, in the case of CPO, and the substitute lauric oil CNO, in the case of PKO. The sales prices for CPO closely track CPO futures prices quoted by the MPOB, and the price of FFB closely tracks the price of CPO. The sales prices of refined sugar products we sell in Malaysia are affected by prices of raw sugar in the international market and by relevant government policies in Malaysia, while prices of the refined sugar products we export are primarily dependent on international market prices for those products. The prices of oleochemical products and soy and canola products we sell are primarily dependent on the local Canadian and international market prices for those products. In the case of soy and canola products, their selling prices are also affected by the price of competing vegetable oils and relevant government policies. Refer to Section 8.2.3(iv) of this Prospectus for additional information on government regulations that may affect the prices of these commodities.

Sales prices for refined palm oil-based products of our Associate FHB differ depending on the product. The price of industrial refined palm oil-based products is primarily dependent on the local Malaysian and international market prices for CPO, but is also affected by government policies, including export taxes for these products. The prices for PK products are influenced by the regional prices of PKO and international prices of CNO, which is a substitute product for refined PKO. The price of branded palm oil-based products is somewhat less dependent on changes in supply and demand than bulk palm oil-based products, largely due to government regulation of cooking oil in Malaysia that imposes a price ceiling on cooking oil sold in Malaysia. The prices of our Associate FHB's rubber products are primarily dependent on local Malaysian and international market prices for processed rubber products, and can fluctuate depending on weather conditions and other factors, such as demand for end-user rubber products.

Prices of commodities that are used by us and our Associates and Jointly-Controlled Entities as raw materials, such as raw sugar, soybeans, canola seeds, FFB, CPO, rubber and cocoa beans, are also highly volatile and cyclical and are generally affected by their respective worldwide demand and supply, as well as weather conditions, government trade policies, foreign exchange rates, shifts in consumption patterns, the availability and price of substitute commodities and other unforeseen circumstances over which we do not have any control.

(ii) Sales of CPO

In March 2012, we entered into contractual arrangements (the "**FPI SDA Arrangement**"), with effect from 1 March 2012, with F Palm Industries, a subsidiary of our 49%-owned Associate FHB, pursuant to which F Palm Industries will purchase substantially all of the FFB that we produce on the oil palm plantation estates on the FELDA-Leased and Managed Land. Our sales of FFB to F Palm Industries under the FPI SDA Arrangement are made using prices based on the then-prevailing market price of CPO and other factors such as extraction rates, processing charges and other related costs. F Palm Industries produces CPO and PK using the FFB it acquires from us, as well as the FFB it acquires from FELDA Settlers, third parties and F Agricultural, a subsidiary of FHB. In addition, pursuant to the FPI SDA Arrangement (other than certain transition arrangements in March 2012 when F Palm Industries continued to sell CPO to a number of parties other than us), F Palm Industries sells to us substantially all of the total CPO that it produces, other than CPO that it sells to its subsidiary DOP. We purchase CPO from F Palm Industries under the FPI SDA Arrangement using prices based on the then-prevailing market price of CPO. We resell this CPO to third-party customers, such as refiners and traders, in Malaysia and abroad, to our joint ventures and to FHB's various subsidiaries and its associate, MEO, for their production of palm oil-based products. For information on the terms of the FPI SDA Arrangement between F Palm Industries and us, refer to Section 7.22.2(iii) to this Prospectus.

As the FPI SDA Arrangement only came into effect in 1 March 2012, any related transactions, including our purchase and sale of CPO under the arrangement, are not presented in our pro forma consolidated financial information included in this Prospectus, which only reflect our pro forma financial position and results of operations for the years ended 31 December 2009, 2010 and 2011. We expect that our sales of CPO will account for a substantial portion of our revenues and that our purchases of CPO from F Palm Industries will account for a substantial portion of our cost of goods sold. Prior to our entering into the FPI SDA Arrangement with F Palm Industries, we had no revenue from CPO sales and no cost of goods sold for CPO purchases. In addition, in our pro forma consolidated financial information we recognised revenue from our sales of FFB to F Palm Industries, but with the effectiveness of the FPI SDA Arrangement, we no longer recognise revenue from the sales of FFB that our subsidiary FGV Plantations Malaysia makes to F Palm Industries, which will comprise substantially all of our FFB sales going forward. For further information on Critical Accounting Policies – Revenue Recognition, refer to Section 8.2.4(i) of this Prospectus. Accordingly, our pro forma consolidated financial information included in this Prospectus may not necessarily be indicative of our business and results of operations going forward following the periods covered therein.

(iii) Acquisitions and Investments

Since 2009, FGVH acquired substantial interests in various agri-businesses as follows:

- acquisition in 2009 of a 49% equity interest in FHB from FELDA for a total consideration of RM1,567.6 million;
- acquisition in 2009 of a 50% equity interest in Felda IFFCO from FHB for a total consideration of RM145.2 million;
- acquisition in 2009 of a 50% equity interest in Trurich from Lembaga Tabung Haji for a total consideration of RM102.3 million, and subsequent capital investments in Trurich in 2010 totaling RM73.1 million;
- acquisition in 2010 of a 100% equity interest in MSM, a 50% equity interest in KGFP, a 20% equity interest in Tradewinds and 5,797 hectares of sugar cane plantation land in Chuping, Perlis, from PPB Group for a total consideration of RM1.5 billion (collectively, the "**Sugar Business Acquisition**");
- entering into a joint venture agreement with Bunge Limited in 2011 to establish our 49%-owned joint venture, Bunge ETGO, for a total investment of RM75.7 million; and
- acquisition in 2012 of a 95% equity interest in PT Citra Niaga from Joko Sintrajaya for a total consideration of RM16.5 million.

Through these acquisitions, we have expanded our business lines and diversified our sources of income. Our sugar business and our interest in Tradewinds, both of which we acquired through the Sugar Business Acquisition, are sources of income that we did not have prior to 2010. Our investments in FHB, Felda IFFCO and Trurich have allowed us to share in the results of these businesses engaged mainly in the upstream and downstream palm oil business (including oleochemicals and oils and fats) and other agri-businesses, including the rubber business. Our pro forma results of operations were substantially impacted by these acquisitions and investments. Our sugar business contributed RM2,147.7 million and RM2,299.7 million to our pro forma revenue in 2010 and 2011, respectively, representing 37.0% and 30.7% of our pro forma revenue for those years. MSM Holdings was listed on Bursa Securities in June 2011, and we currently hold a 51% stake in MSM Holdings.

(iv) Government Regulations Affecting Commodities

The prices of certain commodity products that we, our Associates and our Jointly-Controlled Entities sell are affected by government regulations in Malaysia as well as in other countries. Our financial performance, like the financial performance of other commodities producers, thus depends, in part, on governments' policies in respect of these commodities, which are beyond our control.

Exports of CPO from Malaysia are currently subject to a governmental export duty. This duty is imposed on a graduated scale, calculated in RM per MT, with incremental increases in duty as a percentage of value of exports starting at 10% of RM650 per MT of exports and capped at 30% of the value of the exports over RM850 per MT. F Marketing, our marketing agent through which we began selling our CPO in April 2012, is one of a limited number of Malaysian companies to have been granted a duty-free export quota by the Government. This duty-free CPO export quota is for a one-year period and is granted on an annual basis. We expect to rely on F Marketing's duty-free export quota for the remainder of 2012, and plan to apply for our own licence, which would take effect beginning in 2013, although there is no assurance that either we or F Marketing will receive a quota in 2013 or any future year.

As in many countries, the sugar industry in Malaysia is regulated by the Government. Pursuant to the Price Controls Act 1946 and the Price Control and Anti-Profiteering Act of 2011, the Government has historically set price ceilings for refined white sugar products, taking into account various factors. In recent years, there has been a sharp increase in the price of raw sugar in the international markets. Following such increases in raw sugar prices, the Government introduced a sugar price subsidy in 2009 so that the increases in the prices of raw sugar would not be fully passed on to consumers of refined sugar products in Malaysia. Our financial performance, like the financial performance of other refined sugar producers in Malaysia, thus depends to a large extent on the Government's policies with respect to the sugar industry, such as the level of price ceilings and sugar subsidy, which are beyond our control. Starting in 2010, the Government has gradually adjusted the level of sugar subsidy and the sugar price ceiling, with the sugar subsidy amount generally being reduced and the price ceiling being increased.

The prices of soy and canola products we sell are primarily dependent on the local Canadian and international market prices for soy and canola products, but are also affected by the price of competing vegetable oils and government policies, including export taxes and tax incentives for these products and products using them as raw materials, including biodiesel. For example, the United States government's biodiesel tax incentive classifies soy and canola-based biodiesel as advanced biodiesels, which, as a result of the tax incentive, are price competitive with conventional diesel fuel and thereby increasing the demand for, and prices of, soy and canola oils.

The Government regulates the downstream palm oil industry, including by subsidising the price of cooking oil that is sold to consumers in Malaysia. The price of cooking oil that our Associate FHB sells in Malaysia is subject to a price ceiling fixed by the Government. Subject to a quota, FHB and other cooking oil producers are compensated by the Government for the difference between a certain benchmark RBD palm olein price, which was RM1,700 per MT for the year ended 31 December 2011, and the current market price of RBD palm olein as published by the MPOB.

In addition to regulations by the Government, import tariffs and taxes imposed by importing countries on products FHB exports can affect the demand for palm oil and can encourage substitution of other vegetable oils. If importing countries tax competing substitute products at a lower tax rate, the competitiveness of imported palm oil-based products can be adversely affected. Some importing countries also tax CPO and RBD palm oils differently in order to protect and encourage the development of palm oil refineries in their own countries. The imposition of higher import tariffs on refined palm oil-based products than on CPO may also adversely affect FHB's exports of RBD palm oil.

Further, due to the growing demand for oils that can be used as feedstock for the production of biodiesel, particularly to supply certain European markets with government requirements relating in part to carbon credits and tax incentives designed to cause an increasing percentage of their total diesel consumption to be biodiesel, the price of palm, soy and canola oils are now strongly influenced by the price of crude petroleum oil. This relationship has developed because all of these oils are feedstock for the production of diesel fuels.

(v) Competition and Changes in Consumer Trends

The palm oil industry is highly competitive and includes a large number of producers globally, especially from Malaysia and Indonesia. Palm oil-based products are commodities, and the primary competitive factor in the palm oil industry is price. Therefore, factors affecting price and margins have a significant impact on competition. For example, Indonesian refineries have a cost advantage in their CPO purchases due to a favourable export duty structure for CPO in Indonesia.

The palm oil industry also faces competition from other edible oils, primarily soy oil, canola oil and sunflower oil among others. The United States, Europe, China, India, Brazil and Argentina are all large producers of oils and fats. A decline in the price of these other edible oils would likely cause consumers of oils and fats to purchase these oils in place of palm oil, which in turn would adversely affect our business. Further, the prices for some substitute edible oils, including soy, sunflower and canola oils, are subsidised by various United States and European programs. These subsidies may protect producers of competing vegetable oils from price competition and negatively impact our ability to compete successfully against these products.

In addition, changes in consumer preferences will affect demand for palm oil-based products in general. These preferences are based on, among others, health concerns, sustainability concerns and other factors. Our revenue is determined in part by the extent to which we are able to keep abreast of such consumer trends and maintain demand for our products by adopting appropriate business strategies.

(vi) Demand for Refined Sugar

Our operating results are affected by the demand for refined sugar, mainly in Malaysia. The total consumption of refined sugar in Malaysia was approximately 1.4 million MT in 2010, according to Frost & Sullivan. Demand for refined sugar in Malaysia could change in the future as a result of one or a combination of many different factors that we cannot predict and may not have any control over, including:

- changes in the Government's policies regarding its sugar subsidy and price ceilings that affect the retail prices for refined sugar products;
- the Government's nutrition guidelines and labeling laws;
- changes in consumer sweetener preferences, including impact of dietary trends;
- changes in population and demographics;
- condition of the domestic and global economy; and
- changes in the availability, development or potential use of various types of alternative sweeteners.

(vii) Foreign Exchange Fluctuations

Our functional reporting currency is the RM, and changes in exchange rates have affected and may continue to affect our results of operations and cash flows. Our sales of oleochemicals and soy and canola products as well as exported sugar products are denominated primarily in USD. For the years ended 31 December 2009, 2010 and 2011, 21.1%, 20.5% and 27.8%, respectively, of our pro forma revenue was denominated in USD. Our imported raw material costs, including the cost of raw sugar and other raw materials that we purchase in the international market, and related hedging transactions are also denominated mainly in USD. As such, the movement of the USD against the RM may have a significant effect on our profit after taxation. A depreciation of the RM against the USD may increase, in RM terms, the revenues from our export sales and other revenues that are denominated in USD, but may also materially and adversely affect our financial performance because it may increase our imported raw materials costs and other costs of production in RM terms. Conversely, an appreciation of the RM against the USD may reduce the cost of imported raw materials and other costs of production in RM terms, but also have an adverse effect on our financial performance because it may reduce in RM terms our export revenue and other revenue denominated in USD and raise the prices for our products against other currencies.

(viii) Production, Sales and Marketing Capabilities

Our results of operations are dependent on our ability to successfully produce, market and deliver our products to meet market demand in an effective and timely manner. This includes, for example, successfully maintaining long-term relationships with our customers, which we believe depends, in part, on our ability to reliably deliver substantial quantities of our products. This ability, in turn, depends on, among others, how effectively we manage, maintain and coordinate our production facilities, logistics and distribution channels in all markets in which we operate, including Malaysia, the United States and Canada. Any major disruption in our production and distribution channels can have an adverse impact on our revenue. As a manufacturer of branded products, our revenue is also affected by our ability to generate demand for our products through maintaining brand awareness, brand loyalty and product differentiation.

(ix) Interest Rate Fluctuation

Our financial performance may be affected by changes in prevailing interest rates in the financial market as a significant portion of our borrowings comprises floating rate borrowings. As of 31 December 2011, we had total interest-bearing borrowings (both current and non-current borrowings inclusive of our loan from FELDA but excluding the Land Lease Agreement liability) of RM2,637.4 million on a pro forma basis. As of 31 December 2011, 30.4% of our borrowings on a pro forma basis were based on floating interest rates. A substantial increase in interest rates will increase our financing costs which would adversely affect our profitability.

8.2.4 Critical accounting policies

Our pro forma consolidated financial information has been prepared based on the historical audited consolidated financial statements of FGVH and the carved out historical financial information of the Plantation Estates in accordance with FRS and in a manner consistent with our internal accounting policies. In preparing our historical consolidated financial statements, we are required to make estimates, assumptions and judgments regarding uncertainties that affect certain reported amounts of revenue and expenses during the reporting period, as well as certain reported amounts of our assets and liabilities and the disclosure of our contingent assets and liabilities at the date of the financial statements. We base these estimates, assumptions and judgments on our historical experience and on various other reasonable factors, which are reviewed and evaluated on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Our actual results may differ from these estimates, assumptions and judgments under different conditions. We believe our most critical accounting policies that result in the application of estimates, assumptions or judgments are the following.

(i) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to us and the amount of the revenue can be measured reliably and comprises the invoiced value for the sale of goods, net of sales taxes, rebates and discounts. Revenue from sale of goods in our sugar and plantations segments is generally recognised upon the delivery of goods when significant risk and rewards of ownership of the goods are transferred to the buyer. In our pro forma consolidated financial information we recognised revenue from our sales of FFB to F Palm Industries, but with the effectiveness of the FPI SDA Arrangement in March 2012, we no longer recognise revenue from the sales of FFB that our subsidiary FGV Plantations Malaysia makes to F Palm Industries. Revenue from our downstream segment is recognised when persuasive evidence of an arrangement exists, the price is fixed and determinable, the product has been delivered to the customer and there is a reasonable assurance of collection of the sales proceeds.

(ii) Impairment of Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, associates and jointly-controlled entities over our share of the fair value of our identifiable net assets, including contingent liabilities, at the date of the relevant acquisition. Goodwill related to acquisition of subsidiaries is included as intangible assets in our consolidated balance sheet, while goodwill related to acquisition of associates or jointly-controlled entities is reflected in investments in associates or jointly-controlled entities, as applicable.

Separately recognised goodwill is tested annually for impairment or if events or circumstances occur indicating that impairment may exist, and it is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill is allocated to cash-generating units, which are the lowest level groups of assets for which there are separately identifiable cash flows. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. This involves making an estimation of the value in use of the cash-generating unit, which requires us to make an estimate of the expected future cash flows from the cash-generating unit by assuming a budgeted gross margin, growth rate as well as a suitable discount rate in order to calculate the present value of those cash flows. For additional information about impairment of goodwill, refer to Note 9.13 to our historical audited consolidated financial statements included in this Prospectus.

(iii) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost or valuation less accumulated depreciation and impairment losses, if any. The historical cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of property, plant and equipment, including their purchase cost. Freehold land and capital work-in-progress are stated at cost and are not depreciated.

Depreciation for property, plant and equipment, other than freehold land and capital work-in-progress, is recognised in the income statement on a straight-line basis to write off the cost or fair value of each asset to its residual value over the estimated useful life of such asset. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. We review residual values, estimated useful lives and the depreciation method of the assets at each balance sheet date to determine the amount, method and period of depreciation expense to be recorded during any reporting period. Factors that could reasonably occur that would result in a change to our estimates of estimated life and residual values include changes in the expected level of usage, physical wear and tear and technological developments. Changes in the estimated useful life and the residual values for our property, plant and equipment could have a material impact on our results of operations.

We also review and test for impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the purposes of assessing impairment, assets are grouped at cash-generating units. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined based on the higher of the asset's fair value less costs to sell and its value in use. This involves making an estimation of the value in use of the asset, which requires us to make an estimate of the expected future cash flows from the asset by assuming various factors, including a suitable discount rate in order to calculate the present value of those cash flows. For additional information about impairment of property, plant and equipment, refer to Note 9.12 to our historical audited consolidated financial statements included in this Prospectus.

(iv) Intangible Assets

Intangible assets other than goodwill are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair values as at the date of acquisition. Following initial recognition, other intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are categorised as either finite or indefinite. Amortisation for intangible assets with finite useful lives is recognised in the profit or loss on a straight-line basis over the estimated economic useful lives. Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or if events or circumstances occur indicating that impairment may exist.

The amortisation method and the useful life for other intangible assets are reviewed at least at each balance sheet date. The useful life of an intangible asset with an indefinite useful life is also reviewed annually to determine whether such assessment continues to be applicable. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. These intangible assets are reviewed for impairment whenever there is an indication that the intangible assets may be impaired. For additional information about impairment of intangible assets other than goodwill, refer to Note 9.13 to our historical audited consolidated financial statements included in this Prospectus.

(v) Deferred Tax Assets

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and unused tax credits can be utilised.

(vi) Provision for Defined Benefit Plan

We operate a non-funded defined benefit retirement plan, under which retirement benefits for employees are determined as a function of employees' earnings, designation and years of service and are payable upon attaining the normal retirement age. Our liabilities in respect of the defined benefit retirement plan are the present value of the defined benefit obligations at the balance sheet date, together with adjustments for actuarial gain or losses and past service cost, and are calculated on a regular basis such that the amounts recognised in our financial statements do not differ materially from the amounts that would be determined at the balance sheet date. Our obligations in respect of the defined benefit retirement plan are determined by independent actuaries using the projected unit credit method and by taking into consideration the estimated future cash outflows using market yields of government securities that have currency and terms to maturity approximating the terms of the related obligations.

(vii) Fair Valuation and Impairment of Liabilities and Assets

Under FRS, we are required to determine at each reporting date the fair value of many of our assets and liabilities, including primarily the financial liabilities arising under the Land Lease Agreement, the Sarawak Land Management Agreement and our available-for-sale financial assets and to adjust their respective carrying values accordingly. These determinations require us to make significant assumptions, estimates and judgments.

With respect to our financial liability arising under the Land Lease Agreement and the Sarawak Land Management Agreement, we are required under FRS to estimate at each reporting date the fair value of this liability and adjust the carrying value of that liability in our consolidated statements of financial position and recognise increases or decreases in the liability as other net losses or gains in our consolidated statements of comprehensive income. In estimating the fair value of this financial liability, we are required to make assumptions about various factors such as discount rates, CPO prices, replanting costs and FFB yield. These factors, including those that are beyond our control, such as CPO prices, can be volatile, and their movements can result in material changes in the fair value of the financial liability under the lease.

In determining the fair value of our available-for-sale financial assets for which market price quotes are not readily available, we use discounted cash flow analysis to calculate the fair value, which requires us to make certain assumptions that are mainly based on market conditions existing at the end of each reporting period in respect of which these calculations are made. In addition, in determining when to impair our available-for-sale financial assets, we evaluate multiple factors that we consider to be relevant, including the duration and extent to which the fair value of an investment is less than its cost and the financial health of the relevant investee, such as its operational and financing cash flows. As part of such evaluation, we may also be required to estimate or forecast the short-term business outlook of the relevant investee as well as general industry and sector performance and trends affecting the relevant industry.

8.2.5 Pro forma results of operations

The following discussion of our pro forma results of operations with respect to the years ended 31 December 2009, 2010 and 2011 is based on, and should be read in conjunction with, our pro forma consolidated financial information and related notes included in this Prospectus.

Following the Pre-IPO Transactions, our primary business segments are as follows:

- Plantations – cultivation of oil palm and rubber trees, harvesting and sales of FFB and raw rubber;

- Downstream – production of soybean and canola products, including soy and canola oils and meals, and oleochemicals such as fatty acids and glycerin; and

- Sugar – raw sugar refining, sugar cane milling and sales and marketing of refined sugar.

Pro forma results of our other businesses, which include real estate property management conducted mainly through our subsidiary Felda Global Ventures Middle East Sdn Bhd and sale of food and beverages in the Middle East by our subsidiary Felda Global Ventures Arabia Limited, are included in our plantations segment. In September 2011, we sold our entire interest in Felda Global Ventures Middle East Sdn Bhd to FELDA, and accordingly, these businesses are no longer part of our pro forma Group. Pro forma revenue from our other businesses accounted for 0.3%, 0.2% and 0.2% of our pro forma revenue in 2009, 2010 and 2011, respectively.

Components of our pro forma results of operations are as follows.

(i) Revenue

Our pro forma revenues are primarily derived from sales of FFB, raw rubber, refined sugar products, oleochemical products (namely fatty acids and glycerin), and soy and canola products (namely soy and canola oils and soy and canola meal). Revenues relating to refined sugar products and soy and canola products are not part of our pro forma revenues for 2009 as those business operations were not part of our pro forma group in 2009.

We also engage in a number of business activities through our Associates and Jointly-Controlled Entities. The results of operations of our Associates and Jointly-Controlled Entities are accounted for under the equity method as share of results from an associate or a jointly-controlled entity, as applicable. Accordingly, revenues recorded in our pro forma financial information do not include the revenues of our Associates and Jointly-Controlled Entities. Refer to Section 8.2.5(x) of this Prospectus for further information.

For 2009, 2010 and 2011, our total pro forma revenues were RM2,880.3 million, RM5,804.6 million and RM7,474.8 million, respectively.

The following table sets forth our pro forma revenue amounts by each business segment and as a percentage of total pro forma revenue for the periods indicated:

	Year Ended 31 December					
	2009		2010		2011	
Business Segment	**RM**	**%**	**RM**	**%**	**RM**	**%**
	(in millions, except percentages)					
Plantations[(1)].......	2,273.6	78.9	2,667.6	46.0	3,286.3	44.0
Sugar[(2)]..............	-	-	2,147.7	37.0	2,299.7	30.7
Downstream........	606.7	21.1	989.3	17.0	1,888.8	25.3
Total..................	2,880.3	100.0	5,804.6	100.0	7,474.8	100.0

Notes:

(1) Revenue from our plantations segment includes revenue from our other businesses, including real estate property management, sale of food and beverages and management fees, of RM8.8 million, RM12.6 million and RM12.6 million in 2009, 2010 and 2011, respectively.

(2) Revenue from our sugar segment includes sugar subsidy amounts of RM479.9 million and RM154.6 million for the years ended 31 December 2010 and 2011, respectively.

The following table sets forth our pro forma revenue by geographic area of our customers and the relevant percentage of total pro forma revenue for the periods indicated:

	Year Ended 31 December					
	2009		2010		2011	
Region	RM	%	RM	%	RM	%
	(in millions, except percentages)					
Malaysia	2,264.8	78.6	4,555.0	78.5	5,233.4	70.0
North America	606.3	21.1	787.9	13.6	1,450.3	19.4
Asia (ex-Malaysia)	-	-	262.8	4.5	230.3	3.1
Europe	-	-	127.7	2.2	399.8	5.3
Other	9.2	0.3	71.2	1.2	161.0	2.2
Total	2,880.3	100.0	5,804.6	100.0	7,474.8	100.0

The following table sets forth our pro forma revenue from the sale of major products by each business segment and the relevant percentage of total pro forma revenue for the periods indicated:

	Year Ended 31 December					
	2009		2010		2011	
Segment / Product	RM	%	RM	%	RM	%
	(in millions, except percentages)					
Plantations						
FFB(1)	2,219.2	77.0	2,596.5	44.8	3,183.8	42.6
Rubber	45.6	1.6	58.5	1.0	89.9	1.2
Others(2)	8.8	0.3	12.6	0.2	12.6	0.2
Sub-total	2,273.6	78.9	2,667.6	46.0	3,286.3	44.0
Downstream						
Fatty acids	552.7	19.2	561.0	9.7	752.7	10.1
Glycerin	43.8	1.5	36.1	0.6	34.4	0.5
Canola oil	-	-	210.4	3.6	674.1	9.0
Soy oil	-	-	17.2	0.3	63.8	0.9
Canola meal	-	-	74.9	1.3	186.9	2.5
Soy meal	-	-	77.7	1.3	126.2	1.7
Others	10.2	0.4	12.0	0.2	50.7	0.6
Sub-total	606.7	21.1	989.3	17.0	1,888.8	25.3
Sugar						
Refined sugar(3)	-	-	2,130.4	36.7	2,282.9	30.5
Molasses	-	-	17.3	0.3	16.8	0.2
Sub-total	-	-	2,147.7	37.0	2,299.7	30.7
Total	2,880.3	100.0	5,804.6	100.0	7,474.8	100.0

Notes:

(1) Revenues from sales of FFB for 2009 and 2010 are net of windfall profit levy amounts of RM2.1 million and RM22.9 million, respectively.

(2) Revenue from our plantations segment includes revenue from our other businesses, including real estate property management, sale of food and beverages and management fees, of RM8.8 million, RM12.6 million and RM12.6 million in 2009, 2010 and 2011, respectively.

(3) Revenue from our sugar segment includes sugar subsidy amounts of RM479.9 million and RM154.6 million for the years ended 31 December 2010 and 2011, respectively.

The following table sets forth our total sales volume of FFB and our average selling price for FFB for the periods indicated:

	Year Ended 31 December		
	2009	**2010**	**2011**
Total sales volume of FFB (MT)	5,363,849	4,856,078	5,197,344
Average selling price for FFB[1] (RM/MT)	414	535	613

Note:

(1) Calculated as total revenue from sales of FFB divided by total sales volume of FFB. Revenues from sales of FFB for 2009 and 2010 are net of windfall profit levy amounts of RM2.1 million and RM22.9 million, respectively. Windfall profit levy amount of RM77.6 million for 2011 is included in our pro forma cost of sales for 2011.

(ii) Cost of sales

Our pro forma cost of sales consists primarily of costs of raw materials, including raw sugar, tallow, lauric oils, soybeans, canola seeds, and plantation costs of oil palms, rubber trees and sugar cane, including costs relating to fertiliser, replanting, cultivating, managing and harvesting of FFB, raw rubber and sugar cane. We do not recognise our purchases of FFB from FELDA pursuant to the Sarawak Land Management Agreement but instead recognise the costs related to the operation of the related plantation estates. Our replanting costs, which include costs relating to ground clearing, terracing, replanting, planting of ground cover and crop establishment, fertilising and crop management, are incurred during the course of a three-year replanting period. Our pro forma cost of sales for our plantations segment in 2011 and for future periods also includes any "windfall profit levy" imposed by the Government on all oil palm plantations in Malaysia larger than 40 hectares when the market price of CPO rises above certain threshold CPO price levels. Raw sugar costs represented our largest pro forma cost of sales in 2011, followed by canola seed costs and costs relating to harvesting and cultivation costs for our plantations segment. Our pro forma cost of sales for our downstream segment consists primarily of costs relating to tallow and lauric oils used in our oleochemicals business and soybeans and canola seeds used in our soy and canola business. In 2010 and 2011, pro forma cost of sales for our downstream segment also included impairment of property, plant and equipment of RM17.7 million and RM164.7 million, respectively. Cost of sales relating to refined sugar products and soy and canola products are not part of our total pro forma cost of sales for 2009 as those business operations were not part of our pro forma Group in 2009.

Other components of pro forma cost of sales also include energy and utility costs, cost of packaging materials, cost of maintenance and repairs of our production facilities, staff and other labour costs directly attributable to production and costs of materials and supplies used in our production processes.

Our total pro forma cost of sales for 2009, 2010 and 2011 were RM2,013.3 million, RM3,961.9 million and RM5,464.4 million, respectively.

The following table sets forth our pro forma cost of sales by each business segment and as a percentage of total pro forma cost of sales for the periods indicated:

	Year Ended 31 December					
	2009		2010		2011	
Business Segment	**RM**	**%**	**RM**	**%**	**RM**	**%**
	(in millions, except percentages)					
Plantations	1,418.0	70.4	1,225.1	30.9	1,501.2	27.5
Sugar	-	-	1,719.0	43.4	1,835.3	33.6
Downstream[(1)].....	595.3	29.6	1,017.8	25.7	2,127.9	38.9
Total	2,013.3	100.0	3,961.9	100.0	5,464.4	100.0

Note:

(1) Cost of sales for our downstream segment includes impairment of property, plant and equipment of RM17.7 million for 2010 and RM164.7 million for 2011.

The following table sets forth the major components of our pro forma cost of sales and as a percentage of total pro forma cost of sales for the periods indicated:

	Year Ended 31 December					
	2009		2010		2011	
	RM	**%**	**RM**	**%**	**RM**	**%**
	(in millions, except percentages)					
Raw materials and chemicals	469.6	23.3	2,267.1	57.2	3,282.4	60.1
Harvesting and cultivation[(1)]	821.1	40.8	675.7	17.1	761.2	13.9
Staff and labour....	237.4	11.8	301.4	7.6	376.9	6.9
Replanting expenses	245.3	12.2	235.2	5.9	243.9	4.5
Impairment of property, plant and equipment..	-	-	17.7	0.4	164.7	3.0
Energy and utilities	28.4	1.4	81.3	2.1	106.5	1.9
Depreciation	38.5	1.9	94.7	2.4	98.3	1.8
Maintenance and repairs	95.7	4.8	108.4	2.7	132.3	2.4
Others	77.3	3.8	180.4	4.6	298.2	5.5
Total.....................	2,013.3	100.0	3,961.9	100.0	5,464.4	100.0

Note:

(1) Harvesting and cultivation costs include manuring, weeding, pruning and security-related costs.

(iii) Gross profit

As discussed in items (i) and (ii) above, our pro forma gross profit is a result of our pro forma revenue derived from sales of FFB, raw rubber, refined sugar products, oleochemical products and soy and canola products, and our pro forma cost of sales consists primarily of costs of raw materials and plantation costs of oil palms, rubber trees and sugar cane.

The following table sets forth our pro forma gross profit and gross margin by each business segment and as a percentage of our total pro forma gross profit for the periods indicated:

	Year Ended 31 December					
	2009		2010		2011	
Business Segment	**RM**	**%**	**RM**	**%**	**RM**	**%**
	(in millions, except percentages)					
Gross profit						
Plantations	855.6	98.7	1,442.5	78.3	1,785.1	88.8
Sugar..................	-	-	428.7	23.2	464.4	23.1
Downstream	11.4	1.3	(28.5)	(1.5)	(239.1)	(11.9)
Total..................	**867.0**	**100.0**	**1,842.7**	**100.0**	**2,010.4**	**100.0**
Gross margin						
Plantations		37.6		54.1		54.3
Sugar..................		-		20.0		20.2
Downstream[(1)]		1.9		(2.9)		(12.7)
FGVH Group......		30.1		31.7		26.9

Note:

(1) Our pro forma gross margin for our downstream segment decreased to negative 2.9% in 2010 from 1.9% in 2009, as sales prices of our oleochemicals products did not increase sufficiently to fully offset the significant increase of raw materials costs. Our gross profit margin for our downstream segment decreased to negative 12.7% in 2011 from negative 2.9% in 2010, primarily due to the larger impairment of property, plant and equipment of RM164.7 million that we recorded in 2011 compared to RM17.7 million in 2010.

(iv) Operating expenses

Our pro forma operating expenses consist of administrative expenses, selling and distribution expenses and other operating expenses.

Pro forma administrative expenses include management and staff costs, labour costs, director remuneration, rent and lease payments for land, buildings, plants and equipment, depreciation and amortisation, maintenance and repair costs, professional and purchased services, employee retirement plan contributions, insurance expenses and staff travel expenses. Pro forma administrative expenses also include the management fee (which includes a profit sharing element) paid to F Plantations, a subsidiary of FHB, for the management of the Plantation Estates. For periods after 1 March 2012, we will not pay this management fee but instead will incur operating expenses related to the management of the Plantation Estates. Pro forma selling and distribution expenses primarily comprise costs relating to freight and other transportation, warehousing and handling costs, as well as rent and lease payments for warehouses and distribution centres and sales commissions for our export sales. Pro forma other operating expenses comprise primarily expenses related to impairment losses in respect of intangible assets and prepaid lease payments, loss on sale of inventory and related futures contracts to a joint venture company.

The table below sets forth our pro forma administrative expenses, pro forma selling and distribution expenses and pro forma other operating expenses and as a percentage of total pro forma operating expenses for the periods indicated:

	Year Ended 31 December					
	2009		2010		2011	
	RM	%	RM	%	RM	%
	(in millions, except percentages)					
Administrative expenses	131.2	51.2	167.7	53.8	212.5	53.8
Selling and distribution expenses	56.2	22.0	98.6	31.6	97.0	24.5
Other operating expenses	68.6	26.8	45.4	14.6	85.8	21.7
Total	**256.0**	**100.0**	**311.7**	**100.0**	**395.3**	**100.0**

(v) Other operating income

Our pro forma other operating income consists primarily of realised and unrealised foreign exchange gains, gains or losses arising from sale of property, plant and equipment, rental income, sale of wood from rubber trees, compensation for land used for public infrastructure development and gain on disposal of subsidiaries. Pro forma other operating income for 2009, 2010 and 2011 was RM18.3 million, RM19.4 million and RM78.8 million, respectively.

(vi) Other net gains / losses

Our pro forma other net gains / losses consist of amounts recorded in respect of fair value losses and gains on futures contracts for raw sugar, soybeans and canola seeds and foreign exchange forward contracts that we may enter into in order to hedge our exposures to fluctuations in prices of related commodities and exchange rates.

We recorded pro forma other net losses of RM66.3 million for 2010 and net gains of RM35.9 million for 2011. No other net losses or gains were recorded in 2009 because the current accounting standards relating to recognition and measurement of these derivative financial instruments and their disclosure were not applicable and were not early adopted in 2009. Moreover, our sugar business and soy and canola business that engage in these transactions were not part of our pro forma Group in 2009.

(vii) Fair value changes in Land Lease Agreement liability

Our pro forma fair value changes in Land Lease Agreement liability consist of amounts recorded in respect of the deemed effective interest on the financial liability arising from the Land Lease Agreement and the Sarawak Land Management Agreement, calculated on the basis explained in further detail in Note 2.2.1 to our pro forma consolidated financial information. We recorded fair value changes of RM515.8 million, RM527.0 million and RM530.0 million for 2009, 2010 and 2011, respectively.

(viii) Finance costs

Pro forma finance costs consist mainly of interest expenses related to term loans, a revolving credit facility and bankers' acceptances, and these costs are affected by the level of our financing activities and the applicable interest rates. Finance costs also include interest expense with respect to a loan from FELDA at a fixed interest rate. Refer to Section 8.3.3 of this Prospectus for more information regarding our pro forma borrowings and indebtedness. In 2010, finance costs also included adjustments recorded in respect of the deemed effective interest on an advance to us from FELDA ("unwinding of discounts") prior to conversion of this advance into our RCPS and RCCPS. Unrealised losses on translation of cash and cash equivalents denominated in a foreign currency are also included in finance costs. No pro forma finance costs related to bankers' acceptances and unrealised losses on foreign exchange were recorded in 2009 because the sugar business or soy and canola business, to which these finance costs relate, were not part of our pro forma Group in 2009.

Our pro forma finance costs for 2009, 2010 and 2011 were RM10.0 million, RM151.5 million and RM141.2 million, respectively.

(ix) Finance income

Our pro forma finance income consists principally of interest income in respect of our cash and cash equivalents deposited with banks and other financial institutions. Our pro forma finance income for 2009, 2010 and 2011 was RM6.9 million, RM12.2 million and RM38.1 million, respectively.

(x) Share of results from Associates and Jointly-Controlled Entities

For any financial period, our pro forma share of profit after tax of our Associates and Jointly-Controlled Entities is dependent on the results of operations of our Associates and Jointly-Controlled Entities. On a pro forma basis, our Associates consist of FHB and Tradewinds, and our Jointly-Controlled Entities are Felda IFFCO and Trurich. The results of operations of our Associates and Jointly-Controlled Entities are accounted for under the equity method as share of results from an associate or a jointly-controlled entity, as applicable, and are not consolidated in our pro forma consolidated financial information.

FHB, in which we own a 49% interest, is engaged primarily in the upstream and downstream palm oil business (including oleochemicals and oils and fats) and other agri-businesses, including the rubber business. It is also engaged in the livestock business, as well as certain logistics and services operations. Tradewinds, a company listed on the Main Market of Bursa Securities in which we acquired a 20% equity interest in 2010 as part of the Sugar Business Acquisition, is involved mainly in the palm oil, sugar and rice businesses. Felda IFFCO, in which we acquired a 50% equity interest in 2009, is engaged primarily in the manufacture of oils and fats, while Trurich, in which we own a 50% equity interest, is involved in the operation of commercial oil palm plantations in Indonesia.

For 2009, 2010 and 2011, our pro forma share of results from our Associates were gains of RM349.2 million, RM391.2 million and RM329.3 million, respectively, while our pro forma share of results from our Jointly-Controlled Entities was a gain of RM8.8 million in 2009 and losses of RM24.6 million in 2010 and RM54.0 million in 2011.

(xi) **Taxation**

(a) **Tax incentives**

The Government provides certain tax incentives for the promotion of investments in selected industries in Malaysia, including the reinvestment allowance ("**RA**"). The RA is available for manufacturing companies that incur capital expenditures on projects for purposes of expansion, modernisation or diversification. The rate of RA is 60% on the qualifying capital expenditures and this amount is in addition to capital allowances claims. The RA is used to reduce up to 70% of statutory income. Amounts claimed pursuant to the RA remain subject to review and approval by the Malaysia Inland Revenue Board ("**MIRB**") and may differ in the event of an audit by MIRB.

Under current regulations, the incentive period for RA is fifteen consecutive years beginning on the first year for which a claim is made by a company. The RA was previously available for MSM and KGFP, our Subsidiaries in our sugar segment, for the applicable periods until their availability expired at the end of 2011. None of our Subsidiaries currently qualifies for this incentive.

(b) **Deferred tax asset**

We recognise deferred tax asset for the carry forward of unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that future taxable profit will be available against which the unabsorbed tax losses and unutilised capital allowances can be applied.

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8.2.6 Year ended 31 December 2011 compared to year ended 31 December 2010

The following table presents selected pro forma statements of comprehensive income data, the percentage such amounts represent of total pro forma revenue and their percentage change for the periods indicated.

	Year Ended 31 December				
	2010	% of Revenue	2011	% of Revenue	% Change
	RM		RM		
	(in millions, except percentages)				
Revenue	5,804.6	100.0	7,474.8	100.0	28.8
Cost of sales	(3,961.9)	(68.3)	(5,464.4)	(73.1)	37.9
Gross profit	1,842.7	31.7	2,010.4	26.9	9.1
Other operating income	19.4	0.3	78.8	1.1	306.2
Selling and distribution costs	(98.6)	(1.7)	(97.0)	(1.3)	(1.6)
Administrative expenses	(167.7)	(2.9)	(212.5)	(2.9)	26.7
Other operating expenses	(45.4)	(0.7)	(85.8)	(1.1)	89.0
Other net gains / (losses)	(66.3)	(1.1)	35.9	0.5	154.1
Fair value changes in Land Lease Agreement liability	(527.0)	(9.1)	(530.0)	(7.1)	0.6
Profit from operations	957.1	16.5	1,199.8	16.1	25.4
Finance costs	(151.5)	(2.6)	(141.2)	(1.9)	(6.8)
Finance income	12.2	0.2	38.1	0.5	212.3
Share of results from Associates	391.2	6.7	329.3	4.4	(15.8)
Share of results from Jointly-Controlled Entities	(24.6)	(0.4)	(54.0)	(0.7)	119.5
PBT	1,184.4	20.4	1,372.0	18.4	15.8
Taxation	(255.0)	(4.4)	(357.4)	(4.8)	40.2
Profit for the financial year	929.4	16.0	1,014.6	13.6	9.2

(i) Revenue

Our revenue increased by 28.8% to RM7,474.8 million in 2011 compared to RM5,804.6 million in 2010. The increase was due primarily to increases in both the sales volume and the price of FFB we sold in 2011 and a full year's revenue recorded in 2011 from sales of soy and canola products, which commenced operations in September 2010.

Plantations

Our plantations segment was our top revenue generator on a pro forma basis, accounting for 44.0% of our total pro forma revenue in 2011, compared to 46.0% in 2010. Our pro forma revenue for the plantations segment increased by 23.2% to RM3,286.3 million in 2011, compared to RM2,667.6 million in 2010, primarily as a result of a 14.6% increase in average selling price of FFB, which rose along with higher CPO prices coupled with a 7.0% increases in the volume of FFB we sold.

Sugar

Our sugar segment was our second largest revenue generator on a pro forma basis, accounting for 30.7% of our total pro forma revenue in 2011, compared to 37.0% in 2010. Our pro forma revenue for the sugar segment increased by 7.1% to RM2,299.7 million in 2011 from RM2,147.7 million in 2010, primarily as a result of a 38.1% increase in export sales in 2011 to RM346.0 million from RM250.6 million in 2010. This increase in export sales resulted from increases in both the volume of export sales and higher sales prices. The increase in the sugar segment revenue was also attributable to a 6.5% increase in the average selling prices of refined sugar products to RM2,248 per MT in 2011 from RM2,110 per MT in 2010, as a continued rise in the global price of raw sugar during 2011 led to an increase in the sales price of refined sugar. This increase was offset in part by a reduction in subsidies from the Government for refined sugar to RM154.6 million in 2011, compared to RM479.9 million in 2010.

Downstream

Our downstream segment accounted for 25.3% of our total pro forma revenue in 2011 compared to 17.0% in 2010. Our pro forma revenue for the downstream segment increased by 90.9% to RM1,888.8 million in 2011 compared to RM989.3 million in 2010, primarily reflecting a full year of revenue recorded in 2011 from sales of soy and canola products, compared to three months for 2010, as our soy and canola business only commenced operations in September 2010. This increase was offset in part by lower sales volumes of our oleochemical products, including fatty acids, glycerin and related by-products, primarily due to weak demand in the United States. The effect of foreign exchange translations also offset the increase in our pro forma revenue for the downstream segment, as sales of our oleochemical products are primarily recorded in USD, and the RM appreciated against the USD during 2011.

(ii) Cost of sales

Our pro forma cost of sales for 2011 increased by 37.9% to RM5,464.4 million, compared to RM3,961.9 million for 2010. The increase principally reflects increases in costs related to FFB harvesting and cultivation in line with our higher volume of FFB sold, as well as increases in our raw material costs in our downstream and sugar segments, as global commodities prices continued to rise in 2011.

Plantations

Pro forma cost of sales for our plantations segment was RM1,501.2 million in 2011, accounting for 27.5% of our total pro forma cost of sales in 2011. Pro forma cost of sales for our plantations segment increased 22.5% in 2011 from RM1,225.1 million in 2010, primarily as a result of increases in staff costs, fertiliser costs, transportation costs and costs related to FFB harvesting and cultivation, including manuring, weeding, pruning and security costs, as we sold a higher volume of FFB in 2011. Costs relating to harvesting and cultivation of RM761.2 million was our primary cost of sales in our plantations segment in 2011, accounting for 50.7% of our pro forma cost of sales in our plantations segment. We incurred replanting costs of RM235.2 million and RM243.9 million in 2010 and 2011, respectively, and manuring costs of RM257.0 million and RM275.8 million in 2010 and 2011, respectively.

Sugar

Pro forma cost of sales for our sugar business was RM1,835.3 million in 2011, accounting for 33.6% of our total pro forma cost of sales. Pro forma cost of sales for our sugar segment increased 6.8% in 2011 from RM1,719.0 million in 2010, primarily as a result of an increase in raw sugar costs, as global commodities prices increased in 2011. The increase was offset in part by a decrease in the realisation of fair value losses in respect of sugar futures contracts from RM25.9 million in 2010 to RM9.3 million in 2011. Cost of raw sugar consumed of RM1,581.2 million was our primary pro forma cost of sales in our sugar business in 2011, comprising 86.2% of our sugar-related pro forma cost of sales for 2011, while cost of raw sugar consumed was RM1,455.6 million in 2010, comprising 84.7% of our sugar-related pro forma cost of sales for 2010.

Downstream

Pro forma cost of sales for our downstream segment was RM2,127.9 million in 2011, accounting for 38.9% of our total pro forma cost of sales in 2011. Pro forma cost of sales for our downstream segment increased by 109.1% in 2011 from RM1,017.8 million in 2010, primarily reflecting a full year of cost of sales recorded in 2011 for our soy and canola business, including cost of soybeans and canola seeds, of RM1,048.6 million, compared to RM346.2 million for three months for 2010, as our soy and canola business commenced operations in September 2010. In addition, in 2011 we included in our cost of sales an impairment of property, plant and equipment of RM164.7 million, compared to RM17.7 million recorded in 2010. This impairment reflected the difference between our estimates of the recoverable amount of our refinery assets and the carrying value of these assets. These increases were offset in part by the effect of foreign exchange translations, as raw materials of our oleochemical products are primarily recorded in USD, and the RM appreciated against the USD during 2011.

(iii) Gross profit and gross margin

Our pro forma gross profit for 2011 increased by 9.1% to RM2,010.4 million, compared to RM1,842.7 million for 2010 as a result of the factors discussed under revenue and cost of sales. Our pro forma gross margin decreased to 26.9% in 2011 from 31.7% in 2010.

Plantations

Our pro forma gross profit for our plantations segment increased by 23.8% to RM1,785.1 million in 2011, compared to RM1,442.5 million for 2010. Our pro forma gross margin for our plantations segment remained relatively constant at 54.1% for 2010 and 54.3% for 2011, as increases in the sales prices of our products generally kept pace with the increase in our pro forma cost of sales, including costs relating to our plantations operations and the raw materials used in our other operations.

Sugar

Our pro forma gross profit for our sugar segment increased by 8.3% to RM464.4 million in 2011 from RM428.7 million in 2010. Our pro forma gross margin for our sugar segment remained relatively constant at 20.0% in 2010 and 20.2% in 2011.

Downstream

Our pro forma gross loss for our downstream segment increased significantly to RM239.1 million in 2011, compared to a pro forma gross loss of RM28.5 million, in 2010. Our pro forma gross margin for our downstream segment decreased to negative 12.7% in 2011 from negative 2.9% in 2010, primarily due to the larger impairment of property, plant and equipment of RM164.7 million that we recorded in 2011 compared to RM17.7 million in 2010.

(iv) Other operating income

Our pro forma other operating income increased by 306.2% to RM78.8 million in 2011 compared to RM19.4 million in 2010, mainly reflecting gains of RM68.2 million on disposal of Felda Global Ventures Middle East Sdn Bhd and Felda Global Ventures Arabia Limited in September 2011, offset in part by a decrease in amounts received from the Government in respect of oil palm replanting scheme incentive.

(v) Operating expenses

Our pro forma selling and distribution costs remained relatively stable at RM97.0 million for 2011 and RM98.6 million for 2010, while our pro forma administrative expenses increased by 26.7% to RM212.5 million in 2011 from RM167.7 million in 2010. The increase was mainly due to expenses incurred in connection with the initial public offering of MSM Holdings as well as an increase in profit sharing payments to F Plantations due in respect of the management of the Plantation Estates, as average selling prices of FFB increased from RM535 per MT in 2010 to RM613 per MT in 2011. An increase in staff costs and labour costs arising from increased salary and additional hiring also contributed to the higher administrative expenses in 2011.

Our pro forma other operating expenses increased by 89.0% to RM85.8 million in 2011 from RM45.4 million in 2010, primarily reflecting an impairment loss of RM42.8 million recorded in 2011 relating to impairment of intangible assets of TRT Holdings, compared to an impairment loss of RM30.4 million relating to these assets recorded in 2010, as well as a loss of RM31.4 million on the sale of TRT-ETGO Inc's inventory and soy and canola futures contracts to Bunge ETGO, our joint venture company.

(vi) Other net gains/losses

We recorded a pro forma other net gain of RM35.9 million in 2011 compared to a pro forma other net loss of RM66.3 million in 2010, primarily as a result of a reduction in losses arising from changes in fair value of foreign exchange forward contracts, for which we recorded losses of RM47.0 million in 2010, compared to losses of RM2.4 million in 2011, as the RM appreciated against the USD during 2011. These losses were more than offset by fair value gains of RM38.3 million arising from changes in fair value of our futures contracts for raw sugar, soybeans and canola seeds, as global market prices for commodities generally rose in 2011, compared to fair value losses of RM19.3 million in 2010 relating to raw sugar futures contracts. We did not record any fair value gains or losses in 2010 in respect of futures contracts for soybeans and canola seeds.

(vii) Fair value changes in Land Lease Agreement liability

Expenses recorded in respect of fair value changes in the Land Lease Agreement liability increased slightly by 0.6% to RM530.0 million for 2011 from RM527.0 million in 2010, consistent with the calculated schedule of annual liability in respect of the Land Lease Agreement.

(viii) Profit from operations

As a result of the factors discussed above, our pro forma profit from operations for 2011 increased by 25.4% to RM1,199.8 million from RM957.1 million for 2010, mainly due to increases in pro forma revenue and other operating income, partially offset by higher pro forma cost of sales and operating expenses in 2011.

(ix) Finance costs

Our pro forma finance costs decreased 6.8% from RM151.5 million for 2010 to RM141.2 million for 2011. This decrease was primarily due to a lower amount of deemed interest expense we recorded as a result of the unwinding of discounts in 2011 compared to 2010. We recorded RM17.6 million in such deemed interest expense in 2011 relating to a full settlement of amounts due to FHB in connection with our acquisition of a 50% equity interest in Felda IFFCO from FHB in 2009, while in 2010, we recorded RM35.5 million in deemed interest expense as a result of the unwinding of discounts relating to a RM1.0 billion advance to us from FELDA. This decrease was offset in part by a 3.9% increase in interest expense to RM91.4 million in 2011, compared to a RM88.0 million interest expense in 2010 on a loan from FELDA in connection with the financing of the Sugar Business Acquisition. Interest expense on our term loans increased by 68.6% from RM11.8 million in 2010 to RM19.9 million in 2011 due to higher interest rates and the loans being outstanding for a longer period in 2011.

(x) Finance income

Our pro forma finance income increased 212.3%, from RM12.2 million for 2010 to RM38.1 million for 2011. This increase was primarily due to proceeds from the sale of our shares in MSM Holdings in its initial public offering in June 2011.

(xi) Share of results from Associates and Jointly-Controlled Entities

Associates

Our pro forma share of results from Associates decreased by 15.8% to RM329.3 million in 2011 from RM391.2 million in 2010. The decrease was primarily due to no gain from bargain purchase being recorded in 2011, compared to the recording of RM116.1 million of gain from bargain purchase in 2010 in connection with our acquisition of the 20% equity interest in Tradewinds. This was offset in part by a 31.6% increase in our share of results from FHB.

FHB recorded revenues of RM15,130.7 million and RM18,998.6 million for 2010 and 2011, respectively. The 25.6% increase in FHB's revenue mainly reflects the higher selling prices of its commodities products throughout 2011, particularly those of refined products in China and Pakistan, with the average selling price of RBD products increasing 29.9% from RM2,624 per MT in 2010 to RM3,408 per MT in 2011. In addition, selling price of rubber increased by 41.7% from RM10,470 per MT in 2010 to RM14,838 per MT in 2011, mainly as a result of the diminished supply of raw rubber that is used as raw materials in the production of rubber products due to the wet weather conditions and high demand from other rubber producers.

The 25.6% increase in FHB's revenue in 2011 slightly outpaced a 25.5% increase in its cost of sales during the same period, as FHB's cost of sales increased from RM13,988.6 million in 2010 to RM17,556.7 million in 2011. This increase was primarily a result of escalating raw material costs, as global commodities prices increased in tandem with the selling prices of FHB's products. Higher margins in FHB's milling operations and its rubber business were offset in part by lower margins for FHB's oils and fats business, particularly in the first half of 2011, as prices of RBD palm oil and related products fluctuated in 2011. As a result of these factors, FHB's gross profit margin remained relatively constant at 7.5% in 2010 and 7.6% in 2011.

FHB's other operating income decreased by 43.3% to RM129.5 million in 2011 from RM228.2 million in 2010, mainly reflecting smaller gains it recorded in 2011 compared to the gains recorded in 2010. The decline in FHB's other operating income also reflected gains arising from foreign exchange decreasing 74.0% to RM15.6 million in 2011 from RM59.9 million in 2010, primarily due to a smaller appreciation of RM against the USD and other currencies in 2011 compared to 2010. Gains FHB recorded in 2011 included a RM56.2 million gain on the disposal of its associate KGFP.

In addition, FHB recorded other net losses of RM11.3 million in 2011, while it recorded other net gains of RM30.7 million in 2010, as in 2011 FHB recorded fair value losses on palm oil futures contracts of RM3.6 million, compared to fair value gains of RM32.8 million in 2010. FHB also recorded a fair value loss of RM11.8 million in 2011 on its foreign currency forward contracts, while it recorded a RM1.7 million fair value loss on its foreign currency forward contracts in 2010.

FHB's selling and distribution cost increased by 13.4% in 2011 to RM185.4 million from RM163.5 million in 2010, primarily reflecting an increase in transportation costs due to higher volume of sales made and an increase in marketing costs related to promotion of new end-consumer products. FHB's administrative expenses increased primarily due to increases in salary and higher bonus paid in 2011 compared to 2010. Finance costs also increased by 65.2% to RM41.3 million in 2011 from RM25.0 million in 2010, as higher short-term borrowings, especially bankers acceptances and export credit refinancing, were used to finance FHB's purchases of raw materials as commodity prices continued to rise in 2011. FHB's share of results from associates and joint ventures contributed RM62.7 million in 2011, a 53.3% increase over the RM40.9 million in 2010, primarily due to an increase in share of profits from FPG of RM35.7 million for 2011 compared to RM6.4 million in 2010.

As a result of the foregoing factors, FHB's profit before zakat and taxation increased 21.9% from RM760.1 million in 2010 to RM926.2 million in 2011. Tax expenses for 2011 increased compared to 2010 primarily as a result of higher profit before taxation, resulting in an increase of 17.6% in FHB's profit for the year from RM614.2 million in 2010 to RM722.0 million in 2011.

Jointly-Controlled Entities

Our pro forma share of results from Jointly-Controlled Entities was a loss RM54.0 million in 2011, compared to a loss of RM24.6 million in 2010. This higher loss mainly reflects losses at Felda IFFCO, which were primarily due to negative refining margins in its oils and fats business, as prices of raw materials, including CPO and PKO prices, increased significantly in 2011, while the sales prices of its refined products increased by smaller amounts. Trurich also recorded losses in 2011, mainly due to adverse weather conditions that yielded low quality FFB in 2011, contributing to our share of losses from Jointly-Controlled Entities.

(xii) Profit before taxation

As a result of the factors discussed above, our pro forma profit before taxation for 2011 increased by 15.8% to RM1,372.0 million, compared to RM1,184.4 million for 2010. Our pro forma profit before taxation margin decreased to 18.4% for 2011, compared to a margin of 20.4% for 2010, primarily as a result of the increases in pro forma cost of sales and pro forma operating expenses that we recorded in 2011 outpacing increases in our pro forma revenue and pro forma other operating income in 2010.

(xiii) Tax expenses

Our pro forma tax expenses increased by 40.2% to RM357.4 million for 2011, compared to RM255.0 million for 2010. The increase was primarily due to higher pro forma profit before taxation in 2011, reflecting higher revenue and other operating income recorded. Our pro forma effective tax rate increased to 26.0% for 2011 from 21.5% for 2010 primarily due to a higher impairment costs recorded for 2011, offset in part by a higher level of profit before taxation for 2011 and decreased other operating expenses and financing costs.

(xiv) Profit for the year

As a result of the factors discussed above, our pro forma profit for the year increased by 9.2% to RM1,014.6 million for 2011 from RM929.4 million for 2010. Our pro forma profit after taxation margin decreased to 13.6% for 2011 from 16.0% in 2010.

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8.2.7 Year ended 31 December 2010 compared to year ended 31 December 2009

The following table presents selected pro forma statements of comprehensive income data, the percentage such amounts represent of total pro forma revenue and their percentage change for the periods indicated.

	Year Ended 31 December				
	2009	% of Revenue	2010	% of Revenue	% Change
	RM		RM		
	(in millions, except percentages)				
Revenue	2,880.3	100.0	5,804.6	100.0	101.5
Cost of sales	(2,013.3)	(69.9)	(3,961.9)	(68.3)	96.8
Gross profit	867.0	30.1	1,842.7	31.7	112.5
Other operating income	18.3	0.6	19.4	0.3	6.0
Selling and distribution costs	(56.2)	(1.9)	(98.6)	(1.7)	75.4
Administrative expenses	(131.2)	(4.6)	(167.7)	(2.9)	27.8
Other operating expenses	(68.6)	(2.4)	(45.4)	(0.7)	(33.8)
Other net gains / (losses)	-	-	(66.3)	(1.1)	-
Fair value changes in Land Lease Agreement liability	(515.8)	(17.9)	(527.0)	(9.1)	2.2
Profit from operations	113.5	3.9	957.1	16.5	743.3
Finance costs	(10.0)	(0.3)	(151.5)	(2.6)	1,415.0
Finance income	6.9	0.2	12.2	0.2	76.8
Share of results from Associates	349.2	12.1	391.2	6.7	12.0
Share of results from Jointly-Controlled Entities	8.8	0.3	(24.6)	(0.4)	(379.5)
PBT	468.4	16.2	1,184.4	20.4	152.9
Taxation	(35.5)	(1.2)	(255.0)	(4.4)	618.3
Profit for the financial year from continuing operations	432.9	15.0	929.4	16.0	114.7
Loss for the year from discontinued operations	(139.3)	(4.8)	-	-	(100.0)
Profit for the year	293.6	10.2	929.4	16.0	216.6

(i) Revenue

Our revenue increased by 101.5% to RM5,804.6 million in 2010 compared to RM2,880.3 million in 2009. The increase was due primarily to the RM2,147.7 million of revenue in 2010 from our sugar business, including a Government subsidy amount, and to a lesser extent, revenue from our soy and canola business. We had no revenue from either the sugar business or the soy and canola business in 2009.

Plantations

Our plantations segment was our top revenue generator on a pro forma basis, accounting for 46.0% of our total pro forma revenue in 2010, compared to 78.9% in 2009. Our pro forma revenue for the plantations segment increased by 17.3% to RM2,667.6 million in 2010, compared to RM2,273.6 million in 2009, primarily as a result of increases in the average selling prices of FFB. Adverse weather conditions during the second half of 2010 negatively impacted the volume of FFB we harvested and sold, which partially offset the higher FFB sales prices.

Sugar

Our sugar segment was our second largest revenue generator on a pro forma basis, accounting for 37.0% of our total pro forma revenue in 2010, compared to none in 2009. We recorded pro forma revenue of RM2,147.7 million in 2010 from sales of refined sugar products and molasses, including RM479.9 million in subsidies from the Government for refined sugar that we sold in the domestic market at government-controlled prices.

Downstream

Our downstream segment accounted for 17.0% of our total pro forma revenue in 2010 compared to 21.1% in 2009. Our pro forma revenue for the downstream segment increased by 63.1% to RM989.3 million in 2010 compared to RM606.7 million in 2009. The increase was primarily attributable to the pro forma revenue of RM380.2 million that we recorded in 2010 from sales of soy and canola products following the commencement of TRT-ETGO Inc's operations in September 2010. In addition, higher sales volumes of fatty acids, glycerin and related by-products, coupled with the rise in selling prices of our oleochemical products, the sales of which are recorded in USD, contributed to the increase in our pro forma revenue. These increases in revenue were offset in part by the effects of foreign exchange translation, as these sales are primarily recorded in USD and the RM appreciated against the USD during 2010.

(ii) Cost of sales

Our pro forma cost of sales for 2010 increased by 96.8% to RM3,961.9 million, compared to RM2,013.3 million for 2009. The increase principally reflects the cost of sales related to our sugar segment as well as our soy and canola business in our downstream segment, neither of which was part of our business in 2009.

Plantations

Pro forma cost of sales for our plantations segment was RM1,225.1 million in 2010, accounting for 30.9% of our total pro forma cost of sales in 2010. Pro forma cost of sales for our plantations segment decreased 13.6% in 2010 from RM1,418.0 million in 2009, primarily as a result of a decrease in fertiliser costs as well as a decrease in costs related to FFB harvesting, as rainy weather conditions in 2010 adversely affected the volume of FFB we harvested. As we conducted less harvesting activities and harvested a smaller volume of FFB from the Plantation Estates, we correspondingly incurred less harvesting-related costs, including labour and transport costs. Costs relating to harvesting and cultivation, including manuring, weeding, pruning and security costs, of RM675.7 million, was our primary cost of sales in our plantations segment in 2010, accounting for 55.2% of our pro forma cost of sales for our plantations segment. We incurred replanting costs of RM245.3 million and RM235.2 million in 2009 and 2010, respectively, and manuring costs of RM398.2 million and RM257.0 million in 2009 and 2010, respectively.

Sugar

Pro forma cost of sales for our sugar business was RM1,719.0 million, accounting for 43.4% of our total pro forma cost of sales in 2010. Cost of raw sugar consumed of RM1,455.6 million was our primary pro forma cost of sales in our sugar business in 2010, comprising 84.7% of our sugar-related pro forma cost of sales for 2010.

Downstream

Pro forma cost of sales for our downstream segment was RM1,017.8 million in 2010, accounting for 25.7% of our total pro forma cost of sales in 2010. Pro forma cost of sales for our downstream segment increased by 71.0% in 2010 from RM595.3 million in 2009, primarily reflecting cost of sales for our soy and canola business, including cost of soybeans and canola seeds, of RM346.2 million we recorded in 2010, while we recorded no pro forma cost of sales for our soy and canola business in 2009, as well as an impairment charge related to our oleochemical business of RM17.7 million in 2010, while we had no such charge in 2009. These increases were offset in part by a decrease in cost in RM terms of raw materials used by our oleochemicals business. While the cost of raw materials used by our oleochemicals business increased in USD terms in line with increases in the global prices of commodities, in particular tallow and lauric oils, this increase was more than offset by effects of foreign exchange rates as these purchases are primarily recorded in USD and the RM appreciated against the USD during 2010.

(iii) Gross profit and gross margin

Our pro forma gross profit for 2010 increased by 112.5% to RM1,842.7 million, compared to RM867.0 million for 2009 as a result of the above factors discussed under revenue and cost of sales. Our pro forma gross margin increased slightly from 30.1% for 2009 to 31.7% for 2010.

Plantations

Our pro forma gross profit for our plantations segment increased by 68.6% to RM1,442.5 million in 2010, compared to RM855.6 million for 2009. Our pro forma gross margin for our plantations segment increased from 37.6% for 2009 to 54.1% for 2010. These increases, both for our overall margin and for our plantations segment, reflected primarily a greater increase in the sales prices of our products than in our pro forma cost of sales, including costs relating to our plantations operations and the raw materials used in our other operations.

Downstream

Our pro forma gross profit for our downstream segment decreased to negative RM28.5 million in 2010, compared to RM11.4 million, in 2009. Our pro forma gross margin for our downstream segment decreased to negative 2.9% in 2010 from 1.9% in 2009, as sales prices of our oleochemicals products did not increase sufficiently to fully offset the significant increase of raw materials costs.

Sugar

Our sugar segment recorded a pro forma gross profit of RM428.7 million in 2010. Our pro forma gross margin for our sugar segment was 20.0% in 2010.

(iv) Other operating income

Our pro forma other operating income increased by 6.0% to RM19.4 million in 2010 compared to RM18.3 million in 2009, mainly due to an increase in amounts received from the Government in respect of oil palm replanting scheme incentive.

(v) Operating expenses

Our pro forma selling and distribution costs increased by 75.4% to RM98.6 million in 2010 from RM56.2 million in 2009. The increase was primarily due to additional selling and distribution costs related to our sugar segment, including transportation, warehousing and handling costs in connection with refined sugar sales in the domestic and export market, which were not part of our pro forma selling and distribution costs in 2009.

Our pro forma administrative expenses increased by 27.8% to RM167.7 million in 2010 from RM131.2 million in 2009. The increase was mainly due to the higher management and staff costs, including employment retirement contributions, as a result of the Sugar Business Acquisition, as well as expenses incurred in connection with the Sugar Business Acquisition.

Our pro forma other operating expenses decreased 33.8% from RM68.6 million in 2009 to RM45.4 million in 2010, primarily due to an impairment loss of RM30.4 million we recorded in 2010 relating to impairment of intangible assets of TRT Holdings compared to an impairment loss of RM68.6 million we recorded in 2009 relating to impairment of an apartment property of Felda Global Ventures Middle East Sdn Bhd.

(vi) Other net gains/losses

We recorded pro forma other net losses of RM66.3 million in 2010, primarily due to losses of RM47.0 million arising from changes in fair value of foreign exchange forward contracts and RM19.3 million arising from changes in fair value of our futures contracts for raw sugar, as global market prices for commodities generally rose in 2010 and the RM appreciated against the USD during 2010. No pro forma net gains or losses were recorded in respect of hedging transactions in 2009 because the current accounting standards relating to recognition and measurement of these derivative financial instruments and their disclosure were not applicable and were not early adopted in 2009. Moreover, our businesses that engage in these transactions were not part of our pro forma Group in 2009.

(vii) Fair value changes in Land Lease Agreement liability

Expenses recorded in respect of fair value changes in the Land Lease Agreement liability increased slightly by 2.2% to RM527.0 million for 2010 compared to RM515.8 million in 2009, consistent with the calculated schedule of annual liability in respect of the Land Lease Agreement.

(viii) Profit from operations

As a result of the factors discussed above, our pro forma profit from operations for 2010 increased by 743.3% to RM957.1 million from RM113.5 million for 2009, mainly due to increases in pro forma revenue, partially offset by higher pro forma cost of sales in 2010.

(ix) Finance costs

Our pro forma finance costs increased significantly from RM10.0 million for 2009 to RM151.5 million for 2010. This increase was primarily due to RM88.0 million in interest expense on a loan from FELDA that we received in 2010 connection with the financing of the Sugar Business Acquisition, including accrued interest and additional interest expense with respect to an additional RM225.0 million loan from FELDA. The increase in 2010 was also due in part to a RM35.5 million deemed interest expense we recorded as a result of the unwinding of discounts relating to a RM1.0 billion advance to us from FELDA before this advance was converted into our RCPS and RCCPS and RM6.4 million in interest expense on bankers acceptances that we incurred in 2010, as our sugar segment used bankers' acceptances to finance raw sugar purchases.

Interest expense on our term loans increased from RM8.3 million in 2009 to RM11.8 million in 2010 due to higher interest rates and the loans being outstanding for a longer period in 2010, the effect of which was offset in part by the repayment of a term loan by TRT Holdings at the end of 2009. In 2010, we also recorded an interest expense of RM4.9 million related to TRT-ETGO Inc's revolving credits drawn to support additional working capital requirements for our soy and canola business. Unrealised foreign currency exchange loss in 2010 of RM5.1 million compared to none in 2009, also contributed to the increase in our pro forma finance costs in 2010. The unrealised foreign currency exchange loss in 2010 resulted from translation of cash and cash equivalents denominated in foreign currency, primarily USD held by FGV North America and FGV Indonesia, as the RM appreciated against the USD during 2010.

(x) Finance income

Our pro forma finance income increased 76.8%, from RM6.9 million for 2009 to RM12.2 million for 2010. This increase was primarily due to higher interest income from cash and cash equivalent deposits of new subsidiaries we acquired in 2010 as part of the Sugar Business Acquisition.

(xi) Share of results from Associates and Jointly-Controlled Entities

Associates

Our pro forma share of results from our Associates increased 12.0% to RM391.2 million in 2010 from RM349.2 million in 2009. The increase was primarily due to our acquisition of a 20% equity interest in Tradewinds in January 2010, offset in part by a 61.4% decrease in gain from bargain purchase from RM301.0 million in 2009 to RM116.1 million in 2010. The gain from bargain purchase in 2009 relates to our acquisition of a 49% equity interest in FHB, and the gain from bargain purchase in 2010 relates to our acquisition of the equity interest in Tradewinds. Excluding gain from bargain purchase related to these acquisitions, our share of results from Associates increased 471.0% from RM48.2 million in 2009 to RM275.2 million in 2010, primarily reflecting a full year's share of results with respect to our equity interest in FHB for 2010, compared to three months' share for 2009, as well as our share of results for Tradewinds in 2010, which was absent in 2009.

FHB recorded revenues of RM11,964.6 million and RM15,130.7 million for 2009 and 2010, respectively. The 26.5% increase in FHB's revenues mainly reflects a 26.7% increase in sales of goods from RM11,383.4 million in 2009 to RM14,425.2 million in 2010, as selling prices of CPO, CPKO, RBD products, PK and rubber increased substantially in 2010 compared to 2009 as a result of rainy weather conditions that reduced the supply of those products and increased their prices in 2010, which more than offset decreases in the volumes sold of CPKO and PKE by 5.7% and 2.2%, respectively, in 2010 compared to 2009.

However, a 31.0% increase in FHB's total cost of sales in 2010 outpaced the increase in revenue during the corresponding period, increasing from RM10,679.7 million in 2009 to RM13,988.6 million in 2010. This increase was primarily a result of escalating raw material costs, as global commodities prices increased significantly in 2010. Heavy rains and floods in 2010 led to a decrease in the supply of FFB and an increase in its selling price, which increased the spot market price of FFB. The upward trend in the cost of FFB had an adverse effect on FHB's milling operations. The upward movement in FFB prices during 2010 significantly reduced margins of FHB's milling operations in 2010, as FHB typically sells CPO through forward contracts while it purchases FFB on the spot markets, the effect of which decreases FHB's margins for its milling operations during periods when FFB and CPO prices are both rising. Moreover, increases in FFB prices and, consequently, CPO prices also decreased margins for FHB's oils and fats businesses, as sales prices of RBD products and other CPO-based products did not increase sufficiently to fully offset the increase in raw materials costs. As a result, FHB's gross profit decreased 11.1% from RM1,284.9 million in 2009 to RM1,142.0 million in 2010, while its gross profit margin decreased from 10.7% in 2009 to 7.5% in 2010.

FHB's other operating income increased 79.7% from RM127.0 million in 2009 to RM228.2 million in 2010 mainly due to a RM66.0 million gain on the exchange of FHB's equity interest in its associate, BH Insurance (M) Bhd., for an equity interest in Axa Affin General Insurance Bhd and a RM18.9 million gain from the disposal of its subsidiary, Felda Oil Products Sdn. Bhd, to Felda IFFCO. Gains arising from foreign exchange translation of RM59.9 million, compared to RM23.2 million in 2009, also contributed to the increase in other operating income in 2010.

In addition, FHB recorded other net gains of RM30.7 million in 2010, mainly due to fair value gains of RM32.8 million on palm oil futures contracts, which more than offset fair value losses associated with cocoa bean futures contracts and foreign currency forward contracts. No net losses or gains were recorded in respect of these hedging transactions in 2009 because the current accounting standards relating to recognition and measurement of these derivative financial instruments and their disclosure were not applicable and were not early adopted by FHB in 2009.

These net gains and the increase in operating income were offset in part by an increase of RM27.2 million in administrative expense resulting from higher wages and bonuses and a RM12.0 million decrease in share of results from its jointly-controlled entities, as FHB disposed of its 50% equity interest in Felda IFFCO in 2009 and, accordingly, Felda IFFCO was no longer FHB's jointly-controlled entity in 2010. FHB's finance costs also increased by RM8.9 million due to higher interest expense for bank borrowings.

As a result of the foregoing factors, FHB's profit before zakat and taxation decreased 5.5% from RM804.3 million in 2009 to RM760.1 million in 2010. Tax expenses for 2010 decreased compared to 2009 as a result of the lower profit before taxation, coupled with an over-provision of prior year's taxation in 2010, resulting in a 0.4% increase in FHB's profit for the year from RM611.6 million in 2009 to RM614.2 million in 2010.

Jointly-Controlled Entities

Our pro forma share of results from Jointly-Controlled Entities decreased from a gain of RM8.8 million in 2009 to a loss of RM24.6 million in 2010. This reversal mainly reflects a full year's share of results with respect to our equity interest in Felda IFFCO for 2010, compared to one month's share for 2009. Losses in Felda IFFCO were primarily due to negative refining margins in its oils and fats business, as prices of raw materials, including CPO and PKO prices, increased significantly in 2010, while the sales prices of its refined products increased by smaller amounts. Turich also recorded losses in 2010, mainly due to late commissioning of its mills and adverse weather conditions that yielded low quality FFB in 2010, contributing to our share of losses from Jointly-Controlled Entities.

In addition, we had recorded gain from bargain purchase of RM14.9 million in 2009 in connection with the acquisition of our Jointly-Controlled Entities, Felda IFFCO and Turich, but we recorded no such gain from bargain purchase in 2010, which contributed to the decrease in our pro forma share of results from Jointly-Controlled Entities in 2010.

(xii) Profit before taxation

As a result of the factors discussed above, our pro forma profit before taxation for 2010 increased by 152.9% to RM1,184.4 million, compared to RM468.4 million for 2009. Our pro forma profit before taxation margin increased to 20.4% for 2010, compared to 16.2% for 2009, as the increases in our pro forma revenue, pro forma other operating income and pro forma gains from share of results of Associates that recorded in 2010 outpaced the increases in pro forma cost of sales, pro forma operating expenses and pro forma finance costs that we recorded in 2010.

(xiii) Tax expenses

Our pro forma tax expenses increased significantly to RM255.0 million for 2010, compared to RM35.5 million for 2009. The increase was primarily due to higher pro forma profit before taxation in 2010 as a result of the sales of refined sugar products and soy and canola products that were recorded starting in 2010, and the relative impact that timing differences related to adjustments in respect of the Land Lease Agreement liability and depreciation had to our pro forma tax expenses in 2009. Our pro forma effective tax rate increased to 21.5% for 2010 from 7.6% for 2009.

(xiv) Discontinued operations

We did not record a pro forma loss from discontinued operations in 2010, while in 2009 we recorded a pro forma loss of RM139.3 million in connection with the disposition of Twin Rivers Technologies Natural Ingredients LLC, a subsidiary of TRT Holdings, to a wholly-owned subsidiary of Felda IFFCO that was completed in December 2009.

(xv) Profit for the year

As a result of the factors discussed above, our pro forma profit for the year increased by 216.6% to RM929.4 million for 2010, from RM293.6 million for 2009. Our pro forma profit after taxation margin increased to 16.0% for 2010, compared to 10.2% for 2009.

8.3 LIQUIDITY AND CAPITAL RESOURCES

The following discussion regarding our liquidity and capital resources has been presented on a pro forma basis following the Pre-IPO Transactions but prior to the IPO Transactions, and, therefore, does not reflect the application of proceeds from the IPO that is discussed in Section 4.12 of this Prospectus. Accordingly, certain items in this Section 8.3 differ significantly from those in our pro forma consolidated statement of financial position as at 31 December 2011 and our pro forma consolidated statement of cash flows for 2011, which assume the IPO Transactions had occurred on 1 January 2011 and 1 January 2010, respectively.

8.3.1 Working capital

Our principal sources of liquidity are cash generated from our operations, cash and cash equivalents, credit extended by our suppliers and borrowings from financial institutions and FELDA. Following the Listing, we expect to use the same principal sources of liquidity, except that we do not expect to source any additional funding from FELDA following the Listing. Our ability to rely on these sources of funding could be affected by a number of factors, including our results of operations and financial position and by the conditions in the Malaysian and international financial markets.

As at 31 December 2011, we had cash and cash equivalents of RM1,723.4 million on a pro forma basis and total indebtedness of RM8,480.1 million on a pro forma basis. Our working capital on a pro forma basis, calculated as pro forma current assets minus pro forma current liabilities, was RM818.9 million as at 31 December 2011. Our pro forma cash and cash equivalents, pro forma total indebtedness and pro forma working capital, in each case, as of 31 December 2011, are based on our pro forma consolidated statement of financial position as at 31 December 2011, which has been prepared on the assumption that the Pre-IPO Transactions had occurred on 31 December 2011.

Taking into consideration our funding requirements for our committed capital expenditure, expected funds to be generated from cash flows from operations, as well as our existing level of cash and cash equivalents and credit sources, our Board believes that we will have adequate working capital for at least 12 months from the date of this Prospectus.

8.3.2 Cash flows

The following table sets forth a summary of our pro forma cash flows for the year ended 31 December 2011:

	Pro Forma for the Year Ended 31 December 2011[1]
	RM (in millions)
Net cash generated from operating activities	1,854.0
Net cash generated in investing activities	1,055.7
Net cash used in financing activities	(907.8)
Net increase in cash and cash equivalents	2,001.9

Note:

(1) Based on our pro forma consolidated statement of cash flows for 2011 on the assumption that the Pre-IPO Transactions had occurred on 31 December 2010.

Most of our cash and cash equivalents are held in RM. Our Board is of the opinion that there are no legal, financial or economic restrictions on our Subsidiaries' ability to transfer funds to our Company in the form of cash dividends, subject to availability of distributable reserves, and/or loans or advances.

Net cash generated in operating activities in 2011 on a pro forma basis was RM1,854.0 million, consisting primarily of amounts received in respect of our continuing operations, including sales of FFB, refined sugar and molasses, fatty acids, glycerin and soy and canola products as well as subsidy from the Government related to refined sugar and adjustments for non-cash items relating to fair value changes in Land Lease Agreement liability of RM530.0 million and impairment losses of RM164.7 million for property, plant and equipment and RM42.8 million for intangible assets. Changes in working capital had a positive impact on our cash flow of RM237.0 million, primarily as a result of decreases in receivables and inventories of RM84.6 million and RM84.4 million, respectively, and an increase in payables of RM50.5 million. The decrease in receivables was primarily due to a decrease in derivative financial assets, while the decrease in inventories was primarily due to the sales of TRT-ETGO Inc's inventory to our joint venture Bunge ETGO that commenced operations in 2011. The increase in payables was primarily as a result of higher transportation costs of the Plantation Estates.

Net cash generated in investing activities in 2011 on a pro forma basis was RM1,055.7 million, consisting primarily of RM1,160.5 million of proceeds from dilution of interest in Subsidiaries and the sale of our shares in MSM Holdings in its initial public offering and RM203.7 million in dividends received from our Associates, FHB and Tradewinds. These positive adjustments were offset in part by RM128.8 million of additions of property, plant and equipment, mainly related to capital expenditures for capacity expansion, upgrades of equipment and machinery for our production facilities in MSM and TRT-ETGO Inc, as well as RM75.7 million used for acquisitions of interests in Bunge ETGO, a new Jointly-Controlled Entity.

Net cash used in financing activities in 2011 on a pro forma basis was RM907.8 million, consisting primarily of RM549.2 million of repayment of the lease liability arising from the Land Lease Agreement, RM290.0 million in repayment of borrowings related to working capital for TRT-ETGO Inc's operations, RM286.5 million in fixed deposits pledged for bank guarantees, RM123.6 million in finance costs paid, RM36.5 million in dividends paid to non-controlling interests and RM25.0 million in dividends paid to our shareholder, offset in part by RM332.1 million in drawdown of borrowings to support the additional working capital needs of the operations of TRT-ETGO Inc.

8.3.3 Borrowings and indebtedness

Our total outstanding borrowings and indebtedness on a pro forma basis as at 31 December 2011 were as follows:

Borrowings and Indebtedness	Pro Forma as at 31 December 2011
	RM (in millions)
Short-term debts	
Secured	
Revolving credits	461.6
Term loans	12.0
Unsecured	
Bankers' acceptances	288.3
Land Lease Agreement liability	541.7
Total short-term debts	1,303.6
Long-term debts	
Secured	
Term loans	39.1
Revolving credits	1.4
Unsecured	
Loan from FELDA	1,835.0
Land Lease Agreement liability	5,301.0
Total long-term debts	7,176.5
Total borrowings and indebtedness	8,480.1
Gearing ratio (times)[1]	7.2
Adjusted gearing ratio (times)[2]	2.2

***Notes*:**

(1) *Computed based on total debt (interest bearing and non-interest bearing) over total shareholders' equity of our Company.*

(2) *Computed based on total debt excluding Land Lease Agreement liability over total shareholders' equity of our Company.*

As at 31 December 2011, our pro forma outstanding borrowings are denominated primarily in RM. The table below sets forth, as at 31 December 2011, our pro forma outstanding borrowings (excluding the Land Lease Agreement liability and FELDA loans and advances) by the currency in which they are denominated:

Borrowings	Pro Forma as at 31 December 2011
	RM (in millions)
RM	288.3
CAD	423.5
USD	90.6
Total borrowings	802.4

As at 31 December 2011, our loans and advances from FELDA were denominated in RM and the total amount of such loans and advances on a pro forma basis were as follows:

Loans and advances from FELDA	**Pro Forma as at 31 December 2011**
	RM (in millions)
Total	1,835.0

Our loans and advances from FELDA are due in instalments between 2013 and 2020 and carry a fixed effective interest rate of 4.805% per annum. Proceeds from the loans and advances were used primarily in connection with the financing of the Sugar Business Acquisition and other local and foreign investment activities.

There has been no default on payments of either interest or principal for any of our borrowings throughout the year ended 31 December 2011. We are not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans which can materially affect our financial position and results or business operations, or the investment by holders of our securities.

The maturity profile of our pro forma borrowings and indebtedness as at 31 December 2011 is as follows:

Maturity of Borrowings	**Pro Forma as at 31 December 2011**
	RM (in millions)
Within 1 year	1,303.6
1-2 years	1,506.2
3-5 years	2,017.3
More than 5 years	3,653.0
Total	8,480.1

The table below sets forth the interest rate profile of our pro forma borrowings and indebtedness as at 31 December 2011:

	Pro Forma as at 31 December 2011
	RM (in millions)
Fixed rate instruments	1,835.0
Floating rate instruments	802.4
Land Lease Agreement liability	5,842.7
Total	8,480.1

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8.3.4 Capital expenditures

We incurred capital expenditures of RM361.4 million, RM212.4 million and RM128.8 million on a pro forma basis for the years ended 31 December 2009, 2010 and 2011, respectively.

Our major capital expenditures for the periods indicated were as follows:

	Year Ended 31 December		
Capital expenditures by business	**2009**	**2010**	**2011**
	RM	**RM**	**RM**
		(in millions)	
Plantations			
Office building	4.0	3.4	6.9
Improvements to staff quarters	27.6	15.8	19.1
Plant, equipment and machinery	0.3	0.1	0.1
Public amenities	1.2	0.8	-
Motor vehicles and machinery	11.5	4.3	11.8
Office equipment, tools and other equipments	1.8	0.7	3.1
Buildings, structure and renovation	0.7	-	4.9
Other	3.9	0.3	0.5
Sub-total	51.0	25.4	46.4
Downstream			
Construction of soy and canola crushing and refining facilities	276.3	152.2	14.7
Plant and machinery	15.4	8.3	35.0
Additions to land	13.7	-	-
Motor vehicles	1.0	2.3	0.1
Other	4.0	6.0	1.4
Sub-total	310.4	168.8	51.2
Sugar			
Capacity expansion projects	-	8.6	19.7
Equipment and parts replacements	-	5.6	8.2
Other	-	4.0	3.3
Sub-total	-	18.2	31.2
Total capital expenditures	361.4	212.4	128.8

The majority of our capital expenditures during the past three years have primarily been related to construction and improvements to our production facilities, including the construction of our soybean and canola seed crushing and refinery facilities in Canada that commenced operations in September 2010, as well as capacity expansion projects, such as replacement and upgrade of machinery and equipment to improve efficiency and performance.

Our planned capital expenditures for the year ending 31 December 2012 are RM232.7 million which we intend to use primarily for improvements to our production facilities, including capacity expansion, automation of production processes, equipment modernisation, storage expansion and other related projects.

Our actual capital expenditures may vary from projected amounts due to various factors, including changes in market conditions, unplanned cost overruns, our ability to generate sufficient cash flows from operations, our ability to obtain adequate financing for these planned capital expenditures, demand for our products, Government's policies regarding the industries in which we operate and the state of the Malaysian and the global economy. In addition, our planned capital expenditures do not include any expenditure for potential acquisitions or investments that we may evaluate from time to time.

We expect to meet our capital expenditure requirements through our cash and cash equivalents on hand, cash generated from future operations and financing activities, including the proceeds from the IPO. Our ability to obtain external financing and to make timely repayments of our debt obligations are subject to various uncertainties, including our future results of operations, financial condition and cash flows, the condition of the Malaysian and global economy and the markets for our products, the cost of financing, the condition of financial markets and the willingness of banks to provide financing facilities to us.

8.3.5 Material commitments

We had material capital commitments for capital expenditures of RM105.2 million on a pro forma basis as at 31 December 2011. These commitments consisted of the following:

Material Capital Commitments	Pro Forma as at 31 December 2011 RM (in millions)
Property, plant and equipment	
Commitments approved and contracted for............	20.1
Commitments approved and not contracted for.......	85.1
Total material capital commitments........................	105.2

The majority of our pro forma capital commitments as at 31 December 2011 were related to capital expenditures for construction of new production facilities, capacity expansion, upgrading of machinery and equipment, other improvements to our production facilities and buildings. Except as disclosed above, as at 31 December 2011, we are not aware of any material capital commitments incurred or known to be incurred by us that have not been provided for which, upon becoming enforceable, may have a material impact on our financial results or financial position. We expect to meet our material commitments through our cash and cash equivalents on hand, cash generated from future operations and financing activities.

8.3.6 Contingent liabilities and material litigation

As at the Latest Practicable Date, our Board is not aware of any contingent liabilities which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial condition other than the material litigation disclosed in Section 18.6 of this Prospectus.

For a description of our material litigation, refer to Section 18.6 of this Prospectus.

8.3.7 Key financial ratios

Our key financial ratios are based on our pro forma consolidated financial information for the periods indicated and are as follows:

	Pro Forma as at 31 December		
	2009	**2010**	**2011**
Trade receivables (RM million)(1)	51.1	320.0	305.5
Trade receivables turnover period (days)(2)	9.3	11.7	15.3
Trade payables (RM million)(3)	129.4	158.7	153.3
Trade payables turnover period (days)(4)	29.7	13.3	10.4
Inventory (RM million)(5)	145.8	549.9	465.5
Inventory turnover period (days)(6)	52.1	29.2	34.5
Current ratio(7)	3.3	1.0	1.4
Gearing ratio(8)	11.0	10.0	7.2
Adjusted gearing ratio(9)	2.9	3.1	2.2

***Notes*:**

(1) *Trade receivables reflect outstanding amount receivable from customers for sale of goods and services, before impairment of trade receivables.*

(2) *Average trade receivables multiplied by 365 days over total revenue.*

(3) *Trade payables reflect outstanding amount payable to suppliers and vendors for purchase of goods and services.*

(4) *Average trade payables multiplied by 365 days over total cost of sales.*

(5) *Inventory reflects finished products, work in progress and raw materials.*

(6) *Average inventory multiplied by 365 days over purchases. Purchases reflect inventory closing balance less inventory opening balance plus cost of sales.*

(7) *Current assets over current liabilities following the Pre-IPO Transactions but prior to the IPO Transactions.*

(8) *Calculated by dividing total indebtedness including Land Lease Agreement liability by total shareholders' equity following the Pre-IPO Transactions but prior to the IPO Transactions.*

(9) *Calculated by dividing total indebtedness excluding Land Lease Agreement liability by total shareholders' equity following the Pre-IPO Transactions but prior to the IPO Transactions.*

Trade receivables turnover period

Our normal credit period given to our trade debtors generally ranges up to 30 days. Our pro forma trade receivables turnover period increased from 9.3 days in 2009 to 11.7 days in 2010, and subsequently increased to 15.3 days in 2011, primarily reflecting a significant increase in export sales by our sugar business in 2011, as customers in the sugar export market are typically given a longer credit period. We believe that adequate allowance has been made for doubtful debts based on historical experience and the balance of the pro forma trade receivables are recoverable in full.

The aging analysis for pro forma trade receivables as at 31 December 2011 is as follows:

	Current	Past Due				Total
		1-30 Days	31-60 Days	61-90 Days	More than 90 Days	
		(RM in millions, except percentages)				
Trade receivables[1]	229.4	68.5	2.1	1.3	4.2	305.5
% of total trade receivables[1]	75.1	22.4	0.7	0.4	1.4	100.0

Note:

(1) After impairment of trade receivables.

Trade payables turnover period

Our normal credit period given by our trade creditors generally ranges up to 60 days depending on the product. Our pro forma trade payables primarily consist of payables relating to our production inputs, such as certain raw materials and other sub-materials, packaging materials and natural gas. Our pro forma trade payables do not include payables for certain raw materials, including raw sugar, as our payment period for such raw material purchases are usually within one to two weeks after a bill of lading is issued.

Our pro forma trade payables turnover period decreased from 29.7 days in 2009 to 13.3 days in 2010, primarily as a result of our sugar business, whose trade creditors typically provide a shorter credit period than customers in our other segments, becoming a part of our pro forma Group in 2010 following the Sugar Business Acquisition. In 2011, our pro forma trade payables turnover period further decreased to 10.4 days, primarily reflecting a decrease in trade payables of TRT-ETGO Inc as it no longer purchased raw materials following the effectiveness of the tolling agreement with our joint venture, Bunge ETGO.

We manage the disparity between our trade receivables and trade payables by using short-term financing, including bankers' acceptances and revolving credits, thus our trade payables should be reviewed together with our short-term borrowings.

The aging analysis for trade payables as at 31 December 2011 is as follows:

	Current	Past Due				Total
		1-30 Days	31-60 Days	61-90 Days	More than 90 Days	
		(RM in millions, except percentages)				
Trade payables	149.6	2.3	0.4	0.3	0.7	153.3
% of total trade payables............	97.5	1.5	0.3	0.2	0.5	100.0

Inventory turnover period

Our pro forma inventory mainly comprised of finished goods for sale, works-in-progress (including intermediate products used as inputs in our production processes), raw materials and consumable stores. Our pro forma inventory turnover period decreased from 52.1 days in 2009 to 29.2 days in 2010 mainly reflecting the sugar business becoming part of our pro forma Group in 2010, which resulted in higher inventory levels for 2010 but also a significant increase in purchases for 2010 primarily comprising raw sugar purchases. The increase in inventory levels were partially offset as we no longer recorded inventory related to Twin Rivers Technologies Natural Ingredients LLC, which we disposed of in 2009. In 2011, our pro forma inventory turnover period rose to 34.5 days primarily due to higher average inventory levels recorded for 2011 compared to 2010 as a result of the sugar business becoming part of our pro forma Group, which more than offset the decrease in inventory levels resulting from TRT-ETGO Inc's sale of its inventory following the effectiveness of the tolling agreement with our joint venture, Bunge ETGO.

Current ratio

Our current ratio on a pro forma basis decreased from 3.3 times for 2009 to 1.0 times for 2010, primarily reflecting a return to normal levels as the proceeds from a loan from FELDA received in 2009 in connection with the Sugar Business Acquisition were used in January 2010 to complete the transaction. Our current ratio on a pro forma basis thereafter increased to 1.4 times for 2011 on a pro forma basis primarily due to proceeds from the sale of our shares in MSM Holdings in its initial public offering in June 2011.

Gearing Ratio and Adjusted Gearing Ratio

Our gearing ratio on a pro forma basis decreased from 11.0 times for 2009 to 10.0 times for 2010, as the increase in our pro forma shareholders' equity was proportionately higher than the increase in borrowings for the same period. Our adjusted gearing ratio on a pro forma basis increased from 2.9 times for 2009 to 3.1 times for 2010, primarily due to a RM73 million loan from FELDA in connection with the acquisition of our equity interest in Trurich and final installment payment made to FHB for acquisition of Felda IFFCO of RM33.7 million.

Our gearing ratio and adjusted gearing ratio on a pro forma basis decreased to 7.2 times and 2.2 times in 2011, respectively, primarily due to repayments of RM290 million in respect of a term loan and RM99 million in respect of a drawdown on a revolving credit facility by TRT-ETGO Inc as well as an increase in our pro forma shareholders' equity.

8.3.8 Off-balance sheet arrangements

We do not have any off-balance sheet arrangements that are reasonably likely to have a current or future material effect on results of operations or our financial condition.

8.3.9 Financial risk management

We are exposed to certain financial risks that arise in our normal course of business. The objective of our financial risk management is to minimise potential adverse effects from the unpredictability of financial markets on our financial performance. We use relevant financial instruments to hedge our exposure to such risk, including commodities futures and foreign currency forward contracts.

Our Board has overall responsibility for the oversight of financial risk management, including the identification of operational and strategic risk, and subsequent action plans to manage these risks. Our management is responsible for identifying, monitoring and managing our risk exposures.

Our key financial risks are summarised below.

Commodity price risk

We are exposed to fluctuations in the prices of commodities, particularly CPO, raw sugar, soybeans, canola seeds and rubber, all of which are affected by unpredictable factors such as weather conditions and levels of global demand, production and supply. We currently attempt to manage our exposure to price fluctuations in these commodities by entering into futures contracts. For further information on risks related to our hedging transactions, refer to Section 5.2.20 of this Prospectus.

Foreign currency risk

We are exposed to foreign currency risk as a result of transactions entered into in currencies other than RM, which primarily consist of purchases of raw materials, export sales, operating costs for our foreign subsidiaries and other investments overseas. These transactions are predominantly denominated in USD and, to a lesser extent, in CAD. We use currency forward contracts from time to time to manage our foreign exchange exposures.

Interest rate risk

Our exposure to interest risk arises mainly from our borrowings. Borrowings issued at variable rates expose us to interest rate risk which is partially offset by cash deposits held at variable rates. We monitor interest rates prior to making deposits and bank borrowings to ensure that the applicable rates are established at acceptable levels. We borrow from and lend to related companies at fixed rates to manage our interest rate exposure.

Credit risk

We generally have no significant concentration of credit risk due to the large number of our customers. Credit risk is minimised and monitored by limiting our dealings to creditworthy business counterparties, setting credit limits on exposures, applying credit approval controls and obtaining collateral or security deposits where appropriate. For further information about our customers, refer to Section 7.13 of this Prospectus. Our bank and cash balances are largely placed with a number of major financial institutions in Malaysia, Canada and the United States.

Liquidity and cash flow risks

We maintain sufficient levels of cash and cash equivalents to meet our operational and working capital needs by closely monitoring both the rolling forecasts and actual cash flows. We also have access to credit facilities maintained with a number of financial institutions to meet our liquidity requirements.

We seek to ensure that all our Subsidiaries maintain optimum levels of liquidity at all times, sufficient for their operating, investing and financing activities. We aim to achieve this through efficient working capital management related to, for example, inventory, accounts receivable and accounts payable, that enables us to convert our current assets into cash to meet all demands for payment as and when they become due. Refer to Section 8.5 of this Prospectus for additional information on our treasury and funding policies.

Capital risk

Our primary objective when managing capital is to ensure that we maintain healthy capital ratios to support our business and maximise shareholder value. In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to our shareholders, return capital to shareholders or issue new shares. Consistent with other companies in the industry, we monitor capital on the basis of the gearing ratio. For information on our borrowings, refer to Section 8.3.3 of this Prospectus.

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8.4 CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with the pro forma consolidated financial information as at 31 December 2011 and the notes thereon, set out in Section 8.10 of this Prospectus.

The table below sets out the cash and cash equivalents as well as capitalisation and indebtedness of FGVH based on the audited consolidated financial statements of FGVH and based on the consolidated statement of financial position as at 31 December 2011 set out in Section 8.10 of this Prospectus, on the assumption that the entry into the Land Lease Agreement and the Sarawak Land Management Agreement, the conversion of RCPS and RCCPS, the IPO and the utilisation of proceeds had occurred on 31 December 2011. The pro forma consolidated statement of financial position below does not represent FGVH's actual capitalisation and indebtedness as at 31 December 2011 and is provided for information purposes only. The total indebtedness of FGVH is not guaranteed by any third party.

	As at 31 December 2011 (Audited)	**After entry into the Land Lease Agreement and the Sarawak Land Management Agreement, the conversion of RCPS and RCCPS, the IPO and the utilisation of proceeds (Unaudited)**
	RM '000	**RM '000**
Cash and cash equivalents[1]	1,777,824	5,662,439
Indebtedness		
Short term debt		
Secured		
Revolving credits	461,634	201,634
Term loans	12,040	12,040
Unsecured		
Bankers acceptances	288,300	288,300
Land Lease Agreement liability	-	541,741
	761,974	1,043,715
Long-term debt		
Secured		
Term loans	39,131	39,131
Revolving credits	1,387	1,387
Unsecured		
Loan from FELDA	1,835,000	1,835,000
Land Lease Agreement liability	-	5,300,953
	1,875,518	7,176,471
Total indebtedness[2]	**2,637,492**	**8,220,186**
Total shareholders' equity/capitalisation	3,267,521	5,483,830
Total capitalisation and indebtedness	5,905,013	13,704,016
Gearing ratio (times)[3]	0.8	1.5
Adjusted gearing ratio (times)[4]	0.8	0.4

Notes:

(1) Cash and cash equivalents include deposits, cash and bank balances less bank overdrafts and designated deposits.

(2) Total indebtedness includes short-term debts and long-term debts.

(3) Computed based on total debt (interest bearing and non-interest bearing) over total shareholders' equity of FGVH.

(4) Computed based on total debt excluding Land Lease Agreement liability over total shareholders' equity of FGVH.

(5) The assumed utilisation of proceeds comprises:

(i) Loan repayment of overseas operations of RM260 million;

(ii) Capital expenditure for increases in efficiency, as well as extension of capabilities of RM100 million; and

(iii) Estimated listing expenses of RM160 million.

8.5 TREASURY POLICIES AND OBJECTIVES

Our treasury policy is to maintain sufficient working capital to finance our operations and meet our anticipated commitments arising from operational expenditure and financial liabilities by maintaining adequate liquidity and credit facilities.

We manage our liquidity to help ensure access to sufficient funding at acceptable costs to meet our business needs and financial obligations throughout business cycles. Our liquidity and funding plans are designed to meet our funding requirements under normal and stress scenarios, which include primarily purchases of raw materials, payroll, principal payments on outstanding borrowings, dividends, and general obligations such as operating expenses, collateral deposits held or collateral posted to counterparties. We have historically relied on cash generated from our business operations and external unsecured and secured sources, including credit extended by our suppliers, bankers' acceptances, term loans, revolving credits and other borrowings from financial institutions and from FELDA. Our funding policy is to obtain the most suitable type of financing and favourable cost of funding as our financing needs arise.

Most of our cash and cash equivalents are held in RM and, to a lesser extent, USD and a substantial majority of our pro forma borrowings are denominated in RM. However, we are exposed to foreign currency risk as a result of transactions entered into in currencies other than RM, which consist primarily of raw materials purchases, export sales, operating costs of our foreign subsidiaries and other investments overseas. These transactions are denominated predominantly in USD and, to a lesser extent, CAD. From time to time, we use currency forward contracts to manage our foreign exchange exposures to mitigate adverse effects on our business margins. Our Board continually reviews our foreign currency risk and strategies to mitigate adverse impacts that may result from fluctuations in foreign currency exchange rates.

8.6 INFLATION

We do not believe that inflation has had a material impact on our pro forma business, financial condition or results of operations for the period presented. However, inflation may affect our financial performance by increasing certain of our operating expenses denominated in RM, including expenses relating to labour costs, selling and distribution expenses and administrative expenses. Any increase in the inflation rate beyond levels experienced in the past may affect our operations and financial performance if we are unable to fully offset higher costs through increased selling prices of our products and/or increased Government subsidies.

8.7 SEASONALITY

Sales of our oils and fats products and refined 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 used in holiday cooking and baking needs. In addition, the harvest of FFB at the Plantation Estates tends to increase in the second half of the year as a result of rainfall patterns in Malaysia, which typically leads to a greater supply of CPO and PK during the second half of the year as FFB is processed following its harvest.

8.8 GOVERNMENT/ECONOMIC/FISCAL/MONETARY POLICIES

Exports of CPO from Malaysia are currently subject to a Governmental export duty. This duty is imposed on a graduated scale, calculated in RM per MT. There is no duty for the first RM650 per MT. Thereafter, the export duty is 10%, increasing 5% for the next RM50 per MT and each RM50 thereafter up to RM850. For amounts over RM850, the duty is 30% of the value of the exports. The export duty schedule is shown in the table below:

Value of exports (per MT)	Incremental duty as a percentage	Incremental duty in RM	Total duty
Up to RM650	-	-	-
RM650 – RM700	10%	RM5.00	RM5.00
RM700 – RM750	15%	RM7.50	RM12.50
RM750 – RM800	20%	RM10.00	RM22.50
RM800 – RM850	25%	RM12.50	RM25.00
Over RM850	30%	N/A	N/A

F Marketing, our marketing agent through which we began selling our CPO in April 2012, is one of the few Malaysian companies to have been granted a duty-free export quota by the Government.

In 2012, we expect to export CPO through F Marketing only to the extent of the applicable Malaysian export duty exempt quota, and we intend to apply for our own export duty exempt quota for 2013. The Government does not currently impose an export duty on RBD palm oil products that our Associate FHB sells. However, there can be no assurance that the Government will continue to provide F Marketing with or grant us an export duty exempt quota or that the Government will not, in the future, impose an export duty on RBD palm oil products.

As in many countries, the sugar industry in Malaysia is regulated by the Government. Pursuant to the Price Control and Anti-Profiteering Act, 2011, the Government has historically set price ceilings for refined white sugar products, taking into account various factors. Following sharp increases in raw sugar prices in recent years, the Government introduced a sugar price subsidy in 2009 so that the increases in the prices of raw sugar would not be fully passed on to consumers of refined sugar products in Malaysia. Our financial performance, like the financial performance of other cooking oil producers and refined sugar producers in Malaysia, thus depends partly on the Government's policies with respect to the downstream palm oil and sugar industries, such as the level of price ceilings and sugar subsidy, which are beyond our control.

We and our Associates and Jointly-Controlled Entities, whose results of operation affect our profitability, are actively engaged in business operations in a number of industries both in Malaysia and in other countries. Several of our production facilities are located in countries outside of Malaysia, including the United States and Canada, and our Associates and Jointly-Controlled Entities also have operations in the United States, Indonesia, China, South Africa and Turkey. Consequently, changes in the regulation of the palm oil and sugar industries in Malaysia and other countries in which we operate, as well as other political, economic, fiscal and monetary conditions in Malaysia and the global markets generally, could have a material adverse effect on our business, financial condition, results of operations and future growth. For example, the Government regulates the downstream palm oil industry, including by subsidising the price of cooking oil that is sold in Malaysia by our Associate, FHB. Subject to a quota, FHB and other cooking oil producers are compensated by the Government for the difference between a certain benchmark RBD palm olein price, which was RM1,700 per MT for the year ended 31 December 2011, and the current market price of RBD palm olein as published by the MPOB.

For a more detailed description of risks relating to Government, economic, fiscal or monetary policies and factors that may materially affect our results of operations refer to Sections 5.2.26 and 5.3.3 of this Prospectus.

8.9 PROSPECTS

The results of our operations for the year ending 31 December 2012 are expected to be primarily influenced by the following factors, in addition to the factors included in Sections 5 and 8.2.3 of this Prospectus:

- our ability to maintain our market share and grow our sales;
- the state of the Malaysian and global economy and expectations of economic recovery;
- our ability to manage our operating costs; and
- impact of the incurrence of indebtedness, including as a result of any change in interest charges on the indebtedness.

As an agri-business company, we do not have an order book.

Except as disclosed above and in Sections 5 and 8.2.3 of this Prospectus, to the best of our Board's knowledge and belief, there are no other known trends, factors, demands, commitments, events or uncertainties that are reasonably likely to have a material effect on our financial condition and results of operations, and our Board expects our performance for the year ending 31 December 2012 to be satisfactory.

8.10 REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

(Prepared for inclusion in this Prospectus)

pwc

REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The Board of Directors
Felda Global Ventures Holdings Berhad
Level 3, Balai Felda
Jalan Gurney 1
54000 Kuala Lumpur

21 May 2012

PwC/TSP/MBJ/EC/fm/0605B2

Dear Sirs,

Felda Global Ventures Holdings Berhad ('FGVH')
Report on Pro Forma Consolidated Financial Information

1 We report on the Pro Forma Consolidated Statement of Financial Position as at 31 December 2011, Pro Forma Consolidated Statement of Cash Flows for the financial year ended 31 December 2011 and Pro Forma Consolidated Statements of Comprehensive Income for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 together with the Notes thereon (collectively known as 'Pro Forma Consolidated Financial Information') of FGVH as set out in Appendix A (which we have stamped for the purpose of identification), which have been prepared for inclusion in the Prospectus in connection with the listing of FGVH on the Main Market of Bursa Malaysia Securities Berhad ('Proposal').

2 The Pro Forma Consolidated Financial Information has been prepared, for illustrative purposes only, to show the effects of the Proposal on the financial information presented had the Proposal been effected at the commencement of the period reported on or at the date stated.

Responsibilities

3 It is the sole responsibility of the Directors of FGVH to prepare the Pro Forma Consolidated Financial Information on the basis set out in the notes thereon in accordance with the requirements of the Prospectus Guidelines.

4 It is our responsibility to form an opinion as required by the Prospectus Guidelines on the Pro Forma Consolidated Financial Information.

5 In providing this opinion, we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the preparation of the Pro Forma Consolidated Financial Information nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/MBJ/fm/0605B2
21 May 2012

REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Basis of opinion

6 We conducted our work in accordance with the approved standard for assurance engagements in Malaysia, ISAE 3000 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information'. Our work, which involved no independent examination of any of the underlying financial information, consisted of comparing unadjusted information with the audited consolidated financial statements of FGVH, considering the evidence supporting the adjustments and discussing the Pro Forma Consolidated Financial Information with the Directors of FGVH.

7 We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Consolidated Financial Information have been properly prepared on the basis stated, using financial statements prepared in accordance with Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies of FGVH.

8 As the Pro Forma Consolidated Financial Information are prepared for illustrative purposes only, such information, because of their nature, does not give a true picture of the effects of the Proposal on the financial information presented had the transaction or event occurred at the commencement of the period reported on or at the date stated. Further, such information does not purport to predict FGVH's future results and financial position.

Our Opinion

9 In our opinion:

(a) the Pro Forma Consolidated Financial Information have been properly prepared on the basis set out in the notes, using financial statements prepared in accordance with Financial Reporting Standards in Malaysia and in a manner consistent with both the format of the financial statements and the accounting policies of FGVH; and

(b) each material adjustment made to the information used in the preparation of the Pro Forma Consolidated Financial Information is appropriate for the purposes of preparing such financial information.

The Board of Directors
Felda Global Ventures Holdings Berhad
PwC/MBJ/fm/0605B2
21 May 2012

REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Other Matters

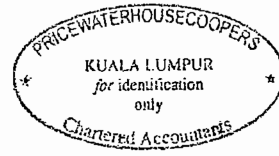
10 This report is issued for the sole purpose of inclusion in the Prospectus in connection with the Proposal and should not be used or relied upon for any other purpose. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any transaction other than the Proposal.

Yours faithfully,

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

THAYAPARAN A/L S. SANGARAPILLAI
(No. 2085/09/12 (J))
Chartered Accountant

Kuala Lumpur



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON

1.0 INTRODUCTION

The Pro Forma Consolidated Financial Information (collectively known as the 'Pro Forma Consolidated Financial Information') comprises the following:

Section 2.0 : Pro Forma Consolidated Statement of Financial Position as at 31 December 2011 on the assumption that the transactions as set out in Notes 1.1 and 1.2 had been effected on 31 December 2011;

Section 3.0 : Pro Forma Consolidated Statements of Comprehensive Income for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 on the assumption that the Felda Global Ventures Holdings Berhad ('FGVH') Group post-Initial Public Offering ('IPO') after the transactions as set out in Notes 1.1 and 1.2, had been in existence throughout the financial years under review; and

Section 4.0 : Pro Forma Consolidated Statement of Cash Flows for the financial year ended 31 December 2011 on the assumption that the FGVH Group post-IPO after the transactions as set out in Notes 1.1 and 1.2 had been in existence throughout the financial year under review.

The Pro Forma Consolidated Financial Information together with the notes thereon of FGVH, for which the Directors of FGVH are solely responsible, has been prepared for illustrative purposes only, for the purpose of inclusion in this Prospectus issued in connection with the listing of FGVH on the Main Market of Bursa Malaysia Securities Berhad ('Bursa Securities').

1.1 Completed Transactions

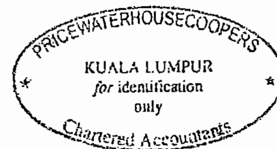
FGVH undertook the following transactions which were completed prior to the IPO.

1.1.1 Land Lease Agreement ('LLA') and Management Agreement ('MA') between FGVH and the Federal Land Development Authority ('FELDA')

(a) FGVH entered into an agreement ('LLA') with FELDA on 1 November 2011 to lease (i) lands with individual land titles issued to FELDA as the registered owner (ii) existing lands granted to FELDA for development but where individual land titles have not been issued to FELDA and (iii) other lands to be alienated or to be acquired by FELDA in the future

The LLA will commence on 1 January 2012 or upon fulfilment of statutory approvals, whichever is later, which includes consent by the relevant State Authorities in which the lands are situated.

As part of its restructuring process, FELDA, FGVH and Felda Global Ventures Plantations (Malaysia) Sdn. Bhd. ('FGVPM'), a wholly-owned subsidiary of FGVH, had, on 6 January 2012, entered into a Novation Agreement whereby all benefits, rights, title, interest, obligations, undertakings, covenants and liabilities of FGVH under the LLA shall be transferred by FGVH to FGVPM from 1 January 2012 and FELDA has consented to the transfer of all of FGVH's benefits, rights, title, interest, obligations, undertakings, covenants and liabilities to FGVPM subject to the terms and conditions of the Novation Agreement.



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

1.0 INTRODUCTION (CONTINUED)

1.1 Completed Transactions (continued)

1.1.1 Land Lease Agreement ('LLA') and Management Agreement ('MA') between FGVH and the Federal Land Development Authority ('FELDA') (continued)

(a) FGVH entered into an agreement ('LLA') with FELDA on 1 November 2011 to lease (i) lands with individual land titles issued to FELDA as the registered owner (ii) existing lands granted to FELDA for development but where individual land titles have not been issued to FELDA and (iii) other lands to be alienated or to be acquired by FELDA in the future (continued)

While waiting for consent by the relevant State Authorities, FGVPM, had on 6 January 2012, signed a tenancy agreement with FELDA whereby FELDA agreed to grant tenancy and FGVPM agreed to accept tenancy of (a) all lands listed in Exhibit 1 of the Agreement for which individual land titles have been issued to FELDA but pending Approvals from the relevant authorities ('Remaining Existing Lands'); and (b) all lands listed in Exhibit 2 of the agreement for which the State Authority has granted FELDA the right to develop but individual land titles have not been issued to FELDA ('Additional Existing Lands') (the Remaining Existing Lands and Additional Existing Lands shall collectively be referred to as 'Lands'), both together measuring 336,010 hectares.

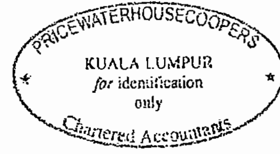
The State Authorities of Negeri Sembilan and Pahang had, vide their respective letters dated 15 March 2012 and 28 March 2012, granted a blanket consent to lease the lands with titles to FGVPM and to extend the lease period to 99 years from 1 January 2012.

On 21 January 2012, FGVPM had signed an additional tenancy agreement with FELDA in respect of the implementation of the LLA whereby FELDA agreed to grant tenancy and FGVPM agreed to accept tenancy of certain plantation lands measuring 19,854 hectares which are owned by FELDA that are subject to consideration of special circumstances affecting the lands, for which the parties decided to segregate the tenancies of these lands.

The lease term is for a period of 99 years from the commencement date. If the current lease period is less than the lease term, FELDA shall on a best effort basis obtain an extension such that the remainder of the lease term can be completed, otherwise the lease term shall be the remaining lease period as at 1 January 2012.

Under the terms of the LLA, FGVH will have sole and absolute control over existing and future crops and vegetation, rights to undertake replanting and receive replanting incentives from the Government of Malaysia as well as ownership and control over the infrastructure of the plantation estates.

The Lease Consideration for the LLA is computed on the following basis for 99 years: (i) an annual fixed lease amount and (ii) 15% of yearly plantation operating profit attributable to the lands which is calculated in accordance with the terms of the LLA. The Lease Amount shall be reassessed every 20 years based on the then prevailing state land premium.



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

1.0 INTRODUCTION (CONTINUED)

1.1 Completed Transactions (continued)

1.1.1 Land Lease Agreement ('LLA') and Management Agreement ('MA') between FGVH and the Federal Land Development Authority ('FELDA') (continued)

(a) FGVH entered into an agreement ('LLA') with FELDA on 1 November 2011 to lease (i) lands with individual land titles issued to FELDA as the registered owner (ii) existing lands granted to FELDA for development but where individual land titles have not been issued to FELDA and (iii) other lands to be alienated or to be acquired by FELDA in the future (continued)

The total land area leased is 355,864 hectares, of which 333,059 hectares consist of planted oil palm and rubber areas. Based on the agreed leased area, the annual fixed lease amount payable is estimated to be RM248,481,322 per annum, together with a fixed percentage of yearly plantation operating profit attributable to the lands.

Either FELDA or FGVH may terminate the lease by delivering a written notice at least 18 months prior to the date of termination for termination where the land size is 10,000 hectares or more and by delivering a written notice at least 6 months prior to termination date where the land size is less than 10,000 hectares.

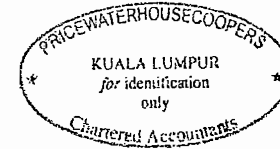
On 2 January 2012, FGVH entered into an addendum to the LLA ('LLA Addendum') to acquire certain assets and liabilities of the Plantation Estates ('Plantation Estates') owned by FELDA and operated by Felda Plantations Sdn. Bhd. ('FPSB') for a purchase consideration equivalent to the carrying values of the assets and liabilities acquired as at 31 December 2011.

Please refer to Section 7.22.1 of the Prospectus for further details of the LLA.

(b) On 21 May 2012, FGVPM entered into an addendum to the tenancy agreement dated 6 January 2012 to exclude all Sarawak Lands measuring 8,280 hectares from the application of the tenancy agreement and the LLA until FGVPM has obtained the status of Native as defined in the Land Code (Cap 81) of Sarawak, obtained approval by the State Authority for the lease and registered the lease instrument.

On the same date, FGVPM entered into a Management Agreement ('MA') with FELDA in respect of the Sarawak Lands to manage the operations of these lands for a contract period of one year that is automatically renewed on a yearly basis. Throughout the contract period, FGVPM shall purchase all FFB produced on these lands. In consideration of the appointment of FELDA under the MA, FGVPM shall bear all costs, expenses and expenditures in any form whatsoever in relation to the plantation operations of the Sarawak Lands.

This agreement will take effect from 1 January 2012.



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

1.0 INTRODUCTION (CONTINUED)

1.1 Completed Transactions (continued)

1.1.2 Conversion of all redeemable and non-voting convertible preference shares ('RCPS') and redeemable cumulative and non-voting convertible preference shares ('RCCPS') into ordinary shares of RM1.00 in FGVH.

All 329,949,500 RCPS of RM0.01 each and 570,590,000 RCCPS of RM0.01 each held by FELDA were converted to ordinary shares of RM1 each on 17 May 2012. This resulted in the issuance of 900,539,500 new ordinary shares in FGVH. The difference between the carrying value and the redemption value amounting to RM9.75 million was debited to retained earnings.

1.2 Initial Public Offering ('IPO')

Upon completion of the transactions, FGVH undertakes the IPO which consists of an Institutional Offering and a Retail Offering, totalling up to 2,188,890,900 IPO Shares comprising (i) Offer for Sale of 1,208,890,900 shares ('Offer Shares') by FELDA ('the Selling Shareholder') and (ii) the offering of 980,000,000 new shares ('Issue Shares'):

(a) Institutional Offering

Institutional Offering of up to 1,915,279,900 IPO Shares, representing 52.5% of the enlarged issued and paid-up share capital of FGVH, at the Institutional Price, subject to clawback and reallocation provisions, to be allocated in the following manner:

(i) Up to 1,208,890,900 Offer Shares and 286,852,000 Issue Shares to Malaysian institutional and selected investors and foreign institutional and selected investors at the Institutional Price; and

(ii) 419,537,000 Issue Shares to Bumiputera institutional and selected investors approved by the MITI at the Institutional Price.

(b) Retail Offering

Retail Offering of 273,611,000 Issue Shares, representing 7.5% of the enlarged issued and paid-up share capital of FGVH, at the Retail Price, subject to clawback and reallocation provisions, to be allocated in the following manner:

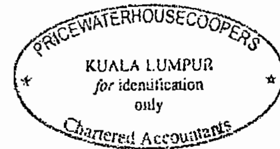
(i) 200,648,000 Issue Shares made available to the Eligible Employees, Eligible FELDA Settlers and persons who have contributed to the success of FGVH Group; and

(ii) 72,963,000 Issue Shares made available to the Malaysian Public.

The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date, and will be equal to the lower of:

(a) the Retail Price; and
(b) 98% of the Institutional Price,

subject to rounding to the nearest sen.



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

1.0 INTRODUCTION (CONTINUED)

1.2 Initial Public Offering ('IPO') (continued)

(b) Retail Offering (continued)

In the event that the Final Retail Price is lower than the Retail Price for the 273,611,000 Issue Shares for Retail Offering, the difference will be expensed off to the profit or loss as a share-based payment.

(c) Listing

Upon completion of the IPO, FGVH will seek the listing of and quotation for its entire enlarged issued and paid-up share capital comprising 3,648,151,500 Shares at the illustrated price of RM4.55 per share for both Institutional and Retail Offering ('IPO Price') on the Main Market of Bursa Securities ('Main Market'). The final IPO Price will be determined after the Institutional Price is fixed on the price determination date pursuant to a bookbuilding exercise.

The IPO expenses to be borne by FGVH which are expected to comprise brokerage, underwriting commission and placement fees relating to new issuance of shares are estimated to be RM108 million. These are set-off against share premium. The remaining professional fees and miscellaneous expenses of RM52 million will be expensed off.

PRICEWATERHOUSECOOPERS KUALA LUMPUR for identification only Chartered Accountants

FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

The Pro Forma Consolidated Statement of Financial Position as at 31 December 2011 has been prepared for illustrative purposes only to show the effects on the Pro Forma Consolidated Statement of Financial Position on the assumption that events set forth in Notes 1.1 and 1.2 had been effected on 31 December 2011 and should be read in conjunction with the notes in this Section.

	FGVH Audited as at 31 December 2011 RM'000	Adjustment for Completed Transactions RM'000	Pro Forma I After Completed Transactions RM'000	Adjustment for IPO RM'000	Pro Forma II After Pro Forma I and IPO RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	1,001,764	701,540	1,703,304	100,000	1,803,304
Goodwill and intangible assets	662,686	-	662,686	-	662,686
Interests in associates	2,388,197	-	2,388,197	-	2,388,197
Interests in jointly controlled entities	349,353	-	349,353	-	349,353
Prepaid lease payments	785	-	785	-	785
Loan due from other related company	17,090	-	17,090	-	17,090
Biological assets	622	1,858,220	1,858,842	-	1,858,842
Amount due from jointly controlled entity	45,520	-	45,520	-	45,520
Deferred tax assets	41,998	1,442,799	1,484,797	-	1,484,797
Total non-current assets	4,508,015	4,002,559	8,510,574	100,000	8,610,574
CURRENT ASSETS					
Inventories	406,629	57,488	464,117	-	464,117
Biological assets	11,198	-	11,198	-	11,198
Receivables	395,478	7,950	403,428	-	403,428
Amounts due from related companies	4,118	152	4,270	-	4,270
Tax recoverable	21,729	-	21,729	-	21,729
Loan due from other related company	10,836	-	10,836	-	10,836
Derivative financial assets	2,842	-	2,842	-	2,842
Cash and cash equivalents	1,777,824	(54,385)	1,723,439	3,939,000	5,662,439
Total current assets	2,630,654	11,205	2,641,859	3,939,000	6,580,859
TOTAL ASSETS	7,138,669	4,013,764	11,152,433	4,039,000	15,191,433

PRICEWATERHOUSECOOPERS KUALA LUMPUR for identification only Chartered Accountants

FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (CONTINUED)

	FGVH Audited as at 31 December 2011 RM'000	Adjustment for Completed Transactions RM'000	Pro Forma I After Completed Transactions RM'000	Adjustment for IPO RM'000	Pro Forma II After Pro Forma I and IPO RM'000
EQUITY AND LIABILITIES					
Share capital	1,767,612	900,540	2,668,152	980,000	3,648,152
Redeemable preference shares	9,005	(9,005)	-	-	-
Share premium	881,783	(881,783)	-	3,370,682	3,370,682
Foreign exchange reserve	(60,608)	-	(60,608)	-	(60,608)
Other reserves	68,188	-	68,188	-	68,188
Retained earnings	601,541	(9,752)	591,789	(51,682)	540,107
Reorganisation reserve	-	(2,082,691)	(2,082,691)	-	(2,082,691)
Equity attributable to:					
Owners of FGVH	3,267,521	(2,082,691)	1,184,830	4,299,000	5,483,830
Non-controlling interests	823,362	-	823,362	-	823,362
Total equity	4,090,883	(2,082,691)	2,008,192	4,299,000	6,307,192
CURRENT LIABILITIES					
Payables	121,015	123,967	244,982	-	244,982
Amount due to ultimate holding body	5,448	-	5,448	-	5,448
Amounts due to associates	21	-	21	-	21
Amounts due to other related companies	87,905	129,794	217,699	-	217,699
Amount due to jointly controlled entity	35,091	-	35,091	-	35,091
Borrowings	761,974	-	761,974	(260,000)	501,974
Provision for liabilities	1,738	-	1,738	-	1,738
Current tax liabilities	14,278	-	14,278	-	14,278
Land lease agreement liability	-	541,741	541,741	-	541,741
Total current liabilities	1,027,470	795,502	1,822,972	(260,000)	1,562,972

PRICEWATERHOUSECOOPERS KUALA LUMPUR for identification only Chartered Accountants

APPENDIX A
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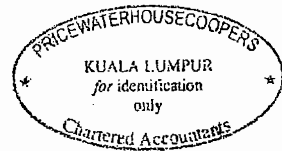
FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (CONTINUED)

	FGVH Audited as at 31 December 2011 RM'000	Adjustment for Completed Transactions RM'000	Pro Forma I After Completed Transactions RM'000	Adjustment for IPO RM'000	Pro Forma II After Pro Forma I and IPO RM'000
NON-CURRENT LIABILITIES					
Borrowings	40,518	-	40,518	-	40,518
Loan due to ultimate holding body	1,835,000	-	1,835,000	-	1,835,000
Provision for liabilities	7,398	-	7,398	-	7,398
Provision for defined benefit plan	492	-	492	-	492
Deferred tax liabilities	136,908	-	136,908	-	136,908
Land lease agreement liability	-	5,300,953	5,300,953	-	5,300,953
Total non-current liabilities	2,020,316	5,300,953	7,321,269	-	7,321,269
Total liabilities	3,047,786	6,096,455	9,144,241	(260,000)	8,884,241
TOTAL EQUITY AND LIABILITIES	7,138,669	4,013,764	11,152,433	4,039,000	15,191,433
Net assets attributable to equity holders of FGVH ('NA') (RM'000)	3,267,521		1,184,830		5,483,830
Number of ordinary shares ('000)	1,767,612		2,668,152		3,648,152
NA per ordinary share (RM'000)	1.85		0.44		1.50



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

2.1 Basis of preparation

The Pro Forma Consolidated Statement of Financial Position has been prepared based on the audited consolidated financial statements of FGVH and the carve out financial information of Plantation Estates owned by FELDA and operated by FPSB, for the financial year ended 31 December 2011 in accordance with Financial Reporting Standards ('FRS') in Malaysia and in a manner consistent with both the format of the financial statements and accounting policies of FGVH.

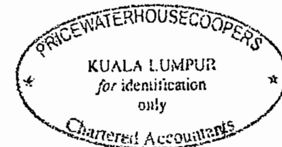
As set out in the Accountants' Report, FGVH will adopt Malaysian Financial Reporting Standards ('MFRS') 141, 'Agriculture' with effect from 1 January 2013. This standard requires biological assets and agriculture produce at the point of harvest to be measured at their fair value less costs to sell. The change in fair value less costs to sell of a biological asset shall be included in profit or loss for the financial year in which it arises. The effects arising from adoption of this standard have not been taken into account in the Pro Forma Consolidated Statement of Financial Position.

The Pro Forma Consolidated Statement of Financial Position has been prepared for illustrative purposes only to show the effects of the Completed Transactions and the IPO referred to in Notes 1.1 and 1.2 presented as though the transactions had been effected on 31 December 2011.

The effects of the contractual agreement between FGVPM and Felda Palm Industries Sdn. Bhd. ('FPI') as set out in Note 7.22.2 (iii) of the Prospectus is not presented in the Pro Forma Consolidated Statement of Financial Position as it only came into effect in March 2012.

Prior to entering the supply and purchase agreement with FPI, FGVPM recorded no revenue from sale of CPO and the related cost of goods sold for purchases of CPO from FPI. In the Pro Forma Consolidated Financial Information, only revenue from sale of FFB to FPI was recorded. However, with effect from 1 March 2012, the Pro Forma FGVH Group post-IPO will no longer record revenue from sale of FFB to FPI as this is deemed to be a tolling arrangement by virtue of the provisions of the agreement.

On 14 October 2011, Felda Global Ventures Kalimantan Sdn. Bhd., a subsidiary of FGVH, entered into a Sale and Purchase of Shares Agreement to acquire a 95% interest in PT Citra Niaga Perkasa for a total consideration of RM16.5 million, of which RM5.775 million has been paid as at 31 December 2011. The acquisition was completed on 27 February 2012. The impact of the acquisition is not material to be reflected in the Pro Forma Consolidated Statement of Financial Position.



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

2.2 Effects on the Pro Forma Consolidated Statement of Financial Position

Pro Forma I

The effects of the Completed Transactions as set out in Note 1.1 on the Statement of Financial Position of FGVH are as follows:

2.2.1 Land Lease Agreement ('LLA') and Management Agreement ('MA') between FGVH and FELDA

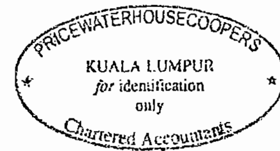
(a) These transactions have been accounted for business combinations under common control. Under the predecessor method of accounting, the assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder, FELDA, at the date of transfer.

(b) The fair value of the financial liability amounting to RM5,842,694,000 arising from the LLA and MA has been measured based on the following assumptions:

(i) Discount rate – 9.47%;
(ii) Crude Palm Oil ('CPO')price – RM2,900 per metric tonne for the first 3 years and RM2,468 per metric tonne for subsequent years;
(iii) Total area and planted oil palm and rubber area of 355,864 hectares and 333,059 hectares respectively;
(iv) Average replanting costs ranging from RM6,446 to RM7,037 per hectare based on a 25 year cycle for oil palm;
(v) Fresh fruit bunches ('FFB') average yield ranging from 19.7 to 27.2 tonnes per hectare per year;
(vi) Inflation rate - 3%;
(vii) Extension of lease term to 99 years will be obtained for all lands; and
(viii) FGVH will obtain the status of Native for the Sarawak Lands

(c) The sensitivity of the fair value of the financial liability to a change in key assumptions is as follows:

	Change in assumption	Impact on fair value
Discount rate	Increase by 0.5%	Decrease by RM289,679,905 (5.27%)
	Decrease by 0.5%	Increase by RM327,409,263 (5.96%)
CPO Price	Increase/ Decrease by RM100 per metric tonne	Increase/ Decrease by RM37,608,010 (0.64%)
Replanting cost	Increase/ Decrease by RM200 per hectare	Decrease/ Increase by RM8,791,805 (0.15%)
Improvement/ Reduction in FFB yield	Increase/ Decrease by 1%	Increase/ Decrease by RM25,034,591 (0.43%)



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

2.2 Effects on the Pro Forma Consolidated Statement of Financial Position (continued)

2.2.1 Land Lease Agreement between FGVH and FELDA (continued)

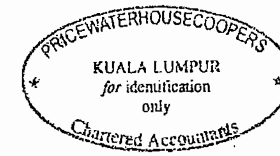
(d) The difference between the carrying value of Plantation Estates' assets acquired and the fair value of the LLA liability has been recorded in reorganisation reserve, after accounting for the deferred tax effects arising therefrom.

The reorganisation reserve has been computed as follows:

	RM'000	RM'000
Fair value of the LLA liability pursuant to the LLA and MA		5,842,694
Purchase consideration pursuant to the LLA Addendum		54,690
		5,897,384
Less: Carrying value of Plantation Estates' assets and liabilities acquired		
Assets		
Property, plant and equipment	(701,540)	
Biological assets	(1,858,220)	
Inventories	(57,488)	
Trade receivables	(7,950)	
Cash and bank	(305)	
Intercompany balances	(152)	
Total assets		(2,625,655)
Liabilities		
Trade and other payables	123,967	
Deferred tax liabilities	17,874	
Intercompany balances	129,794	
Total liabilities		271,635
		3,543,364
Less: Deferred tax effect*		(1,460,673)
Amount recognised in reorganisation reserve		2,082,691

*Arising from LLA liability

The Plantation Estates' assets transferred represent only those assets that are deemed transferred to FGVH pursuant to the LLA, MA and LLA Addendum, using the predecessor method of accounting.



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

2.2 **Effects on the Pro Forma Consolidated Statement of Financial Position (continued)**

Pro Forma II

The effects of the IPO and the estimated listing expenses totaling RM160 million to be borne by FGVH as set out in Note 1.2 are as follows:

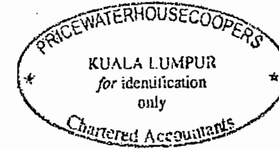
2.2.2 IPO

For the purposes of this Pro Forma, the IPO entails the issuance of 980,000,000 ordinary shares of RM1.00 in FGVH at an illustrative issue price of RM4.55 per share for both Institutional and Retail Offering for a gross cash consideration of RM4.459 billion.

The proceeds from the IPO will be utilised as follows:

	RM'000
Acquisition of plantation assets*	2,190,000
Selective acquisitions of oil & fats, manufacturing and logistics businesses*	840,000
Construction or acquisitions of mills and refineries businesses*	780,000
Loan repayment for overseas operations	260,000
Capital expenditures for increases in efficiency, as well as extension of capabilities	100,000
Working capital requirements, general corporate purposes*	129,000
Estimated listing expenses	160,000
	4,459,000

* **The planned utilisation of proceeds for these categories is indicative and does not represent identified acquisitions. Therefore these proceeds are subsumed within cash and cash equivalents.**



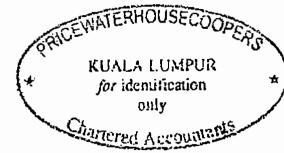
FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

3.0 PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011

The Pro Forma Consolidated Statements of Comprehensive Income for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 have been prepared for illustrative purposes only to show the effects on the Pro Forma Consolidated Statements of Comprehensive Income on the assumption that the FGVH Group post-IPO had been in existence throughout the financial years under review and should be read in conjunction with the notes in this Section.

	2009 RM'000	2010 RM'000	2011 RM'000
Revenue	2,880,343	5,804,601	7,474,846
Cost of sales	(2,013,369)	(3,961,878)	(5,464,452)
Gross profit	866,974	1,842,723	2,010,394
Other operating income	18,347	19,418	78,836
Selling and distribution expenses	(56,273)	(98,562)	(96,983)
Administrative expenses	(131,149)	(167,700)	(212,546)
Other operating expenses	(68,620)	(45,388)	(85,833)
Other gains/ (losses), net	-	(66,316)	35,923
Fair value changes in LLA liability	(515,805)	(527,027)	(529,970)
Finance costs	(10,035)	(151,557)	(141,211)
Finance income	6,878	12,243	38,055
Share of results from associates	349,227	391,225	329,328
Share of results from jointly controlled entities	8,818	(24,668)	(53,964)
Profit before taxation	468,362	1,184,391	1,372,029
Taxation	(35,494)	(255,024)	(357,364)
Profit for the financial year from continuing operations	432,868	929,367	1,014,665
Discontinued operation			
Loss for the financial year from discontinued operation	(139,297)	-	-
Profit after taxation for the financial year	293,571	929,367	1,014,665
Profit after taxation attributable to:			
Owners of FGVH	322,297	932,011	942,182
Non-controlling interests	(28,726)	(2,644)	72,483
	293,571	929,367	1,014,665

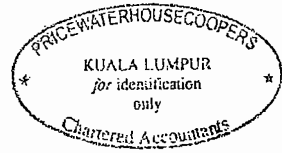


FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

3.0 PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 (CONTINUED)

	2009	2010	2011
	RM'000	RM'000	RM'000
Profit for the financial year	293,571	929,367	1,014,665
Share of other comprehensive income of associates	-	1,124	20,141
Share of other comprehensive income of jointly controlled entities	-	(20,211)	(3,194)
Other reserves	-	(2,934)	-
Currency translation differences	19,846	(62,912)	(4,255)
Total comprehensive income for the financial year	313,417	844,434	1,027,357
Attributable to:			
Owners of FGVH	342,133	843,262	954,874
Non-controlling interests	(28,716)	1,172	72,483
	313,417	844,434	1,027,357



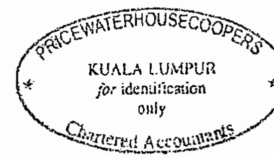
FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

3.0 PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 (CONTINUED)

3.1 The analysis of the Pro Forma Consolidated Statements of Comprehensive Income for the financial year ended 31 December 2009 is as follows:

	FGVH Audited 31 December 2009 RM'000	Plantation Estates Audited 31 December 2009 RM'000	Adjustment RM'000	Pro Forma Total RM'000
Revenue	615,494	2,264,849	-	2,880,343
Cost of sales	(583,399)	(1,415,970)	(14,000)(iv)	(2,013,369)
Gross profit	32,095	848,879	(14,000)	866,974
Other operating income	6,301	12,046	-	18,347
Selling and distribution expenses	(56,273)	-	-	(56,273)
Administrative expenses	(65,055)	(66,094)	-	(131,149)
Other operating expenses	(68,620)	(15,498)	15,498(iii)	(68,620)
Fair value changes in LLA liability	-	-	(515,805)(i)	(515,805)
Finance costs	(10,035)	-	-	(10,035)
Finance income	6,878	-	-	6,878
Share of results from associates	349,227	-	-	349,227
Share of results from jointly controlled entities	8,818	-	-	8,818
Profit before taxation	203,336	779,333	(514,307)	468,362
Taxation	(13,457)	(198,885)	176,848(ii)	(35,494)
Profit for the financial year from continuing operations	189,879	580,448	(337,459)	432,868
Discontinued operation				
Loss for the financial year from discontinued operation	(139,297)	-	-	(139,297)
Profit for the financial year	50,582	580,448	(337,459)	293,571
Profit after taxation attributable to:				
Owners of FGVH	79,308	580,448	(337,459)	322,297
Non-controlling interests	(28,726)	-	-	(28,726)
Profit after taxation	50,582	580,448	(337,459)	293,571
Currency translation differences	19,846	-	-	19,846
Total comprehensive income for the financial year	70,428	580,448	(337,459)	313,417
Attributable to:				
Owners of FGVH	99,144	580,448	(337,459)	342,133
Non-controlling interests	(28,716)	-	-	(28,716)
	70,428	580,448	(337,459)	313,417



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

3.0 PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 (CONTINUED)

3.1 **The analysis of the Pro Forma Consolidated Statements of Comprehensive Income for the financial year ended 31 December 2009 is as follows: (continued)**

3.1.1 **Explanatory notes on adjustments:**

(i) **Adjustments relating to the fair value change in the finance liability arising from the LLA and MA.**

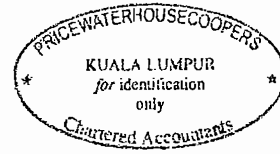
The sensitivity of the fair value change for the financial year to changes in key assumptions as set out in Note 2.2.1 (b) is as follows:

	Change in assumption	Impact on fair value changes
Discount rate	Increase by 0.5%	Decrease by RM4,343,148 (1%)
	Decrease by 0.5%	Increase by RM5,084,812(1%)
CPO Price	Increase/ Decrease by RM100 per metric tonne	Increase/ Decrease by RM2,718,890 (0.53%)
Replanting costs	Increase/ Decrease by RM200 per hectare	Decrease/ Increase by RM634,127 (0.12%)
Improvement/ Reduction in FFB yield	Increase/ Decrease by 1%	Increase/ Decrease by RM1,802,104 (0.35%)

(ii) **Adjustment on deferred taxation arising from temporary differences in relation to fair value changes in LLA liability.**

(iii) **Adjustment in relation to FELDA's development contribution to State Governments not borne by FGVH.**

(iv) **Adjustment due to incremental depreciation on purchase of property, plant and equipment from utilisation of proceeds.**



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

3.0 PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 (CONTINUED)

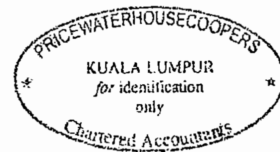
3.1 The analysis of the Pro Forma Consolidated Statements of Comprehensive Income for the financial year ended 31 December 2009 is as follows: (continued)

3.1.2 Explanatory notes on significant non-recurring transactions affecting the Pro Forma Consolidated Statements of Comprehensive Income for the financial year ended 31 December 2009:

FGVH

(i) Loss on disposal of 100% equity interest in Twin Rivers Technologies Natural Ingredients, LLC ('TRTNI') to a subsidiary of Felda Iffco Sdn. Bhd. ('FISB'), amounting to RM37.1 million by FGVH, which is included within 'Other Operating Expenses'.

(ii) Gain from bargain purchase arising from acquisition of 49% equity interests in FHB by FGVH amounting to RM301.0 million, which is included within 'Share of results from associates'.



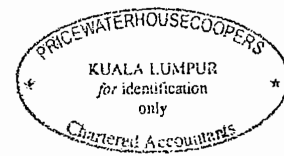
FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

3.0 PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 (CONTINUED)

3.2 **The analysis of the Pro Forma Consolidated Statements of Comprehensive Income for the financial year ended 31 December 2010 is as follows:**

	FGVH Audited 31 December 2010 RM'000	Plantation Estates Audited 31 December 2010 RM'000	Adjustments RM'000	Pro Forma Total RM'000
Revenue	3,149,510	2,655,091	-	5,804,601
Cost of sales	(2,725,537)	(1,222,341)	(14,000)(iv)	(3,961,878)
Gross profit	423,973	1,432,750	(14,000)	1,842,723
Other operating income	7,917	11,501	-	19,418
Selling and distribution expenses	(98,562)	-	-	(98,562)
Administrative expenses	(82,496)	(85,204)	-	(167,700)
Other operating expenses	(45,388)	(49,519)	49,519(iii)	(45,388)
Other gains/ (losses), net	(66,316)	-	-	(66,316)
Fair value changes in LLA liability	-	-	(527,027)(i)	(527,027)
Finance costs	(151,557)	-	-	(151,557)
Finance income	12,243	-	-	12,243
Share of results from associates	391,225	-	-	391,225
Share of results from jointly controlled entities	(24,668)	-	-	(24,668)
Profit before taxation	366,371	1,309,528	(491,508)	1,184,391
Taxation	(79,116)	(331,694)	155,786(ii)	(255,024)
Profit for the financial year	287,255	977,834	(335,722)	929,367
Profit after taxation attributable to:				
Owners of FGVH	289,899	977,834	(335,722)	932,011
Non-controlling interests	(2,644)	-	-	(2,644)
Profit after taxation	287,255	977,834	(335,722)	929,367
Share of other comprehensive income of associates	1,124	-	-	1,124
Share of other comprehensive income of jointly controlled entities	(20,211)	-	-	(20,211)
Other reserves	(2,934)	-	-	(2,934)
Currency translation differences	(62,912)	-	-	(62,912)
Total comprehensive income for the financial year	202,322	977,834	(335,722)	844,434
Attributable to:				
Owners of FGVH	201,150	977,834	(335,722)	843,262
Non-controlling interests	1,172	-	-	1,172
	202,322	977,834	(335,722)	844,434



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

3.0 PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 (CONTINUED)

3.2 **The analysis of the Pro Forma Consolidated Statements of Comprehensive Income for the financial year ended 31 December 2010 is as follows: (continued)**

3.2.1 **Explanatory notes on adjustments:**

(i) **Adjustment relating to the fair value change in the finance liability arising from the LLA and MA.**

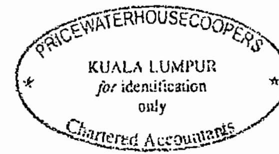
The sensitivity of the fair value change for the financial year to changes in key assumptions as set out in Note 2.2.1 (b) is as follows:

	Change in assumption	Impact on fair value changes
Discount rate	Increase by 0.5%	Decrease by RM4,179,053 (1%)
	Decrease by 0.5%	Increase by RM4,943,859(1%)
CPO Price	Increase/ Decrease by RM100 per metric tonne	Increase/ Decrease by RM2,977,626 (0.57%)
Replanting costs	Increase/ Decrease by RM200 per hectare	Decrease/ Increase by RM694,310 (0.13%)
Improvement/ Reduction in FFB yield	Increase/ Decrease by 1%	Increase/ Decrease by RM1,972,773 (0.37%)

(ii) **Adjustment on deferred taxation arising from temporary differences in relation to fair value changes in LLA liability.**

(iii) **Adjustment in relation to FELDA's development contribution to State Governments not borne by FGVH.**

(iv) **Adjustment due to incremental depreciation on purchase of property, plant and equipment from utilisation of proceeds.**



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

3.0 PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 (CONTINUED)

3.2 The analysis of the Pro Forma Consolidated Statements of Comprehensive Income for the financial year ended 31 December 2010 is as follows: (continued)

3.2.2 Explanatory notes on significant non-recurring transactions affecting the Pro Forma Consolidated Statements of Comprehensive Income for the financial year 31 December 2010:

FGVH

(i) Gain from bargain purchase arising from acquisition of 20% equity interest in Tradewinds (M) Berhad by FGVH amounting to RM116.0 million, which is included within 'Share of results from associates'.

(ii) Impairment of intangible assets other than goodwill and property, plant and equipment amounting to RM30.4 million, which is included within 'Other Operating Expenses'.

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KUALA LUMPUR
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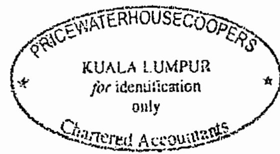
Chartered Accountants

3.0 PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 (CONTINUED)

3.3 **The analysis of the Pro Forma Consolidated Statements of Comprehensive Income for the financial year ended 31 December 2011 is as follows:**

	FGVH Audited 31 December 2011 RM'000	Plantation Estates Audited 31 December 2011 RM'000	Adjustments RM'000	Pro Forma Total RM'000
Revenue	4,201,168	3,273,678	-	7,474,846
Cost of sales	(3,950,976)	(1,499,476)	(14,000)(iv)	(5,464,452)
Gross profit	250,192	1,774,202	(14,000)	2,010,394
Other operating income	74,354	4,482	-	78,836
Selliug and distribution expenses	(96,983)	-	-	(96,983)
Administrative expenses	(115,706)	(96,840)	-	(212,546)
Other operating expenses	(83,812)	(60,782)	58,761(iii)	(85,833)
Other gains/ (losses), net	35,923	-	-	35,923
Fair value changes in LLA liability	-	-	(529,970)(i)	(529,970)
Finance costs	(141,211)	-	-	(141,211)
Finance income	38,055	-	-	38,055
Share of results from associates	329,328	-	-	329,328
Share of results from jointly controlled entities	(53,964)	-	-	(53,964)
Profit before taxation	236,176	1,621,062	(485,209)	1,372,029
Taxation	(87,387)	(410,787)	140,810(ii)	(357,364)
Profit for the financial year	148,789	1,210,275	(344,399)	1,014,665
Profit after taxation attributable to:				
Owners of FGVH	76,306	1,210,275	(344,399)	942,182
Non-controlling interests	72,483	-	-	72,483
Profit after taxation	148,789	1,210,275	(344,399)	1,014,665
Share of other comprehensive income of associates	20,141	-	-	20,141
Share of other comprehensive income of jointly controlled entities	(3,194)	-	-	(3,194)
Other reserves	-	-	-	-
Currency translation differences	(4,255)	-	-	(4,255)
Total comprehensive income for the financial year	161,481	1,210,275	(344,399)	1,027,357
Attributable to:				
Owners of FGVH	88,998	1,210,275	(344,399)	954,874
Non-controlling interests	72,483	-	-	72,483
	161,481	1,210,275	(344,399)	1,027,357



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

3.0 PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 (CONTINUED)

3.3 **The analysis of the Pro Forma Consolidated Statements of Comprehensive Income for the financial year ended 31 December 2011 is as follows: (continued)**

3.3.1 **Explanatory notes on adjustments:**

(i) **Adjustment relating to the fair value change in the finance liability arising from the LLA and MA.**

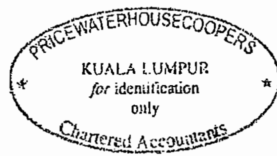
The sensitivity of the fair value change for the financial year to changes in key assumptions as set out in Note 2.2.1 (b) is as follows:

	Change in assumption	Impact on fair value changes
Discount rate	Increase by 0.5%	Decrease by RM4,433,756 (1%)
	Decrease by 0.5%	Increase by RM5,225,480(1%)
CPO Price	Increase/ Decrease by RM100 per metric tonne	Increase/ Decrease by RM3,261,050 (0.62%)
Replanting costs	Increase/ Decrease by RM200 per hectare	Decrease/ Increase by RM760,220 (0.14%)
Improvement/ Reduction in FFB yield	Increase/ Decrease by 1%	Increase/ Decrease by RM2,159,651 (0.41%)

(ii) **Adjustment on deferred taxation arising from temporary differences in relation to fair value changes in LLA liability.**

(iii) **Adjustment in relation to FELDA's development contribution to State Governments not borne by FGVH.**

(iv) **Adjustment due to incremental depreciation on purchase of property, plant and equipment from utilisation of proceeds.**



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

3.0 PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 (CONTINUED)

3.3 The analysis of the Pro Forma Consolidated Statements of Comprehensive Income for the financial year ended 31 December 2011 is as follows: (continued)

3.3.2 Explanatory notes on significant non-recurring transactions affecting the Pro Forma Consolidated Statements of Comprehensive Income for the financial year 31 December 2011:

FGVH

(i) Gain on disposal of RM68.2 million arising from the disposal of the investment in Felda Global Ventures Middle East Sdn. Bhd. ('FGVME') (including the interest in the subsidiary of FGVME, Felda Global Ventures Arabia Ltd) to FELDA, which is included within 'Other Operating Income'.

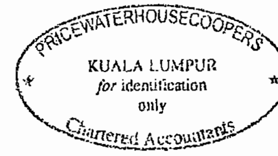
(ii) Impairment of property, plant and equipment amounting to RM164.7 million and goodwill amounting to RM42.8 million in relation to the refined food oil business operations in Twin Rivers Technologies Entreprise de Transformation De Graines Oleagineuses Du Quebec Inc ('TRT ETGO'), which is included within 'Cost of Sales' and 'Other Operating Expenses' respectively.

3.4 Basis of preparation

The Pro Forma Consolidated Statements of Comprehensive Income have been prepared based on the audited consolidated financial statements of FGVH and the carve out financial information of Plantation Estates owned by FELDA and operated by FPSB, in accordance with FRS in Malaysia and in a manner consistent with both the format of the financial statements and accounting policies of FGVH.

As set out in the Accountants' Report, FGVH will adopt MFRS 141, 'Agriculture' with effect from 1 January 2013. This standard requires biological assets and agriculture produce at the point of harvest to be measured at their fair value less costs to sell. The change in fair value less costs to sell of a biological asset shall be included in profit or loss for the financial year in which it arises. The effects arising from adoption of this standard have not been taken into account in the Pro Forma Consolidated Statements of Comprehensive Income.

The Pro Forma Consolidated Statements of Comprehensive Income have been prepared for illustrative purposes only to show the effects of the Completed Transactions and IPO referred to in Notes 1.1 and 1.2 presented as though the transactions had been effected on 31 December 2008 and the FGVH Group post-IPO had been in existence throughout the financial years under review.



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

3.0 PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 (CONTINUED)

3.4 Basis of preparation (continued)

The effects of the contractual agreement between FGVPM and FPI as set out in Note 7.22.2 (iii) of the Prospectus is not presented in the Pro Forma Consolidated Statements of Comprehensive Income as it only came into effect in March 2012.

Prior to entering the supply and purchase agreement with FPI, FGVPM recorded no revenue from sale of CPO and the related cost of goods sold for purchases of CPO from FPI. In the Pro Forma Consolidated Financial Information, only revenue from sale of FFB to FPI was recorded. However, with effect from 1 March 2012, the Pro Forma FGVH Group post-IPO will no longer record revenue from sale of FFB to FPI as this is deemed to be a tolling arrangement by virtue of the provisions of the agreement.

On 14 October 2011, Felda Global Ventures Kalimantan Sdn. Bhd., a subsidiary of FGVH, entered into a Sale and Purchase of Shares Agreement to acquire a 95% interest in PT Citra Niaga Perkasa for a total consideration of RM16.5 million, of which RM5.775 million has been paid as at 31 December 2011. The acquisition was completed on 27 February 2012. The impact of the acquisition is not material to be reflected in the Pro Forma Consolidated Statements of Comprehensive Income.

Summary of significant assumptions applied in the preparation of the Pro Forma Consolidated Statements of Comprehensive Income:

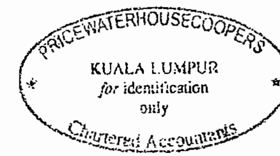
(i) Amounts due in relation to the land lease liability under the LLA are deemed to be paid in the financial year they arise.

(ii) Taxation

(a) Lease payments under the LLA and management fees under MA will be fully deductible;
(b) Recorded book tax provisions will be paid in the financial year that they arise; and
(c) The LLA, MA and LLA Addendum will be deemed as a controlled transfer for taxation purposes.

(iii) LLA and MA

(a) Extensions of lease terms to 99 years will be obtained for all Lands; and
(b) FGVH has no liability, contractually or otherwise, to any party other than FELDA in relation to the LLA and MA.



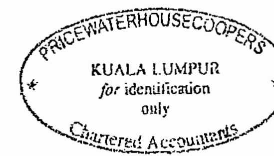
FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

4.0 PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS

The Pro Forma Consolidated Statements of Cash Flows for the financial year ended 31 December 2011 has been prepared for illustrative purposes only to show the effects on the Pro Forma Consolidated Statement of Cash Flows on the assumption that the FGVH Group post-IPO had been in existence throughout the financial year under review and should be read in conjunction with the notes in this Section.

	RM'000
Profit for the financial year	**1,005,030**
Adjustments for:	
Taxation	366,999
Depreciation of property, plant and equipment	111,468
Amortisation of intangible assets	5,851
Amortisation of prepaid lease payments	6,325
Fair value changes in LLA liability	529,970
Impairment loss on property, plant and equipment	164,687
Impairment loss on intangible assets	42,792
Gain on disposal of a subsidiary	(68,220)
Gain on disposal of property, plant and equipment	(66)
Property, plant and equipment written off	1,765
Biological assets written off	4,509
Share of results from associates	(329,328)
Share of results from jointly controlled entities	53,964
Finance costs	141,211
Finance income	(38,064)
Provision for retirement benefits	78
Impairment for receivables	79
Other gains	(35,923)
Provision for asset retirement	259
Provision for restructuring	4,392
Net unrealised foreign exchange gain	(4,565)
Operating profit before working capital changes	**1,963,213**
Working capital changes:	
Receivables	84,609
Inventories	84,351
Intercompany balances	18,033
Payables	50,467
Biological assets	(459)
Cash generated from operations	**2,200,214**
Taxation paid	**(380,808)**
Finance income	**35,294**
Retirement benefits paid	**(618)**
Net cash generated from operating activities	**1,854,082**

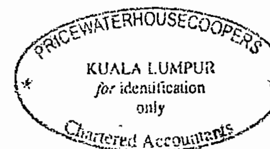


FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

4.0 PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from disposal of property, plant and equipment	486
Dividend received from associate	203,685
Purchase of biological assets	(6,397)
Purchase of property, plant and equipment	(128,818)
Deposit for acquisition of a subsidiary	(5,775)
Acquisition of a jointly controlled entity	(75,664)
Loan to a jointly controlled entity	(45,520)
Payment for asset retirement obligation	(33)
Payment for land lease premium	(41,063)
Repayment of loan to a related party	10,456
Accretion of interest in subsidiaries	(3,827)
Proceeds from dilution of interest in subsidiaries	1,160,505
Net cash outflow from disposal of subsidiaries	(12,325)
Net cash generated from investing activities	1,055,710
CASH FLOWS FROM FINANCING ACTIVITIES	
Drawdown of borrowings	332,133
Repayment of borrowings	(290,000)
Repayment of LLA liability	(549,241)
Finance costs paid	(123,587)
Dividend paid to shareholders	(25,000)
Payment for capital lease	(461)
Net proceeds from bankers acceptances	71,300
Dividend paid to non-controlling interest	(36,481)
Increased in fixed deposits pledged for bank guarantees	(286,510)
Net cash used in financing activities	(907,847)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,001,945
Effect of currency translation differences	(5,266)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	4,301,652
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6,298,331



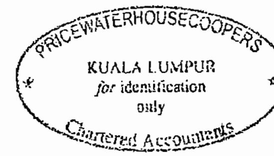
FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

4.0 PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

4.1 The analysis of the Pro Forma Consolidated Statements of Cash Flows for the financial year ended 31 December 2011 is as follows:

	FGVH Audited 31 December 2011	Plantation Estates Audited 31 December 2011	Adjustments	Pro Forma Total
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	148,789	1,210,275	(354,034)	1,005,030
Adjustments for:				
Taxation	87,387	410,787	(131,175)	366,999
Depreciation of property, plant and equipment	71,330	26,138	14,000	111,468
Amortisation of intangible assets	5,851	-	-	5,851
Amortisation of prepaid lease payments	70	6,255	-	6,325
Fair value changes in LLA liability	-	-	529,970	529,970
Impairment loss on property, plant and equipment	164,687	-	-	164,687
Impairment loss on intangible assets	42,792	-	-	42,792
Loss/ (gain) on disposal of a subsidiary	(68,220)	-	-	(68,220)
Loss/ (gain) on disposal of property, plant and equipment	28	(94)	-	(66)
Property, plant and equipment written off	1,203	562	-	1,765
Biological assets written off	-	4,509	-	4,509
Share of results from associates	(329,328)	-	-	(329,328)
Share of results from jointly controlled entities	53,964	-	-	53,964
Finance costs	141,211	-	-	141,211
Finance income	(38,055)	(9)	-	(38,064)
Provision for retirement benefits	78	-	-	78
Impairment for receivables	79	-	-	79
Other (gains)/ losses	(35,923)	-	-	(35,923)
Provision for asset retirement	259	-	-	259
Provision for restructuring	4,392	-	-	4,392
Net unrealised foreign exchange (gain)/ loss	(4,565)	-	-	(4,565)
Operating profit before working capital changes	246,029	1,658,423	58,761	1,963,213
Working capital changes:				
Receivables	88,662	(4,053)	-	84,609
Inventories	92,900	(8,549)	-	84,351
Intercompany balances	(86,914)	163,708	(58,761)(iv)	18,033
Payables	(10,652)	61,119	-	50,467
Biological assets	(459)	-	-	(459)
Cash generated from operations	329,566	1,870,648	-	2,200,214
Taxation paid	(109,182)	(404,119)	132,493	(380,808)
Finance income	35,285	9	-	35,294
Retirement benefits paid	(618)	-	-	(618)
Net cash generated from operating activities	255,051	1,466,538	132,493	1,854,082



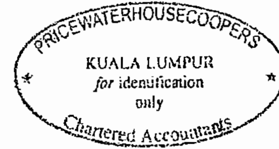
FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

4.0 PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

4.1 The analysis of the Pro Forma Consolidated Statements of Cash Flows for the financial year ended 31 December 2011 is as follows (continued):

	FGVH Audited 31 December 2011	Plantation Estates Audited 31 December 2011	Adjustments	Pro Forma Total
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	392	94	-	486
Dividend received from associates	203,685	-	-	203,685
Purchase of biological assets	-	(6,397)	-	(6,397)
Purchase of property, plant and equipment	(82,928)	(45,890)	-	(128,818)
Deposit for acquisition of a subsidiary	(5,775)	-	-	(5,775)
Acquisition of a jointly controlled entity	(75,664)	-	-	(75,664)
Loan to a jointly controlled entity	(45,520)	-	-	(45,520)
Payment for asset retirement obligation	(33)	-	-	(33)
Payment for land lease premium	-	(41,063)	-	(41,063)
Repayment of loan to a related party	10,456	-	-	10,456
Accretion of interest in subsidiaries	(3,827)	-	-	(3,827)
Proceeds from dilution of interest in subsidiaries	1,160,505	-	-	1,160,505
Net cash outflow from disposal of subsidiaries	(12,325)	-	-	(12,325)
Net cash generated from/ (used in) investing activities	1,148,966	(93,256)	-	1,055,710
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings	332,133	-	-	332,133
Repayment of borrowings	(290,000)	-	-	(290,000)
Repayment of LLA liability	-	-	(549,241)(i)	(549,241)
Finance costs paid	(123,587)	-	-	(123,587)
Dividend paid to shareholders	(25,000)	-	-	(25,000)
Payment for capital lease	(461)	-	-	(461)
Net proceeds from bankers acceptances	71,300	-	-	71,300
Dividend paid to non-controlling interest	(36,481)	-	-	(36,481)
Increase in fixed deposits pledged for bank guarantees	(286,510)	-	-	(286,510)
Net capital contribution	-	(1,373,286)	1,373,286 (ii)	-
Net cash (used in)/generated from financing activities	(358,606)	(1,373,286)	824,045	(907,847)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	1,045,411	(4)	956,538	2,001,945
Effect of currency translation differences	(5,266)	-	-	(5,266)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	417,033	309	3,884,310 (iii)	4,301,652
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	1,457,178	305	4,840,848	6,298,331



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

4.0 PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

4.1 The analysis of the Pro Forma Consolidated Statements of Cash Flows for the financial year ended 31 December 2011 is as follows (continued):

4.1.1 Explanatory notes on adjustments:

(i) Repayment of lease rental arising from LLA and management fees arising from MA.

(ii) Net cash flows from Plantation Estates now accrue to FGVH.

(iii) Adjustments for cash flows arising from the following transactions:

(a) Proceeds from issuance of 980,000,000 new ordinary shares at RM4.55 each in FGVH amounting to RM4.459 billion;

(b) Purchase consideration of RM54.7 million for acquisition of Plantation Estates' assets and liabilities;

(c) IPO Listing expenses amounting to RM160 million;

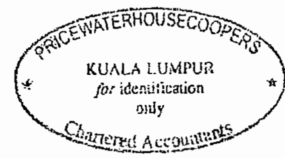
(d) Repayment of loans for overseas operations amounting to RM260 million; and

(e) Utilisation of RM100 million on capital expenditure.

(iii) Payment of FELDA's development contribution to State Governments not borne by FGVH.

4.1.2 Explanatory notes on significant non-recurring items affecting the Pro Forma Statements of Cash Flows for the financial year ended 31 December 2011 are as follows:

(i) Proceeds from listing of MSM Malaysia Holdings Berhad on the Main Market of Bursa Malaysia Securities Berhad amounting to RM1.16 billion, which is included within 'cash flows from investing activities'.



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

4.0 PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

4.2 Basis of preparation

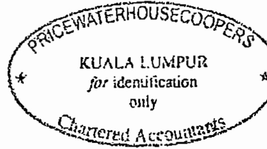
The Pro Forma Consolidated Statements of Cash Flows have been prepared based on the audited consolidated financial statements of FGVH and the carve out financial information of Plantation Estates owned by FELDA and operated by FPSB, in accordance with FRS in Malaysia and in a manner consistent with both the format of the financial statements and accounting policies of FGVH.

The Pro Forma Consolidated Statements of Cash Flows have been prepared for illustrative purposes only to show the effects of the Completed Transactions and IPO referred to in Notes 1.1 and 1.2 presented as though the transactions had been effected on 31 December 2010 and the FGVH Group had been in existence throughout the financial year under review.

The effects of the contractual agreement between FGVPM and FPI as set out in Note 7.22.2 (iii) of the Prospectus is not presented in the Pro Forma Consolidated Statements of Cash Flows as it only came into effect in March 2012.

Prior to entering the supply and purchase agreement with FPI, FGVPM recorded no revenue from sale of CPO and the related cost of goods sold for purchases of CPO from FPI. In the Pro Forma Consolidated Financial Information, only revenue from sale of FFB to FPI was recorded. However, with effect from 1 March 2012, the Pro Forma FGVH Group post-IPO will no longer record revenue from sale of FFB to FPI as this is deemed to be a tolling arrangement by virtue of the provisions of the agreement.

On 14 October 2011, Felda Global Ventures Kalimantan Sdn. Bhd., a subsidiary of FGVH, entered into a Sale and Purchase of Shares Agreement to acquire a 95% interest in PT Citra Niaga Perkasa for a total consideration of RM16.5 million, of which RM5.775 million has been paid as at 31 December 2011. The acquisition was completed on 27 February 2012. The impact of the acquisition is not material to be reflected in the Pro Forma Consolidated Statements of Cash Flows.



FELDA GLOBAL VENTURES HOLDINGS BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 31 DECEMBER 2010 AND 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

5.0 APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Felda Global Ventures Holdings Berhad in accordance with a resolution dated 21 May 2012.

On behalf of the Board

Dato' Sabri Ahmad **Director**	**Dr. Mohd Emir Mavani Abdullah** **Director**

Kuala Lumpur
21 May 2012

2017J/py

8.11 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2011 AND 2012

The following discussion and analysis of our condensed consolidated interim financial information with respect to the three months ended 31 March 2011 and 2012 are based on, and should be read in conjunction with, our unaudited condensed consolidated interim financial information and related notes included in Annexure A of this Prospectus. Our unaudited condensed consolidated interim financial information has been prepared in accordance with FRS, which may differ in certain respects from IFRS. For a discussion of significant differences between FRS and IFRS, refer to Section 8.13 of this Prospectus.

	Unaudited	
	Three Months Ended 31 March	
	2011	**2012**
	RM '000	**RM '000**
Revenue	1,688,481	1,719,997
Cost of sales	(1,036,756)	(1,330,223)
Gross profit	651,725	389,774
Other operating income	3,702	1,038
Selling and distribution costs	(38,036)	(30,926)
Administrative expenses	(44,408)	(56,831)
Other operating expenses	(9,490)	-
Other (losses)/gains, net	(16,907)	(213)
Fair value changes in Land Lease Agreement liability	-	(47,552)
Finance costs	(27,039)	(27,777)
Finance income	4,073	11,147
Share of results from Associates	(11,185)	35,014
Share of results from Jointly-Controlled Entities	(17,151)	7,132
PBT	495,284	280,806
Taxation	(145,126)	(57,594)
Profit for the financial period	350,158	223,212
PAT attributable to:		
Owners of our Company	359,048	192,165
Non-controlling interest	(8,890)	31,047
	350,158	223,212
Profit for the financial period	350,158	223,212
Share of other comprehensive income of Associates	9,305	7,192
Share of other comprehensive income of Jointly-Controlled Entities	12,145	(10,630)
Currency translation differences	(1,518)	(8,049)
Total comprehensive income for the financial period	370,090	211,725
Attributable to:		
Owners of our Company	379,141	180,678
Non-controlling interests	(9,051)	31,047
	370,090	211,725

	Unaudited	
	Three Months Ended 31 March	
	2011	2012
	RM '000	RM '000
Amortisation	3,087	1,475
Depreciation	24,278	23,865
EBITDA[1]	562,522	370,541
NA	5,490,347	1,359,230
No. of Shares in issue[2] (000)	1,767,612	1,767,612
Gross EPS[3] (sen)	28.0	15.9
Net EPS[4] (sen)	19.8	12.6
NA per Share[5] (sen)	310.6	76.9
Gross profit margin (%)	38.6	22.7
PBT margin (%)	29.3	16.3
PAT margin (%)	20.7	13.0
EBITDA margin (%)	33.3	21.5

Notes:

(1) Our EBITDA presented in this Prospectus is a supplemental measure of our performance and liquidity and is not required by, or presented in accordance with FRS and should not be considered as an alternative to PAT, operating income, or any other performance measures derived in accordance with FRS or as an alternative to our cash flows or as a measure of our liquidity. In addition, EBITDA is not a standardised term, hence a direct comparison between companies using such a term may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure.

We believe that the presentation of EBITDA facilitates the operating performance comparisons from period to period and from company to company by eliminating potential differences caused by variations in capital structures (affecting finance costs), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of tangible assets (affecting relative depreciation expense).

	Unaudited	
	Three Months Ended 31 March	
	2011	2012
	RM '000	RM '000
PBT	495,284	280,806
Amortisation	3,087	1,475
Depreciation	24,278	23,865
Finance costs	27,039	27,777
Finance income	(4,073)	(11,147)
Other (losses) / gains - net	16,907	213
Fair value changes in Land Lease Agreement liability*	-	47,552
EBITDA	**562,522**	**370,541**

* *Adjustment relating to the fair value change in the finance liability arising from the Land Lease Agreement.*

(2) Based on the paid-up share capital.

(3) Computed as PBT divided by the paid-up share capital.

(4) Computed as PAT divided by the paid-up share capital.

(5) Computed as NA divided by the paid-up share capital.

8.11.1 Basis of Presentation of Interim Financial Information

The unaudited condensed consolidated interim financial information included in this Prospectus reflects our financial condition and results of operations as at and for the three months ended 31 March 2011 and 2012 and has been presented on a predecessor basis in respect of the Plantation Estates as a result of the Land Lease Agreement we entered into with FELDA in November 2011 and novated to our subsidiary FGV Plantations Malaysia in January 2012.

As we and the Plantation Estates had a common controlling shareholder, FELDA, at the time we entered into the Land Lease Agreement, in our condensed consolidated interim financial information for the three months ended 31 March 2012, the Land Lease Agreement transaction has been accounted for as a business combination involving entities under common control using the predecessor method of accounting. Using the predecessor method of accounting, the assets and liabilities of the Plantation Estates have been combined into our condensed consolidated interim financial information and are accounted for based on the carrying amounts that had been recorded by FELDA without making any fair value adjustments at the date of the transaction. Furthermore, in accordance with our application of the predecessor method of accounting, the results of the Plantation Estates, including the Plantation Estates' revenue from the sales of FFB and the related cost of sales, have been presented as if the Plantation Estates had been part of our Group throughout the current and previous financial periods. As a result, our unaudited condensed consolidated statement of financial position as at 31 December 2011 included in our unaudited condensed consolidated interim financial information differs in material respects from our audited consolidated statement of financial position as at 31 December 2011 included in our historical audited consolidated financial statements, which has not been presented on a predecessor basis. For more information regarding the predecessor method of accounting, see Notes 1(a)(ii) and 24 to our unaudited condensed consolidated interim financial information, Note 2.2.1 to our unaudited pro forma consolidated financial information and Note 4(a) to our historical audited consolidated financial statements, all of which are included in this Prospectus.

Our condensed consolidated interim financial information for the three months ended 31 March 2011 has also been presented on a predecessor basis, and, consequently, the results of operations of the Plantation Estates, which includes sales of FFB, have been reflected therein as if the Plantation Estates had been part of our Group throughout the first three months of 2011, but without taking into account the effects of the Land Lease Agreement. See Note 1(a)(ii) to our unaudited condensed consolidated interim financial information for more information regarding the results of the Plantation Estates that have been accounted for under the predecessor method of accounting in our unaudited condensed consolidated statement of comprehensive income.

Our condensed consolidated interim financial information for the three months ended 31 March 2012 differs significantly from our condensed consolidated interim financial information for the corresponding period in 2011, as our business and operations have significantly changed since 31 March 2011. These changes include (i) the Land Lease Agreement and the Sarawak Land Management Agreement, which both came into effect in January 2012, (ii) the FPI SDA Arrangement, which came into effect in March 2012 and (iii) the tolling agreement with our joint venture Bunge ETGO that we entered into in December 2011, pursuant to which we process the soybeans and canola seeds provided to us by Bunge ETGO into soy and canola products that Bunge ETGO sells and markets.

(i) Land Lease Agreement and Sarawak Land Management Agreement

Following the effectiveness of the Land Lease Agreement and the Sarawak Land Management Agreement in January 2012, we incur an expense in respect of our financial liability arising from the Land Lease Agreement and the Sarawak Land Management Agreement. The financial liability arising from the Land Lease Agreement and the Sarawak Land Management Agreement comprises a fixed lease payment and an amount based on 15% of the plantation operating profit derived from the FELDA-leased Land and the oil palm plantation estates managed in Sarawak. Accordingly, our condensed consolidated interim financial information for the three months ended 31 March 2012 reflects these amounts related to the Land Lease Agreement and the Sarawak Land Management Agreement, while our condensed consolidated interim financial information for the corresponding period in 2011 does not.

Our condensed consolidated interim financial information for the three months ended 31 March 2011 and 2012 also reflects the management arrangements for the Plantation Estates that existed prior to 1 March 2012, where a management fee (which included a profit sharing element) was paid to F Plantations, a subsidiary of FHB, for the management of the Plantation Estates. Beginning 1 March 2012, we no longer pay this management fee, but instead directly incur operating expenses related to the management of the Plantation Estates, including staff-related costs, as the Plantation Estates-related employees of F Plantations became employees of FGV Plantations Malaysia as of 1 March 2012, which occurred after a two-month transition period following the effective date of the Land Lease Agreement and the Sarawak Land Management Agreement.

In addition, as discussed above, because our condensed consolidated interim financial information for the three months ended 31 March 2011 is presented on a predecessor basis, the results of operations of the Plantations Estates for the first three months of 2011, including sales of FFB and related cost of sales, are reflected in the financial information for that three-month period. Our condensed consolidated interim financial information for the three months ended 31 March 2012 also reflects the results of operations of the Plantation Estates, but includes sales of FFB to F Palm Industries only until 1 March 2012. After 1 March 2012, with the effectiveness of the FPI SDA Arrangement which is described in Section 8.11.1(ii) below, we no longer recognise revenue from the sale of FFB that our subsidiary FGV Plantations Malaysia makes to F Palm Industries, which comprises substantially all of our FFB sales and the related cost of sales.

(ii) Supply and Delivery of FFB and CPO

In March 2012, we entered into the FPI SDA Arrangement, effective from 1 March 2012, with F Palm Industries, a subsidiary of our Associate FHB, pursuant to which F Palm Industries purchases substantially all of the FFB that we produce on the oil palm plantation estates on the FELDA-Leased and Managed Land. Our sales of FFB to F Palm Industries under the FPI SDA Arrangement are made using prices based on the average monthly market price of CPO and other factors such as extraction rates, processing charges and other related costs. F Palm Industries produces CPO and PK using the FFB it acquires from us, as well as the FFB it acquires from FELDA Settlers, third parties and F Agricultural, a subsidiary of FHB. In addition, pursuant to the FPI SDA Arrangement (other than certain transition arrangements in March 2012 when F Palm Industries continued to sell CPO

to a number of parties other than us), F Palm Industries sells to us substantially all of the total CPO that it produces, other than CPO that it sells to its subsidiary DOP. We purchase CPO from F Palm Industries under the FPI SDA Arrangement using prices based on the average monthly market price of CPO. We resell this CPO to third-party customers, such as refiners and traders, in Malaysia and abroad, to our joint ventures, including Felda IFFCO, and to FHB's various subsidiaries and its associate, MEO, for their production of palm oil-based products. For information on the terms of the FPI SDA Arrangement between F Palm Industries and us, refer to Section 7.22.2(iii) of this Prospectus.

As the FPI SDA Arrangement only came into effect on 1 March 2012, any related transactions, including our supply and delivery of CPO under the arrangement, are not presented in our condensed consolidated interim financial information for the three months ended 31 March 2011, and our condensed consolidated interim financial information for the three months ended 31 March 2012 reflects only CPO sales for one month of that three-month period. We expect that for future periods, our sales of CPO will account for a very substantial portion of our revenues and that our purchases of CPO from F Palm Industries will account for a very substantial portion of our cost of sales. Prior to our entering into the FPI SDA Arrangement with F Palm Industries, we had no revenue from CPO sales and no cost of sales relating to CPO purchases. In addition, to facilitate the operational transition made to the FPI SDA Arrangement, for the month of March 2012 only, we purchased PK from F Palm Industries and recorded as revenue the sales of PK to F Kernel, a subsidiary of our Associate FHB. However, after March 2012, we no longer purchase PK from F Palm Industries and do not sell any PK, and, accordingly, for periods after 31 March 2012, our future consolidated financial statements will not reflect either purchases of PK as part of our cost of sales or sales of PK as part of our revenue.

In our condensed consolidated interim financial information for the three months ended 2012, we recognised revenue from our sales of FFB to F Palm Industries for the first two months of the three-month period, but with the effectiveness of the FPI SDA Arrangement, we no longer recognise revenue from the sales of FFB that we make to F Palm Industries, which comprises substantially all of our FFB sales. For periods after 1 March 2012, we recognise revenue from our sales of CPO that F Palm Industries produces using the FFB that we supply to it. We recognise as cost of sales the costs relating to the production of this FFB, including replanting, harvesting and cultivation costs.

In addition to the revenue we recognise from the sale of CPO that F Palm Industries produces using the FFB that we supply to it, we also recognise revenue from our resales of CPO that F Palm Industries produces from FFB it sources from other suppliers. The cost of this additional CPO that we purchase from F Palm Industries is recognised as cost of sales. Since F Palm Industries does not physically segregate its CPO output by the source of FFB, we rely on certain estimates, assumptions and judgments, such as the oil extraction rates achieved by, and the CPO inventory levels at, the F Palm Industries' mills, to appropriately recognise the revenue from CPO sales that are derived from FGVH-sourced FFB. In March 2012 we resold CPO that we purchased from F Palm Industries that it produced from FFB sourced from suppliers other than us, which caused revenue from our plantations segment for the three months ended 31 March 2012 to increase significantly compared to the corresponding period in 2011. However, primarily because the cost of sales of the CPO was not significantly different from the price at which we sold the CPO, the overall gross margin of our

plantations segment declined substantially for the three months ended 31 March 2012 compared to the same period in 2011. These CPO resales occurred for only one month of this three-month period in 2012, and certain transition issues related to the implementation of the FPI SDA Arrangement in March 2012 caused our CPO resales to be at a lower level than we expect in the future. As we expect our purchases and resales of CPO derived from non-FGVH sourced FFB will comprise a greater proportion of our overall revenue and cost of sales of our plantations segment in future periods, we expect the gross margin of our plantations segment to be lower for those future periods.

As noted above, the assumptions and estimations that we use in determining the revenue we recognise from the sale of CPO that F Palm Industries produces using the FFB that we supply to it include the CPO inventory levels in the F Palm Industries' mills. This includes comparing the amount of CPO produced from the FFB that we supply to F Palm Industries in F Palm Industries' CPO tanks at the end of each period with the amount at the beginning of the period and recording the difference between these two amounts as the change in our CPO inventory. Based on these and other estimates, assumptions and judgments that we use in making this determination, of the approximately 77,000 MT of CPO that F Palm Industries produced using FGVH-sourced FFB in March 2012, approximately 32,000 MT of this CPO was recorded as our inventory as at 31 March 2012. Accordingly, we did not recognise revenue from a significant portion of this CPO during this month, and this lower level of revenue from the sale of CPO that F Palm Industries produced using the FFB that we supply to it resulted in the gross margin of our plantations segment being lower than it otherwise would have been.

(iii) Tolling Agreement for Soy and Canola Products

We entered into a tolling agreement with our joint venture, Bunge ETGO, on 9 December 2011, pursuant to which Bunge ETGO provides us with soybeans and canola seeds, which we process into soy and canola products that Bunge ETGO markets and sells. For a summary of the terms of the tolling agreement between Bunge ETGO and us, refer to Section 7.22.5 of this Prospectus.

Prior to our entering into the tolling agreement, we recognised revenue from the sale of soy and canola products and cost of sales from the purchase of soybeans and canola seeds. Following the effectiveness of the tolling agreement, however, we no longer recognise such revenue and cost of sales, and recognise revenue only from tolling fees that Bunge ETGO pays us to process the soybeans and canola seeds that it provides and the cost of sales related to our processing arrangements. Accordingly, our condensed consolidated interim financial information for the three months ended 31 March 2012 does not reflect revenue from the sale of soy and canola products or cost of sales from the purchase of soybeans and canola seeds, while our condensed consolidated interim financial information for the corresponding period in 2011 reflects such revenue and cost of sales. Since 9 December 2011, we include our 49% share of Bunge ETGO's results of operations in our financial information as share of results of Jointly-Controlled Entities.

8.11.2 Results of Operations

The following discussion of our results of operations with respect to the three months ended 31 March 2011 and 2012 is based on, and should be read in conjunction with, our unaudited condensed consolidated interim financial information and related notes included in this Prospectus.

Our primary business segments are as follows:

- Plantations – purchases and sales of CPO, since 1 March 2012, purchase and sales of PK for the month of March 2012, cultivation of oil palm and rubber trees, and harvesting and sales of raw rubber and, until 1 March 2012, sales of FFB;

- Downstream – production and sales of oleochemicals such as fatty acids and glycerin, and processing of soybean and canola seeds into soy and canola oils and meals under a tolling agreement; and

- Sugar – raw sugar refining, sugar cane milling and sales and marketing of refined sugar.

Components of our results of operations are as follows.

(i) Revenue

Our revenues are primarily derived from sales of CPO, FFB, PK, raw rubber, refined sugar products, oleochemical products (namely fatty acids and glycerin) and tolling fees for processing soybeans and canola seeds into soy and canola products (namely soy and canola oils and soy and canola meals). Sales of FFB are included as revenue for the three months ended 31 March 2011 as a result of our adoption of the predecessor method of accounting as discussed in Section 8.11.1. Our sales of CPO began from 1 March 2012, when we entered into the FPI SDA Arrangement. For the month of March 2012 only, as part of the transition to the FPI SDA Arrangement, our revenues also included sales of PK, but for periods after 31 March 2012, we no longer sell PK and our revenue will not include such sales. We sold soy and canola products prior to 9 December 2011, but since that date our soy and canola operations are now operated as a tolling processor for Bunge ETGO, and we now recognise only tolling fee income as revenue from these operations. We also engage in a number of business activities through our Associates and Jointly-Controlled Entities. The results of operations of our Associates and Jointly-Controlled Entities are accounted for under the equity method as share of results from an associate or a jointly-controlled entity, as applicable. Accordingly, revenues recorded in our unaudited condensed consolidated interim financial information do not include the revenues of our Associates and Jointly-Controlled Entities. Refer to Section 8.11.2(x) of this Prospectus for more information.

For the three months ended 31 March 2011 and 2012, our total revenues were RM1,688.5 million and RM1,720.0 million, respectively. The following table sets forth our revenue by each business segment and as a percentage of total revenue for the periods indicated:

	Three Months Ended 31 March			
	2011		2012	
Business Segment	RM	%	RM	%
	(in millions, except percentages)			
Plantations[1]	777.2	46.0	976.8	56.8
Sugar[2]	503.2	29.8	531.8	30.9
Downstream	408.1	24.2	211.4	12.3
Total	1,688.5	100.0	1,720.0	100.0

Notes:

(1) Revenue from our plantations segment for the three months ended 31 March 2011 includes revenue of RM1.0 million from our other businesses which were engaged in real estate property management and sale of food and beverages. These businesses were disposed of in September 2011.

(2) Revenue from our sugar segment includes sugar subsidy amounts of RM54.1 million and RM74.3 million for the three months ended 31 March 2011 and 2012, respectively.

The following table sets forth our revenue by geographic area of our customers and the relevant percentage of total revenue for the periods indicated:

	Three Months Ended 31 March			
	2011		2012	
Region	RM	%	RM	%
	(in millions, except percentages)			
Malaysia.............	1,263.9	74.9	1,464.2	85.1
North America.....	317.1	18.8	210.4	12.2
Asia (ex-Malaysia)	13.8	0.8	37.6	2.2
Europe	91.4	5.4	1.3	0.1
Other...................	2.3	0.1	6.5	0.4
Total	1,688.5	100.0	1,720.0	100.0

The following table sets forth our revenue from the sale of major products by each business segment and the relevant percentage of total revenue for the periods indicated:

	Three Months Ended 31 March			
	2011		2012	
Segment / Product	RM	%	RM	%
	(in millions, except percentages)			
Plantations				
FFB.................	752.2	44.5	460.8	26.8
CPO................	-	-	374.3	21.7
PK...................	-	-	121.5	7.1
Rubber.............	23.2	1.4	14.9	0.9
Others[1]...........	1.8	0.1	5.3	0.3
Sub-total	777.2	46.0	976.8	56.8
Downstream				
Fatty acids	169.6	10.1	184.0	10.7
Glycerin	10.1	0.6	9.3	0.5

Segment / Product	Three Months Ended 31 March			
	2011		2012	
	RM	%	RM	%
	(in millions, except percentages)			
Canola oil	114.5	6.8	-	-
Soy oil.............	29.0	1.7	-	-
Canola meal	37.6	2.2	-	-
Soy meal	45.8	2.7	-	-
Tolling fees......	-	-	16.9	1.0
Others.............	1.5	0.1	1.2	0.1
Sub-total..........	408.1	24.2	211.4	12.3
Sugar				
Refined sugar[(2)]	497.4	29.5	527.4	30.6
Molasses.........	5.8	0.3	4.4	0.3
Sub-total..........	503.2	29.8	531.8	30.9
Total	1,688.5	100.0	1,720.0	100.0

Notes:

(1) Revenue from our plantations segment for the three months ended 31 March 2011 includes revenue of RM1.0 million from our other businesses which were engaged in real estate property management and sale of food and beverages. These businesses were disposed of in September 2011.

(2) Revenue from our sugar segment includes sugar subsidy amounts of RM54.1 million and RM74.3 million for the three months ended 31 March 2011 and 2012, respectively.

The following table sets forth our total sales volume of FFB and our average selling price for FFB for the periods indicated:

	Three Months Ended 31 March	
	2011	2012
Total sales volume of FFB (MT)[(1)]	1,018,978	761,900
Average selling price for FFB (RM/MT)[(2)]	738	582

Notes:

(1) Sales volume of FFB for the three months ended 31 March 2012 reflects FFB sales we recognised as revenue for the first two months of 2012 prior to the effectiveness of the FPI SDA Arrangement, following which we no longer recognise revenue from the sales of FFB to F Palm Industries.

(2) Calculated as total revenue from sales of FFB divided by total sales volume of FFB.

(ii) Cost of Sales

Our cost of sales consists primarily of costs of purchasing CPO from F Palm Industries (since 1 March 2012 for CPO produced from FFB it sources from suppliers other than us), harvesting and cultivation costs and costs of raw materials, including raw sugar, tallow and lauric oils, and plantation costs of oil palms, rubber trees and sugar cane. Costs relating to the production of FFB are included as costs of sales for the three months ended 31 March 2011 as a result of our adoption of the predecessor method of accounting as discussed in Section 8.11.1. We do not recognise our purchases of FFB from FELDA pursuant to the Sarawak Land Management Agreement but instead recognise the costs related to the operation of the related plantation estates. In addition, our cost of sales includes costs relating to the

processing of soybeans and canola seeds pursuant to the tolling agreement with Bunge ETGO. For periods prior to the effectiveness of the tolling agreement, our cost of sales also included costs relating to the purchase of soybeans and canola seeds. Our replanting costs related to our production of FFB, which include costs relating to ground clearing, terracing, replanting, planting of ground cover and crop establishment, fertilising and crop management, are incurred during the course of a three-year replanting period for oil palms. Our cost of sales for our plantations segment also includes the "windfall profit levy" imposed by the Government on all oil palm plantations in Malaysia larger than 40 hectares when the market price of CPO rises above certain threshold CPO price levels.

Raw sugar costs represented our largest cost of sales for the three months ended 31 March 2012. CPO costs represented our second largest cost of sales for the three months ended 31 March 2012, followed by harvesting and cultivation costs for our plantations segment and costs of tallow and lauric oils. Other components of cost of sales also include energy and utility costs, cost of packaging materials, cost of maintenance and repairs of our production facilities, depreciation, staff and other labour costs directly attributable to production and costs of materials and supplies used in our production processes.

Our total cost of sales for the three months ended 31 March 2011 and 2012 were RM1,036.8 million and RM1,330.2 million, respectively. The following table sets forth our cost of sales by each business segment and as a percentage of total cost of sales for the periods indicated:

	Three Months Ended 31 March			
	2011		2012	
Business Segment	**RM**	**%**	**RM**	**%**
	(in millions, except percentages)			
Plantations..........	285.7	27.5	710.5	53.4
Sugar..................	365.7	35.3	421.0	31.7
Downstream........	385.4	37.2	198.7	14.9
Total..................	1,036.8	100.0	1,330.2	100.0

The following table sets forth the major components of our cost of sales and as a percentage of total cost of sales for the periods indicated:

	Three Months Ended 31 March			
	2011		2012	
	RM	**%**	**RM**	**%**
	(in millions, except percentages)			
Raw materials and chemicals[1]	646.7	62.4	865.7	65.1
Harvesting and cultivation[2]	164.1	15.8	206.1	15.5
Staff and labour	62.5	6.0	86.7	6.5
Replanting expenses	32.8	3.2	41.8	3.1
Energy and utilities	24.2	2.3	30.3	2.3
Depreciation	23.1	2.2	17.5	1.3
Maintenance and repairs	21.2	2.0	26.9	2.0
Windfall profit levy.	25.9	2.5	15.5	1.1
Others....................	36.3	3.6	39.7	3.1
Total....................	1,036.8	100.0	1,330.2	100.0

Notes:

(1) Cost of sales for the three months ended 31 March 2012 includes cost of the CPO that we purchased from F Palm Industries in March 2012.

(2) Harvesting and cultivation costs include manuring, weeding, pruning, pest and disease control, irrigation and security-related costs.

(iii) Gross Profit

The following table sets forth our gross profit and gross margin by each business segment and as a percentage of our total gross profit for the periods indicated:

	Three Months Ended 31 March			
	2011		2012	
Business Segment	**RM**	**%**	**RM**	**%**
	(in millions, except percentages)			
Gross profit				
Plantations	491.5	75.4	266.3	68.3
Sugar	137.5	21.1	110.8	28.4
Downstream	22.7	3.5	12.7	3.3
Total	651.7	100.0	389.8	100.0
		2011		**2012**
Gross margin				
Plantations		63.2		27.3
Sugar		27.3		20.8
Downstream		5.6		6.0
FGVH Group		38.6		22.7

(iv) Operating Expenses

Our operating expenses consist of administrative expenses, selling and distribution expenses and other operating expenses.

Administrative expenses include management and staff costs, labour costs, director remuneration, depreciation and amortisation, professional and purchased services, employee retirement plan contributions, insurance expenses and staff travel expenses. Prior to 1 March 2012, administrative expenses also included the management fee of RM10.3 million (which included a profit sharing element) paid to F Plantations, a subsidiary of FHB, for the management of the Plantation Estates. Beginning on 1 March 2012, we no longer pay this management fee, but instead incur operating expenses related to the management of the Plantation Estates, including staff-related costs, as the Plantation Estates-related employees of F Plantations became employees of FGV Plantations Malaysia as of 1 March 2012, which occurred after a two-month transition period following the effective date of the Land Lease Agreement and the Sarawak Land Management Agreement. Selling and distribution expenses primarily comprise costs relating to freight and other transportation, warehousing and handling costs, management and staff costs as well as rent and lease payments for warehouses and distribution centers and sales commissions for our export sales. Other operating expenses comprise primarily expenses related to impairment charges recorded in respect of a subsidiary and oil palm development costs.

The table below sets forth our selling and distribution expenses, administrative expenses and other operating expenses and as a percentage of total operating expenses for the periods indicated:

	Three Months Ended 31 March			
	2011		2012	
	RM	%	RM	%
	(in millions, except percentages)			
Selling and distribution expenses....................	38.0	41.4	30.9	35.2
Administrative expenses	44.4	48.3	56.8	64.8
Other operating expenses	9.5	10.3	-	-
Total	91.9	100.0	87.7	100.0

(v) Other Operating Income

Our other operating income consists primarily of rental income and partial reversal of previously recorded impairment charges. Other operating income for the three months ended 31 March 2011 and 2012 were RM3.7 million and RM1.0 million, respectively.

(vi) Other Net Gains/Losses

Our other net gains/losses consist of amounts recorded in respect of fair value losses and gains on futures contracts for raw sugar, soybeans and canola seeds (for 2011 only) and foreign exchange forward contracts that we may enter into in order to hedge our exposures to fluctuations in prices of related commodities and exchange rates. We recorded other net losses of RM16.9 million and RM0.2 million for the three months ended 31 March 2011 and 2012, respectively.

(vii) Fair Value Changes in Land Lease Agreement Liability

Fair value changes in the Land Lease Agreement liability consist of amounts recorded in respect of the deemed effective interest on the financial liability arising from the Land Lease Agreement and the Sarawak Land Management Agreement. We initially calculated the fair value of the Land Lease Agreement liability on the basis explained in further detail in Note 2.2.1 to our pro forma consolidated financial information included in this Prospectus. However, we have revised certain assumptions used in this basis of calculation, and accordingly, the schedule of fair value changes in respect of the Land Lease Agreement liability recalculated as at 31 March 2012 differs from that initially calculated as at 31 December 2011. The changes to the assumptions used in the relevant calculation consist of the following: (i) the payments we make in respect of the financial liability under the Land Lease Agreement are now assumed to be made on a quarterly basis, such that the liability is discounted on a quarterly basis instead of an annual basis and (ii) the proportion of the annual FFB production reflected in each quarter is no longer assumed to be equal, but instead varies for each quarter to take into account variations in FFB production.

The recalculation of the fair value of the Land Lease Agreement liability as at 31 March 2012 using the revised assumptions discussed above resulted in one-time adjustments that affected only the first quarter of 2012, and consistent with this recalculation, we recorded fair value changes of RM47.5 million for the three months ended 31 March 2012. Based on our current assumptions with respect to the Land Lease Agreement liability, we expect that the related fair value changes that we will record in quarters going forward will be significantly greater than the amount of fair value changes recorded for the three months ended 31 March 2012. We did not record any such fair value changes for the corresponding period in 2011 as the Land Lease Agreement came into effect in January 2012.

(viii) Finance Costs

Finance costs consist mainly of interest expenses related to term loans, a revolving credit facility and bankers' acceptances, and these costs are affected by the level of our financing activities and the applicable interest rates. Finance costs also include interest expense with respect to a loan from FELDA at a fixed interest rate. Unrealised losses on translation of cash and cash equivalents denominated in a foreign currency are also included in finance costs. Our finance costs for the three months ended 31 March 2011 and 2012 were RM27.0 million and RM27.8 million, respectively.

(ix) Finance Income

Our finance income consists principally of interest income in respect of our cash and cash equivalents deposited with banks and other financial institutions. Our finance income for the three months ended 31 March 2011 and 2012 were RM4.1 million and RM11.1 million, respectively.

(x) Share of Results from Associates and Jointly-Controlled Entities

For any financial period, our share of profit after tax of our Associates and Jointly-Controlled Entities is dependent on the results of operations of our Associates and Jointly-Controlled Entities. Our Associates consist of FHB and Tradewinds, and our Jointly-Controlled Entities are Felda IFFCO, Turich and Bunge ETGO. The results of operations of our Associates and Jointly-Controlled Entities are accounted for under the equity method as share of results from an associate or a jointly-controlled entity, as applicable, and are not consolidated in our unaudited condensed consolidated interim financial information.

FHB, in which we own a 49% equity interest, is engaged primarily in the upstream and downstream palm oil business (including oleochemicals and oils and fats) and other agri-businesses, including the rubber business. It is also engaged in the livestock business, as well as certain logistics and services operations. Tradewinds, a company listed on the Main Market of Bursa Securities in which we acquired a 20% equity interest in 2010 as part of the Sugar Business Acquisition, is involved mainly in the palm oil, sugar and rice businesses. Felda IFFCO, in which we acquired a 50% equity interest in 2009, is engaged primarily in the manufacture of oils and fats, while Turich, in which we own a 50% equity interest, is involved in the operation of commercial oil palm plantations in Indonesia. Bunge ETGO, in which we own a 49% equity interest, is engaged in the soy and canola business, and through a tolling agreement entered into in December 2011, we process soybean and canola seeds into products that Bunge ETGO sells.

For the three months ended 31 March 2011 and 2012, our share of results from Associates were a loss of RM11.2 million and a gain of RM35.0 million, respectively. Our share of results from Jointly-Controlled Entities for the three months ended 31 March 2011 and 2012 were a loss of RM17.2 million and a gain of RM7.1 million, respectively.

(xi) Taxation

Tax incentives

The Government provides certain tax incentives for the promotion of investments in selected industries in Malaysia, including the reinvestment allowance ("**RA**"), which was applicable to us in 2011. The RA is available for manufacturing companies that incur capital expenditures on projects for purposes of expansion, modernisation or diversification. The rate of RA is 60% on the qualifying capital expenditures and this amount is in addition to capital allowances claims. The RA is used to reduce up to 70% of statutory income. Amounts claimed pursuant to the RA remain subject to review and approval by the MIRB and may differ in the event of an audit by MIRB.

Under current regulations, the incentive period for RA is fifteen consecutive years beginning on the first year for which a claim is made by a company. The RA was previously available for MSM and KGFP, our Subsidiaries in our sugar segment, for the applicable periods until their availability expired at the end of 2011. None of our Subsidiaries qualified for this incentive in the three months ended 31 March 2012.

Deferred tax asset

We recognise deferred tax asset for the carry forward of unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that future taxable profit will be available against which the unabsorbed tax losses and unutilised capital allowances can be applied.

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(xii) Three Months Ended 31 March 2012 Compared to Three Months Ended 31 March 2011

The following table presents selected statements of comprehensive income data, the percentage such amounts represent of total revenue and their percentage change for the periods indicated.

	Three Months Ended 31 March				
	2011	% of Revenue	2012	% of Revenue	% Change
	RM		RM		
	(in millions, except percentages)				
Revenue	1,688.5	100.0	1,720.0	100.0	1.9
Cost of sales	(1,036.8)	(61.4)	(1,330.2)	(77.3)	28.3
Gross profit	651.7	38.6	389.8	22.7	(40.2)
Other operating income	3.7	0.2	1.0	0.1	(73.0)
Selling and distribution costs	(38.0)	(2.3)	(30.9)	(1.8)	(18.7)
Administrative expenses	(44.4)	(2.6)	(56.8)	(3.3)	28.0
Other operating expenses	(9.5)	(0.5)	-	-	(100.0)
Other net (losses) / gains	(16.9)	(1.0)	(0.2)	0.0	(98.8)
Fair value changes in Land Lease Agreement liability	-	-	(47.5)	(2.8)	-
Profit from operations	546.6	32.4	255.4	14.9	(53.3)
Finance costs	(27.0)	(1.6)	(27.8)	(1.6)	3.0
Finance income	4.1	0.2	11.1	0.6	170.7
Share of results from Associates	(11.2)	(0.7)	35.0	2.0	(412.5)
Share of results from Jointly-Controlled Entities	(17.2)	(1.0)	7.1	0.4	(141.3)
PBT	495.3	29.3	280.8	16.3	(43.3)
Taxation	(145.1)	(8.6)	(57.6)	(3.3)	(60.3)
Profit for the period	350.2	20.7	223.2	13.0	(36.3)

Revenue

Our revenue increased by 1.9% to RM1,720.0 million for the three months ended 31 March 2012 from RM1,688.5 million for the three months ended 31 March 2011. This increase primarily reflects our sales of CPO and PK beginning on 1 March 2012 following the effectiveness of the FPI SDA Arrangement, offset in part by a decrease in revenue from our downstream segment as we no longer record sales of soy and canola products following our tolling agreement with Bunge ETGO in December 2011. For the month of March 2012 only, our revenues included sales of PK, but for periods after 31 March 2012, we no longer sell PK and our revenue will not include PK sales. We did not record any sales of CPO or PK for the three months ended 31 March 2011.

Plantations

Our plantations segment was our top revenue generator, accounting for 56.8% of our total revenue for the three months ended 31 March 2012, compared to 46.0% for the corresponding period in 2011. Our revenue for the plantations segment increased by 25.7% to RM976.8 million for the three months ended 31 March 2012 from RM777.2 million for the corresponding period in 2011, primarily as a result of sales of CPO and PK for the month of March 2012, offset in part by lower average selling prices for FFB and rubber. Because of transition arrangements related to the

implementation of the FPI SDA Arrangement, in March 2012 F Palm Industries did not sell to us all of the CPO that it produced. However, in future periods, pursuant to the FPI SDA Arrangement, we will purchase for resale all of the CPO that F Palm Industries produces, other than the CPO it sells to DOP, and, accordingly, we expect our sales of CPO to be higher in future periods.

Sugar

Our sugar segment was our second largest revenue generator, accounting for 30.9% of our total revenue for the three months ended 31 March 2012, compared to 29.8% for the corresponding period in 2011. Our revenue for the sugar segment increased by 5.7% to RM531.8 million for the three months ended 31 March 2012 from RM503.2 million for the corresponding period in 2011, primarily as a result of higher export sales volume and increased sales prices of refined sugar products, coupled with an increase in Government subsidy amounts to RM74.3 million for the three months ended 31 March 2012 from RM54.1 million for the corresponding period in 2011.

Downstream

Our downstream segment accounted for 12.3% of our total revenue for the three months ended 31 March 2012, compared to 24.2% for the corresponding period in 2011. Our revenue for the downstream segment decreased by 48.2% to RM211.4 million for the three months ended 31 March 2012 compared to RM408.1 million for the corresponding period in 2011, primarily as a result of the tolling agreement with our joint venture, Bunge ETGO, entered into in December 2011, following which we no longer recognise revenue from the sale of soy and canola products. Our soy and canola business only recognises as revenue the tolling fees that Bunge ETGO pays us pursuant to the tolling agreement, which amounted to RM16.9 million for the three months ended 31 March 2012. This decrease was offset in part by an increase in revenue from our oleochemicals business, primarily as a result of higher fatty acids sales volume for the three months ended 31 March 2012.

Cost of sales

Our cost of sales for the three months ended 31 March 2012 increased by 28.3% to RM1,330.2 million, compared to RM1,036.8 million for the corresponding period in 2011. The increase principally reflects the higher cost of sales related to our plantations segment, including the cost of CPO and PK purchased from F Palm Industries under the FPI SDA Arrangement, which we did not record for the three months ended 31 March 2011.

Plantations

Cost of sales for our plantations segment was RM710.5 million for the three months ended 31 March 2012, accounting for 53.4% of our total cost of sales for the three months ended 31 March 2012. Cost of sales for our plantations segment increased significantly for the three months ended 31 March 2012 from RM285.7 million for the corresponding period in 2011. The increase was primarily due to the cost of purchasing CPO and PK from F Palm Industries in the month of March 2012 and higher costs relating to replanting and manuring costs, primarily reflecting higher volume of fertiliser used as well as higher fertiliser prices. We incurred replanting costs of RM32.8 million and RM41.8 million for the three months ended 31 March 2011 and 2012, respectively, in respect of higher levels of replanting activity

during the three months ended 31 March 2011 and 2012, respectively. We incurred manuring costs of RM67.9 million and RM119.1 million for the three months ended 31 March 2011 and 2012, respectively. Cost of sales for our plantations segment in the first three months of 2012 were also higher as a result of new incentive payments we began paying to plantation workers in November 2011.

Our purchase of CPO of RM259.3 million and harvesting and cultivation costs of RM206.1 million were the primary components of our cost of sales in our plantations segment for the three months ended 31 March 2012, accounting for 65.5% of our cost of sales in our plantations segment for the period, while harvesting and cultivation costs of RM164.1 million was the primary component of our cost of sales in our plantations segment for the corresponding period in 2011, accounting for 57.4% of our cost of sales in our plantations segment for the period. Our RM259.3 million of CPO purchases in three months ended 31 March 2012 were for purchases of 115,000 MT of CPO in March 2012 from F Palm Industries that it produced from FFB that it sourced from suppliers other than us. Because of transition arrangements related to the implementation of the FPI SDA Arrangement, F Palm Industries did not sell to us all of the CPO that it produced during this month, but it instead sold approximately 88,000 MT of CPO to other purchasers, including approximately 1,000 MT to DOP. Pursuant to the FPI SDA Arrangement, in future periods we will purchase for resale all of the CPO that F Palm Industries produces, other than the CPO it sells to DOP.

Purchase of PK from F Palm Industries of RM90.5 million during March 2012 was also included in our cost of sales for the three months ended 31 March 2012 compared to none for the corresponding period in 2011. We do not intend to purchase PK from F Palm Industries in future periods.

Sugar

Cost of sales for our sugar business was RM421.0 million for the three months ended 31 March 2012, accounting for 31.7% of our total cost of sales for the three months ended 31 March 2012. Cost of sales for our sugar segment increased by 15.1% for the three months ended 31 March 2012 from RM365.7 million for the corresponding period in 2011, primarily as a result of an increase in raw sugar costs as the purchase price for raw sugar under our current long-term raw sugar supply contract was higher than that under the long-term supply contract in effect in 2011. Cost of raw sugar consumed of RM366.3 million was our primary cost of sales in our sugar business for the three months ended 31 March 2012, comprising 87.0% of our sugar-related cost of sales for the period, while costs of raw sugar consumed were RM308.2 million for the three months ended 31 March 2011, comprising 84.3% of our sugar-related cost of sales for the period.

Downstream

Cost of sales for our downstream segment was RM198.7 million for the three months ended 31 March 2012, accounting for 14.9% of our total cost of sales for the three months ended 31 March 2012. Cost of sales for our downstream segment decreased 48.4% for the three months ended 31 March 2012 from RM385.4 million for the corresponding period in 2011, as a result of the tolling agreement with our joint venture, Bunge ETGO, entered into in December 2011, following which we no longer purchase soybeans and canola seeds. These decreases were offset in part by an increase in costs of tallow and lauric oils in line with the increase in our oleochemicals sales volumes.

Gross profit and gross margin

As a result of the factors discussed above, our gross profit for the three months ended 31 March 2012 decreased to RM389.8 million, compared to RM651.7 million for the corresponding period in 2011. Our gross profit for our plantations segment decreased to RM266.3 million for the three months ended 31 March 2012 from RM491.5 million for the corresponding period in 2011. Our gross profit for our downstream segment decreased to RM12.7 million for the three months ended 31 March 2012, compared to a gross profit of RM22.7 million for the corresponding period in 2011, while our gross profit for our sugar segment decreased to RM110.8 million for the three months ended 31 March 2012 from RM137.5 million for the corresponding period in 2011.

Our gross margin decreased to 22.7% for the three months ended 31 March 2012 from 38.6% for the corresponding period in 2011, primarily reflecting decreases in gross margins for our plantations segment and our sugar segment. Our gross margin for our plantations segment decreased to 27.3% for the three months ended 31 March 2012 from 63.2% for the corresponding period in 2011, primarily as a result of our purchase and resales in March 2012 of CPO produced from non-FGVH sourced FFB, as well as higher replanting and manuring costs. Our gross margin for our downstream segment increased slightly to 6.0% for the three months ended 31 March 2012 from 5.6% for the corresponding period in 2011, while our gross margin for our sugar segment decreased to 20.8% for the three months ended 31 March 2012, compared to 27.3% for the corresponding period in 2011, as the increase in cost of raw sugar outpaced the increase in sales prices of refined sugar products.

Other operating income

Our other operating income decreased by 73.0% to RM1.0 million for the three months ended 31 March 2012 compared to RM3.7 million for the corresponding period in 2011, mainly reflecting the one-time gain recorded in 2011 in respect of a partial reversal of an impairment charge for an apartment property of Felda Global Ventures Middle East Sdn Bhd in 2010.

Operating expenses

Our selling and distribution costs decreased by 18.7% to RM30.9 million for the three months ended 31 March 2012 from RM38.0 million for the corresponding period in 2011, primarily due to decreases in freight and other transportation costs and management and staff costs in our soy and canola business, as we only engage in the processing of the soybean and canola seeds provided by Bunge ETGO following the tolling agreement with Bunge ETGO in December 2011. With this change in our soy and canola operations, we no longer incur significant freight and transportation costs and our management and staff costs are substantially lower.

Our administrative expenses increased by 28.0% to RM56.8 million for the three months ended 31 March 2012 from RM44.4 million for the corresponding period in 2011. The increase in our administrative expenses was mainly due to higher salary and other management and staff-related expenses incurred after 1 March 2012, as our subsidiary FGV Plantations Malaysia began direct management of our oil palm plantations operations on the Plantation Estates, which became a part of our Group following the effectiveness of the Land Lease Agreement and the Sarawak Land Management Agreement in January 2012, and the Plantation Estates-related employees of F Plantations became employees of FGV Plantations

Malaysia as of 1 March 2012. In addition, expenses we incurred in connection with the IPO and the Listing contributed to the increase in our administrative expenses for the three months ended 31 March 2012.

Our other operating expenses decreased significantly from RM9.5 million for the three months ended 31 March 2011 to an immaterial amount for the corresponding period in 2012. Our other operating expenses for the three months ended 31 March 2011 mainly reflects an additional impairment charge we recorded in respect of the food court operations of our subsidiary Felda Global Ventures Arabia Limited, which we disposed of in September 2011, as well as an impairment charge in respect of oil palm development costs.

Other net gains/losses

We recorded other net losses of RM0.2 million for the three months ended 31 March 2012 compared to other net losses of RM16.9 million for the corresponding period in 2011, primarily as a result of fair value gains of RM2.1 million in respect of futures contracts for raw sugar for the three months ended 31 March 2012 compared to a RM25.2 million fair value losses of the same type for the corresponding period in 2011. We did not record any fair value gains or losses for the three months ended 31 March 2012 in respect of futures contracts for soybeans and canola seeds, as we no longer enter into such futures contracts following the tolling agreement with Bunge ETGO in December 2011.

Fair value changes in Land Lease Agreement liability

We recorded expenses of RM47.5 million in respect of fair value changes in the Land Lease Agreement liability expenses for the three months ended 31 March 2012, consistent with the recalculated schedule of liability in respect of the Land Lease Agreement as discussed above in Section 8.11.2(vii). We did not record any such expense related to the Land Lease Agreement for the three months ended 31 March 2011, as the Land Lease Agreement became effective in January 2012.

Profit from operations

As a result of the factors discussed above, our profit from operations for the three months ended 31 March 2012 decreased by 53.3% to RM255.4 million from RM546.6 million for the corresponding period in 2011, mainly due to higher cost of sales and administrative expenses and the fair value changes in the Land Lease Agreement liability we recorded for the three months ended 31 March 2012, as the Land Lease Agreement, the Sarawak Land Management Agreement and the FPI SDA Arrangement became effective during this three-month period, coupled with a decrease in revenue from our downstream segment as our soy and canola business no longer recorded any sales of its products following the tolling agreement with Bunge ETGO in December 2011.

Finance costs

Our finance costs remained relatively constant at RM27.8 million for the three months ended 31 March 2012 and RM27.0 million for the corresponding period in 2011.

Finance income

Our finance income increased by 170.7% to RM11.1 million for the three months ended 31 March 2012 from RM4.1 million for the corresponding period in 2011. This increase mainly reflects an increase in interest income as we had a higher level of cash and cash equivalent deposits for the three months ended 31 March 2012 compared to the corresponding period in 2011, primarily as a result of the proceeds from the sale of our shares of MSM Holdings and other transactions in connection with its initial public offering in June 2011.

Share of results from Associates and Jointly-Controlled Entities

Associates

We recorded a gain of RM35.0 million from our share of results from Associates for the three months ended 31 March 2012 compared to a loss of RM11.2 million for the corresponding period in 2011. The reversal was primarily due to a gain of RM20.0 million from our share of results from FHB for the three months ended 31 March 2012 compared to a loss of RM30.5 million for the corresponding period in 2011.

FHB recorded revenues of RM3,921.3 million and RM3,979.5 million for the three months ended 31 March 2011 and 2012, respectively. The 1.5% increase in FHB's revenue was mainly attributable to a 34.5% increase in the selling price of fertiliser, coupled with a 4.2% increase in fertiliser sales volume for the three months ended 31 March 2011 compared to the corresponding period in 2011. Revenue from sales of FHB's other major products, including CPO and RBD products, remained relatively constant for the three months ended 31 March 2012 compared to the corresponding period in 2011, as the lower selling price in 2012 offset the higher sales volume achieved. The average selling price of CPO and RBD products both decreased by 12.4% to RM3,127 per MT and RM3,147 per MT, respectively, whereas the sales volume of CPO and RBD products increased 18.6% and 8.0%, respectively, in each case for the three months ended 31 March 2012 compared to the corresponding period in 2011.

FHB's cost of sales decreased by 2.7% to RM3,742.4 million for the three months ended 31 March 2012 from RM3,846.2 million for the corresponding period in 2011, primarily as a result of lower raw material costs compared to the same period in 2011. FHB's milling operations achieved higher margins for the three months ended 31 March 2012, primarily reflecting a return to normal levels compared to the same period in 2011 when adverse weather conditions yielded lower quality FFB, which negatively affected oil extraction rates for FHB's mills. In addition, the upward movement in both FFB and CPO prices during the first three months of 2011 significantly reduced margins of FHB's milling operations for the period, as FHB typically sells CPO through forward contracts while it purchases FFB on the spot markets. Higher margins achieved in FHB's milling operations for the three months ended 31 March 2012 were offset in part by lower margins for FHB's oils and fats business, as average selling price of RBD products decreased during this period. As a result of the foregoing, FHB's gross profit margin increased significantly for the three months ended 31 March 2012 to 6.0% from 1.9% for the corresponding period in 2011.

FHB's other operating income increased by 9.1% to RM34.7 million for the three months ended 31 March 2012 from RM31.8 million for the corresponding period in 2011. This increase mainly reflects the increase in gains arising from foreign exchange of RM17.0 million for the three months

ended 31 March 2012 compared to RM14.0 million recorded for the corresponding period in 2011. In addition, FHB recorded other net gains of RM13.3 million for the three months ended 31 March 2012 compared to other net gains of RM4.6 million recorded for the corresponding period in 2011.

FHB's selling and distribution cost increased by 5.4% to RM58.3 million for the three months ended 31 March 2012 from RM55.3 million for the corresponding period in 2011, primarily due to increased sales volumes recorded during the first three months of 2012. FHB's administrative expenses increased by 21.2% to RM139.9 million for the three months ended 31 March 2012 from RM115.4 million for the corresponding period in 2011, primarily due to increases in salary, bonus, insurance, management fee and other miscellaneous costs. Finance costs decreased by 6.2% to RM9.1 million for the three months ended 31 March 2012 from RM9.7 million for the corresponding period in 2011, primarily as a result of lower level of borrowings for the three-month period in 2012. Finance income increased from RM3.8 million to RM5.4 million for the relevant periods, primarily due to higher cash balances.

FHB's share of results from associates and joint ventures contributed RM9.0 million for the three months ended 31 March 2012, a 200.0% increase over RM3.0 million for the corresponding period in 2011. This increase was primarily due to a gain of RM5.6 million from FHB's share of results from FPG for the first three months of 2012 compared to a loss of RM2.9 million for the corresponding period in 2011 as FPG recorded higher sales volumes for the three months ended 31 March 2012.

As a result of the foregoing factors, FHB's profit before zakat and taxation was RM87.4 million for the three months ended 31 March 2012 from a loss of RM71.1 million for the corresponding period in 2011. Tax expenses for the three months ended 31 March 2012 increased compared to the corresponding period in 2011 primarily due to the profit recorded in 2012 compared to the loss recorded in respect of the same period in 2011. FHB accordingly recorded a profit for the period of RM67.2 million for the three months ended 31 March 2012 compared to a loss of RM73.7 million for the corresponding period in 2011.

Jointly-Controlled Entities

Our share of results from Jointly-Controlled Entities was a gain of RM7.1 million for the three months ended 31 March 2012, compared to a loss of RM17.2 million for the corresponding period in 2011. This reversal mainly reflects a gain of RM6.7 million from our share of results in Bunge ETGO for the three months ended 31 March 2012, which was absent in the corresponding period in 2011, as well as a gain of RM1.7 million from our share of results in Trurich for the three months ended 31 March 2012 compared to a loss of RM1.1 million for the corresponding period in 2011. In addition, our share of results in Felda IFFCO decreased to a loss of RM1.2 million for the three months ended 31 March 2012 from a loss of RM16.1 million for the corresponding period in 2011, primarily as a result of a reversal of a RM10.5 million over-provision in respect of an impairment charge for property, plant and equipment recorded in 2011.

Profit before taxation

As a result of the factors discussed above, our profit before taxation for the three months ended 31 March 2012 decreased to RM280.8 million, compared to RM495.3 million for the corresponding period in 2011. Our profit before taxation margin decreased to 16.3% for the three months ended 31 March 2012, compared to 29.3% for the corresponding period in 2011, primarily reflecting the increase in cost of sales and administrative expenses as well as the incurrence of fair value changes in the Land Lease Agreement liability for the three months ended 31 March 2012, as the Land Lease Agreement, the Sarawak Land Management Agreement and the FPI SDA Arrangement became effective during this three-month period, coupled with a decrease in revenue for our downstream segment as our soy and canola business no longer recorded any sales of its products following the tolling agreement with Bunge ETGO in December 2011.

Tax expenses

Our tax expenses decreased by 60.3% to RM57.6 million for the three months ended 31 March 2012 from RM145.1 million for the corresponding period in 2011. The decrease was primarily due to lower profit before taxation for the three months ended 31 March 2012, primarily reflecting higher cost of sales and administrative expenses recorded in respect of our plantations segment as well as the fair value changes in the Land Lease Agreement liability, coupled with lower revenue recorded by our downstream segment in respect of our soy and canola business. In addition, our tax expenses for the three months ended 31 March 2011 were higher than the corresponding period in 2012, primarily as a result of the one-time inclusion as taxable income of RM20.5 million in fair value gains in respect of derivative financial assets arising in 2010, which had not been accounted for in 2010. Primarily as a result of these factors, our effective tax rate decreased to 20.5% for the three months ended 31 March 2012 from 29.3% for the corresponding period in 2011.

Profit for the period

As a result of the factors discussed above, our profit for the period decreased by 36.3% to RM223.2 million for the three months ended 31 March 2012 from RM350.2 million for the corresponding period in 2011. Our profit after taxation margin increased to 13.0% for the three months ended 31 March 2012 from 20.7% for the corresponding period in 2011.

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8.12 HISTORICAL AUDITED CONSOLIDATED FINANCIAL INFORMATION

8.12.1 Historical audited consolidated statements of comprehensive income of our company

For illustrative purposes, we set out below the audited consolidated statements of comprehensive income of our Company for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 prepared based on the audited financial information of our Company.

The audited consolidated statements of comprehensive income of our Company do not incorporate the effects of the IPO and Listing. Therefore, they are not indicative of the financial results, financial position and cash flows that would have occurred if the IPO and Listing have been effected or the future financial position, results and cash flows of our Company.

	Year Ended 31 December		
	2009	**2010**	**2011**
	RM' 000	**RM' 000**	**RM' 000**
Revenue	615,494	3,149,510	4,201,168
Cost of sales	(583,399)	(2,725,537)	(3,950,976)
Gross profit	32,095	423,973	250,192
Other operating income	6,301	7,917	74,354
Selling and distribution costs	(56,273)	(98,562)	(96,983)
Administrative expenses	(65,055)	(82,496)	(115,706)
Other operating expenses	(68,620)	(45,388)	(83,812)
Other gain / (losses), net	-	(66,316)	35,923
Finance income	6,878	12,243	38,055
Finance costs	(10,035)	(151,557)	(141,211)
Share of results from Associates			
- FHB	349,227	173,091	227,773
- Others	-	218,134	101,555
Share of results from Jointly-Controlled Entities	8,818	(24,668)	(53,964)
PBT	**203,336**	**366,371**	**236,176**
Taxation	(13,457)	(79,116)	(87,387)
Profit for the financial year from continuing operations	**189,879**	**287,255**	**148,789**
<u>Discontinued operations</u>			
Loss for the financial year from discontinued operations	(139,297)	-	-
PAT	**50,582**	**287,255**	**148,789**
PAT attributable to:			
<u>Continuing operations</u>			
Owners of our Company	218,605	289,899	76,306
Non-controlling interests	(28,726)	(2,644)	72,483
	189,879	**287,255**	**148,789**
PAT attributable to:			
<u>Discontinued operations</u>			
Owners of our Company	(139,297)	-	-
Non-controlling interests	-	-	-
	(139,297)	**-**	**-**
Profit for the financial year	50,582	287,255	148,789
Share of other comprehensive income of Associates	-	1,124	20,141
Share of other comprehensive income of Jointly-Controlled Entities	-	(20,211)	(3,194)

	Year Ended 31 December		
	2009	2010	2011
	RM' 000	RM' 000	RM' 000
Other reserve	-	(2,934)	-
Currency translation differences	19,846	(62,912)	(4,255)
Total comprehensive income for the financial year	**70,428**	**202,322**	**161,481**
Attributable to:			
Owners of our Company	99,144	201,150	88,998
Non-controlling interests	(28,716)	1,172	72,483
	70,428	**202,322**	**161,481**
Depreciation	22,621	72,230	71,330
Amortisation	16,185	14,668	5,921
EBITDA[(1)]	245,299	592,583	416,583
NA	1,746,441	2,957,705	3,267,521
No. of Shares in issue[(2)] (000)	1,767,612	1,767,612	1,767,612
Gross EPS[(3)] (sen)	11.5	20.7	13.4
Net EPS[(4)] (sen)	2.9	16.3	8.4
NA per Share[(5)] (sen)	98.8	167.3	184.9
Gross profit margin (%)	5.2	13.5	6.0
PBT margin (%)	33.0	11.6	5.6
PAT margin (%)	8.2	9.1	3.5
EBITDA margin (%)	39.9	18.8	9.9

Notes:

(1) *Our EBITDA presented in this Prospectus is a supplemental measure of our performance and liquidity and is not required by, or presented in accordance with FRS and should not be considered as an alternative to PAT, operating income, or any other performance measures derived in accordance with FRS or as an alternative to our cash flows or as a measure of our liquidity. In addition, EBITDA is not a standardised term, hence a direct comparison between companies using such a term may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure.*

We believe that the presentation of EBITDA facilitates the operating performance comparisons from period to period and from company to company by eliminating potential differences caused by variations in capital structures (affecting finance costs), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of tangible assets (affecting relative depreciation expense).

The following is a reconciliation of our PBT to EBITDA:

	Audited		
	Year Ended 31 December		
	2009	2010	2011
	RM' 000	RM' 000	RM' 000
PBT	203,336	366,371	236,176
Amortisation	16,185	14,668	5,921
Depreciation	22,621	72,230	71,330
Finance costs	10,035	151,557	141,211
Finance income	(6,878)	(12,243)	(38,055)
EBITDA	245,299	592,583	416,583

(2) *Based on the paid-up share capital.*

(3) *Computed as PBT divided by the paid-up share capital.*

(4) *Computed as PAT divided by the paid-up share capital.*

(5) *Computed as NA divided by the paid-up share capital.*

8.12.2 Historical audited consolidated statements of financial position of our company

For illustrative purposes, we set out below the historical audited consolidated statements of financial position of our Company for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 prepared based on the audited financial information of our Company.

The historical audited consolidated statements of financial position of our Company do not incorporate the effects of the IPO and Listing. Therefore, they are not indicative of the financial results, financial position and cash flows that would have occurred if the IPO and Listing have been effected or the future financial position, results and cash flows of our Company.

	As at 31 December		
	2009	**2010**	**2011**
	RM' 000	**RM' 000**	**RM' 000**
ASSETS			
Property, plant and equipment	661,768	1,156,458	1,001,764
Goodwill and intangible assets	97,844	710,053	662,686
Interests in Associates:			
- FHB	1,843,767	1,876,163	1,894,272
- Others	-	419,762	493,925
Interests in Jointly-Controlled Entities	274,811	330,650	349,353
Prepaid lease payments	26,721	855	785
Loan due from other related company	34,772	24,399	17,090
Amount due from Jointly-Controlled Entity	-	-	45,520
Deposit and other receivable	275,901	-	-
Biological assets	-	-	622
Deferred tax assets	-	36,545	41,998
TOTAL NON-CURRENT ASSETS	**3,215,584**	**4,554,885**	**4,508,015**
Inventories	95,273	499,529	406,629
Biological assets	-	11,360	11,198
Receivables	109,411	399,137	395,478
Amounts due from other related companies	5,796	1,965	4,118
Amounts due from an Associate	-	51	-
Tax recoverable	593	4,612	21,729
Loan due from a related company	11,719	10,553	10,836
Derivative financial assets	-	46,419	2,842
Cash and cash equivalents	1,564,722	451,169	1,777,824
Assets held for sale	-	36,740	-
TOTAL CURRENT ASSETS	**1,787,514**	**1,461,535**	**2,630,654**
TOTAL ASSETS	**5,003,098**	**6,016,420**	**7,138,669**

	As at 31 December		
	2009	**2010**	**2011**
	RM' 000	**RM' 000**	**RM' 000**
EQUITIES			
Share capital	1,767,612	1,767,612	1,767,612
RPS	-	10,052	9,005
Share premium	-	984,342	881,783
Foreign exchange reserve	24,070	(58,034)	(60,608)
Other reserves	-	51,244	68,188
(Accumulated losses) / retained earnings	(45,241)	202,489	601,541
Equity attributable to owners of our Company	1,746,441	2,957,705	3,267,521
Non-controlling interests	1,561	45,335	823,362
TOTAL EQUITY	**1,748,002**	**3,003,040**	**4,090,883**
LIABILITIES			
Borrowings	290,000	245,000	40,518
Loan due to ultimate holding body	1,610,000	1,835,000	1,835,000
Provision for liabilities	4,259	5,883	7,398
Provision for defined benefit plan	-	1,032	492
Advances from ultimate holding body	1,005,195	-	-
Amount due to an Associate	111,419	100,508	-
Deferred tax liabilities	-	149,317	136,908
TOTAL NON-CURRENT LIABILITIES	**3,020,873**	**2,336,740**	**2,020,316**
Payables	166,971	122,512	121,015
Amount due to ultimate holding body	1,740	5,417	5,448
Amount due to an Associate	33,744	18,054	21
Amount due to Joint-Controlled Entity	-	-	35,091
Amounts due to other related companies	454	71,705	87,905
Borrowings	30,000	444,058	761,974
Provision for liabilities	343	308	1,738
Current tax liabilities	971	13,859	14,278
Liabilities directly associated with disposal groups classified as held for sale	-	727	-
TOTAL CURRENT LIABILITIES	**234,223**	**676,640**	**1,027,470**
TOTAL LIABILITIES	**3,255,096**	**3,013,380**	**3,047,786**
TOTAL EQUITY AND LIABILITIES	**5,003,098**	**6,016,420**	**7,138,669**

8.12.3 Historical audited consolidated statements of cash flows of our company

For illustrative purposes, the historical audited consolidated statements of cash flows of FGVH for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011 prepared based on the audited financial information of our Company.

The historical audited consolidated statements of cash flows do not incorporate the effects of the IPO and Listing. Therefore, they are not indicative of the financial results, financial position and cash flows that would have occurred if the IPO and Listing have been effected or the future financial position, results and cash flows of our Company.

	As at 31 December		
	2009	2010	2011
	RM' 000	RM' 000	RM' 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the financial year	50,582	287,255	148,789
Adjustments for:			
Continuing operations			
Taxation	13,457	79,116	87,387
Depreciation of property, plant and equipment	18,393	72,230	71,330
Amortisation of intangible assets	9,030	11,456	5,851
Amortisation of prepaid lease payments	7,120	3,212	70
Loss on disposal of property, plant and equipment	-	28	28
Impairment loss on prepaid lease payment	68,620	-	-
Impairment loss on property, plant and equipment	-	17,660	164,687
Impairment loss on intangible assets	-	30,375	42,792
Provision for capital lease	-	1,800	-
Gain on disposal of Subsidiaries	-	-	(68,220)
Allowance for doubtful debts	931	(455)	79
Provision for asset retirement	295	265	259
Provision for restructuring	-	-	4,392
Share of results from Associates			
- FHB	(349,227)	(173,091)	(227,773)
- Others	-	(218,134)	(101,555)
Share of results from Jointly-Controlled Entities	(8,818)	24,668	53,964
Net unrealised foreign exchange (gain)/loss	(2,483)	5,083	(4,565)
Finance costs	10,035	151,557	141,211
Finance income	(6,878)	(12,243)	(38,055)
Other losses/(gains)	-	66,316	(35,923)
Provision for retirement benefits	-	106	78
Property, plant and equipment written off	-	163	1,203
Discontinued operations			
Depreciation of property, plant and equipment	4,228	-	-
Loss on disposal of subsidiary	37,122	-	-
Amortisation of intangible assets	35	-	-
Allowance for doubtful debts	1,269	-	-
Operating (loss)/profit before working capital changes	(146,289)	347,367	246,029

	As at 31 December		
	2009	2010	2011
	RM' 000	RM' 000	RM' 000
Changes in working capital:			
Inventories	226,736	(60,916)	92,900
Biological assets	-	10,417	(459)
Receivables	5,181	(202,351)	88,662
Due to ultimate holding body	1,722	3,676	31
Due to/from other related companies	46,802	3,980	14,046
Due to an Associate	1	(20,691)	(136,083)
Due from/to Jointly-Controlled Entity	-	-	35,092
Payables	(128,955)	(242,436)	(10,652)
Cash generated from / (used in) operations	5,198	(160,954)	329,566
Finance income	6,878	8,457	35,285
Taxation paid	(18,912)	(94,456)	(109,182)
Retirement benefit paid	-	(520)	(618)
Net cash (used in) / generated from operating activities	(6,836)	(247,473)	255,051
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(314,291)	(187,334)	(82,928)
Accretion of interest in Subsidiaries	(58,342)	-	(3,827)
Proceeds from dilution of interest in Subsidiaries	-	-	1,160,505
Net cash in/(out) from disposal of Subsidiaries	22,993	-	(12,325)
Payment for asset retirement obligation	(25)	(17)	(33)
Proceeds from disposal of property, plant and equipment	-	20	392
Acquisition of Subsidiary	(265,525)	(1,088,225)	-
Acquisition of Associate			
- FHB	(1,567,612)	-	-
Acquisition of Jointly-Controlled Entity	(102,269)	(88,724)	(75,664)
Deposit for acquisition of investment in Associate	(10,376)	-	(5,775)
Loan (to)/repayment by a related party	(46,491)	10,980	10,456
Loan to a Jointly-Controlled Entity	-	-	(45,520)
Dividend received from Associates			
- FHB	50,282	131,948	177,003
- Others	-	6,670	26,682
Net cash (used in) / generated from investing activities	(2,291,656)	(1,214,682)	1,148,966
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan received from ultimate holding body	1,610,723	225,000	-
Drawdown of borrowings	320,000	184,046	332,133
Repayment of borrowings	(223,761)	(491,500)	(290,000)
Net proceeds from bankers' acceptance	-	542,000	71,300
Dividend paid to shareholder	(35,292)	(25,000)	(25,000)
Dividend paid to non-controlling interest	-	(3,997)	(36,481)
Proceeds from issuance of share capital	1,567,612	-	-
Finance costs paid	(10,035)	(107,331)	(123,587)
Increase in fixed deposits pledged for bank guarantee	-	(34,136)	(286,510)
Payment for capital lease	-	-	(461)
Net cash generated from / (used in) financing activities	3,229,247	289,082	(358,606)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**930,755**	**(1,173,073)**	**1,045,411**
Effect of foreign exchange rate changes	29,641	25,384	(5,266)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	**604,326**	**1,564,722**	**417,033**
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	**1,564,722**	**417,033**	**1,457,178**

8.12.4 Management's discussion and analysis of historical financial condition and results of operations

The following discussion and analysis of our historical financial condition and results of operations with respect to the years ended 31 December 2009, 2010 and 2011 are based on, and should be read in conjunction with, the historical audited consolidated financial statements of FGVH and related notes included in this Prospectus. You should also read the following discussion together with the historical audited consolidated financial statements of FHB and related notes.

(a) Basis of historical presentation

The historical audited consolidated financial statements of FGVH included in this Prospectus reflect our historical financial condition and results of operations as at and for the years ended 31 December 2009, 2010 and 2011. During this period, our primary businesses were the production and sale of oleochemical products (such as fatty acids and glycerin) and, starting in 2010, the production and sale of refined sugar products and soy and canola products. We also held equity interests in various other agribusinesses such as FHB, Felda IFFCO, Tradewinds and Trurich. These historical financial statements do not give effect to:

(i) the Land Lease Agreement, novated on 6 January 2012, to lease (1) lands with individual land titles issued to FELDA as the registered owner, (2) existing lands vested with FELDA for development but where individual land titles have not been issued to FELDA and (3) the FELDA-leased Land are covered under the Land Lease Agreement;

(ii) the addendum to the Land Lease Agreement we entered into with FELDA on 2 January 2012 to acquire all fixed and tangible assets (excluding infrastructure), net current assets and net current liabilities as of 31 December 2011 related to the operation of the Plantation Estates;

(iii) the tenancy agreement we entered into with FELDA on 6 January 2012, together with the addendum entered into on 21 May 2012 in respect of the oil palm plantation estates managed in Sarawak, and the tenancy agreement we entered into with FELDA on 21 January 2012, in each case, to implement the Land Lease Agreement with effect from 1 January 2012;

(iv) the Sarawak Land Management Agreement, with effect from 1 January 2012, in respect of the oil palm plantation estates managed in Sarawak;

(v) the conversion of our 329,949,500 RCPS and our 570,590,000 RCCPS into FGVH Shares, resulting in the issuance of 900,539,500 new FGVH Shares; and

(vi) the IPO Transactions.

For information on the terms of the Land Lease Agreement, refer to Section 7.22.1 of this Prospectus.

Our historical consolidated financial statements are not indicative of our future consolidated financial position or results of operations following the Pre-IPO Transactions and the IPO Transactions. In addition, our historical consolidated financial statements do not reflect our contractual arrangement with F Palm Industries for the sale and purchase of FFB and CPO, which came into effect on 1 March 2012. We did not sell any CPO prior to entering into this arrangement with F Palm Industries in March 2012, and, accordingly, our historical consolidated financial statements are not necessarily indicative of our business and results of operations going forward following the relevant periods covered therein. For information on the terms of the contractual arrangement between F Palm Industries and us, refer to Section 7.22.2(iii) of this Prospectus.

Our historical consolidated financial statements also reflect the management arrangements for the Plantation Estates that existed prior to the effective date of the Land Lease Agreement, where a management fee (which includes a profit sharing element) was paid to F Plantations, a subsidiary of FHB. Our future consolidated financial statements will not include the payment of this management fee, but our operating expenses will include our expenses related to the management of the Plantation Estates. In addition, our historical consolidated financial statements reflect the revenue from the sale of soybean and canola products and cost of sales from the purchase of soybeans and canola seeds for periods following the commencement of operations of our soy and canola business in 2010 until 9 December 2011, when our tolling agreement with our joint venture, Bunge ETGO took effect, as described in Section 7.7 of this Prospectus. Following the effectiveness of the tolling agreement, we no longer recognise such revenue and such cost of sales in our consolidated financial statements, and accordingly, our historical consolidated financial statements is not necessarily indicative of our business and results of operations going forward following the relevant periods covered therein. We expect these differences will have a significant impact on our financial position and results of operation going forward following the relevant periods covered therein.

(b) Significant factors affecting our historical results of operations

(i) Acquisitions and investments

Since 2009, we acquired substantial interests in various agribusinesses as follows:

- acquisition in 2009 of a 49% equity interest in FHB from FELDA for a total consideration of RM1,567.6 million;
- acquisition in 2009 of a 50% equity interest in Felda IFFCO from FHB for a total consideration of RM145.2 million;
- acquisition in 2009 of a 50% equity interest in Trurich from Lembaga Tabung Haji for a total consideration of RM102.3 million, and subsequent capital investments in Trurich in 2010 totalling RM73.1 million;
- acquisition in 2010 of a 100% equity interest in MSM, a 50% equity interest in KGFP, a 20% equity interest in Tradewinds and 5,797 hectares of sugar cane plantation land in Chuping, Perlis, from PPB Group for a total consideration of RM1.5 billion (collectively, the "**Sugar Business Acquisition**");

- entering into a joint venture agreement with Bunge Limited in 2011 to establish our 49%-owned joint venture, Bunge ETGO, for a total investment of RM75.7 million; and

- acquisition in 2012 of a 95% equity interest in PT Citra Niaga from Joko Sintrajaya for a total consideration of RM16.5 million.

Through these acquisitions, we have expanded our business lines and diversified our sources of income. Our sugar business and our interest in Tradewinds, both of which we acquired through the Sugar Business Acquisition, are sources of income that we did not have prior to 2010. Our investments in FHB, Felda IFFCO and Trurich have allowed us to share in the results of these businesses engaged mainly in the upstream and downstream palm oil business (including oleochemicals and oils and fats) and other agri-businesses, including the rubber business. Our historical results of operations were substantially impacted by these acquisitions and investments. Our sugar business contributed RM2,147.7 million and RM2,299.7 million to our total historical revenue in 2010 and 2011, respectively, representing 68.2% and 54.7% of our historical revenues for those years. MSM Holdings was listed on Bursa Securities in June 2011, and we currently hold a 51% stake in MSM Holdings.

(ii) Commodities prices

The prices of commodities have a significant impact on the revenues and cost of sales of our primary businesses, including businesses producing fatty acids and glycerin, soy and canola products and refined sugar, as well as the primary businesses of our Associates and Jointly-Controlled Entities, including businesses producing palm oil-based products and other agri-businesses such as rubber and cocoa products.

Prices of commodities that are used by us and our Associates and Jointly-Controlled Entities as raw materials, such as raw sugar, soybeans, canola seeds, FFB, CPO, rubber and cocoa beans, are highly volatile and cyclical and are generally affected by their respective worldwide demand and supply, as well as weather conditions, government trade policies, foreign exchange rates, shifts in consumption patterns, the availability and price of substitute commodities and other unforeseen circumstances over which we do not have any control.

The prices of products that we, our Associates and our Jointly-Controlled Entities sell are also subject to volatility and cyclicality. The prices of refined sugar products we sell in Malaysia are affected by prices of raw sugar in the international market and by relevant government policies in Malaysia, while prices of the refined sugar products we export are primarily dependent on international market prices for those products. The prices of oleochemical products and soy and canola products we sell are primarily dependent on the local and international market prices for those products. In the case of soy and canola products, their selling prices are also affected by the price of competing vegetable oils and relevant government policies. For additional information on government regulations that may affect the prices of these commodities, refer to Section 8.12.4(b)(iii) of this Prospectus.

The prices of products that our Associates and our Jointly-Controlled Entities sell are also subject to the volatility and cyclicality of commodities prices. Prices of CPO and PKO in particular are heavily influenced by the prices of crude petroleum oil and substitute vegetable oils, such as soybean, canola and sunflower oils, in the case of CPO, and the substitute lauric oil CNO, in the case of PKO. The prices for FHB's sales of CPO closely track CPO futures prices quoted by the MPOB.

Prices for refined palm oil-based products of our Associate FHB differ depending on the product. The price of industrial refined palm oil-based products is primarily dependent on the local Malaysian and international market prices for CPO, but is also affected by government policies, including export taxes for these products. The prices for PK products are influenced by the regional prices of PKO and international prices of CNO, which is a substitute product for refined PKO. The price of branded palm oil-based products is somewhat less dependent on changes in supply and demand than bulk palm oil-based products, largely due to government regulation of cooking oil in Malaysia that imposes a price ceiling on cooking oil sold in Malaysia. The prices of our Associate FHB's rubber products are primarily dependent on local Malaysian and international market prices for processed rubber products, and can fluctuate depending on weather conditions and other factors, such as demand for end-user rubber products.

(iii) Government regulations affecting commodities

The prices of certain commodity products that we, our Associates and our Jointly-Controlled Entities sell are affected by government regulations in Malaysia as well as in other countries. Our financial performance, like the financial performance of other commodities producers, thus depends, in part, on governments' policies in respect of these commodities, which are beyond our control.

As in many countries, the sugar industry in Malaysia is regulated by the government. Pursuant to the Price Controls Act 1946 and the Price Control and Anti-Profiteering Act of 2011, the Government has historically set price ceilings for refined white sugar products, taking into account various factors. In recent years, there has been a sharp increase in the price of raw sugar in the international markets. Following such increases in raw sugar prices, the Government introduced a sugar price subsidy in 2009 so that the increases in the prices of raw sugar would not be fully passed on to consumers of refined sugar products in Malaysia. Our financial performance, like the financial performance of other refined sugar producers in Malaysia, thus depends to a large extent on the Government's policies with respect to the sugar industry, such as the level of price ceilings and sugar subsidy, which are beyond our control. Starting in 2010, the Government has gradually adjusted the level of sugar subsidy and the sugar price ceiling, with the sugar subsidy amount generally being decreased and the price ceiling being increased.

The prices of soy and canola products we sell are primarily dependent on the local Canadian and international market prices for soy and canola products, but are also affected by the price of competing vegetable oils and government policies, including export taxes and tax incentives for these products and products using them as raw materials, including biodiesel. For example, the United States government's biodiesel tax incentive classifies soy and canola-based biodiesel as advanced biodiesels, which, as a result of the tax incentive, are price competitive with conventional diesel fuel and thereby increasing the demand for, and prices of, soy and canola oils.

Exports of CPO from Malaysia are currently subject to a Governmental export duty. This duty is imposed on a graduated scale, calculated in RM per MT, with incremental increases in duty as a percentage of value of exports starting at 10% of RM650 per MT of exports and capped at 30% of the value of the exports over RM850 per MT. FHB is one of a limited number of Malaysian companies to have been granted a duty-free export quota by the Government. This duty-free CPO export quota is for a one-year period and is granted on an annual basis.

The Government regulates the downstream palm oil industry, including by subsidising the price of cooking oil that is sold to consumers in Malaysia. The price of cooking oil that FHB sells in Malaysia is subject to a price ceiling fixed by the Government. Subject to a quota, FHB and other cooking oil producers are compensated by the Government for the difference between a certain benchmark RBD palm olein price, which was RM1,700 per MT for the year ended 31 December 2011, and the current market price of RBD palm olein as published by the MPOB.

In addition to regulations by the Government, import tariffs and taxes imposed by importing countries on products FHB exports can affect the demand for palm oil and can encourage substitution of other vegetable oils. If importing countries tax competing substitute products at a lower tax rate, the competitiveness of imported palm oil-based products can be adversely affected. Some importing countries also tax CPO and RBD palm oils differently in order to protect and encourage the development of palm oil refineries in their own countries. The imposition of higher import tariffs on refined palm oil-based products than on CPO may also adversely affect FHB's exports of RBD palm oil.

Further, due to the growing demand for oils that can be used as feedstock for the production of biodiesel, particularly to supply certain European markets with government requirements relating in part to carbon credits and tax incentives designed to cause an increasing percentage of their total diesel consumption to be biodiesel, the price of palm, soy and canola oils are now strongly influenced by the price of crude petroleum oil. This relationship has developed because all of these oils are feedstock for the production of diesel fuels.

(iv) Competition and changes in consumer trends

The palm oil industry is highly competitive and includes a large number of producers globally, especially from Malaysia and Indonesia. Palm oil-based products are commodities, and the primary competitive factor in the palm oil industry is price. Therefore, factors affecting price and margins have a significant impact on competition. For example, Indonesian refineries have a cost advantage in their CPO purchases due to a favourable export duty structure for CPO in Indonesia.

The palm oil industry also faces competition from other edible oils, primarily soy oil, canola oil and sunflower oil among others. The United States, Europe, China, India, Brazil and Argentina are all large producers of oils and fats. A decline in the price of these other edible oils would likely cause consumers of oils and fats to purchase these oils in place of palm oil, which in turn would adversely affect our business. Further, the prices for some substitute edible oils, including soy, sunflower and canola oils, are subsidised by various United States and European programs. These subsidies may protect producers of competing vegetable oils from price competition and negatively impact our ability to compete successfully against these products.

In addition, changes in consumer preferences will affect demand for palm oil-based products in general. These preferences are based on, among others, health concerns, sustainability concerns and other factors. Our revenue is determined in part by the extent to which we are able to keep abreast of such consumer trends and maintain demand for our products by adopting appropriate business strategies.

(v) Demand for refined sugar

Our operating results are affected by the demand for refined sugar, mainly in Malaysia. The total consumption of refined sugar in Malaysia was approximately 1.4 million MT in 2010, according to the IMRR.

Demand for refined sugar in Malaysia could change in the future as a result of one or a combination of many different factors that we cannot predict and may not have any control over, including:

- changes in the Government's policies regarding its sugar subsidy and price ceilings that affect the retail prices for refined sugar products;
- the Government's nutrition guidelines and labeling laws;
- changes in consumer sweetener preferences, including impact of dietary trends;
- changes in population and demographics;
- condition of the domestic and global economy; and
- changes in the availability, development or potential use of various types of alternative sweeteners.

(vi) Foreign exchange fluctuations

Our functional reporting currency is the RM, and changes in exchange rates have affected and may continue to affect our results of operations and cash flows. Our sales of oleochemicals and soy and canola products as well as exported sugar products are denominated primarily in USD. For the years ended 31 December 2009, 2010 and 2011, 98.6%, 37.8% and 49.5%, respectively, of our historical revenue was denominated in USD. Our imported raw material costs, including the cost of raw sugar and other raw materials that we purchase in the international market, and related hedging transactions are also denominated mainly in USD. As such, the movement of the USD against the RM may have a significant effect on our profit after taxation. A depreciation of the RM against the USD may increase, in RM terms, the revenues from our export sales and other revenues that are denominated in USD, but may also materially and adversely affect our financial performance because it may increase our imported raw materials costs and other costs of production in RM terms. Conversely, an appreciation of the RM against the USD may reduce the cost of imported raw materials and other costs of production in RM terms, but also have an adverse effect on our financial performance because it may reduce in RM terms our export revenue and other revenue denominated in USD and raise the prices for our products against other currencies.

(vii) Production, sales and marketing capabilities

Our results of operations are dependent on our ability to successfully produce, market and deliver our products to meet market demand in an effective and timely manner. This includes, for example, successfully maintaining long-term relationships with our customers, which we believe depends, in part, on our ability to reliably deliver substantial quantities of our products. This ability, in turn, depends on, among others, how effectively we manage, maintain and coordinate our production facilities, logistics and distribution channels in all markets in which we operate, including Malaysia, the United States and Canada. Any major disruption in our production and distribution channels can have an adverse impact on our revenue. As a manufacturer of branded products, our revenue is also affected by our ability to generate demand for our products through maintaining brand awareness, brand loyalty and product differentiation.

(viii) Interest rate fluctuation

Our financial performance may be affected by changes in prevailing interest rates in the financial market as a significant portion of our borrowings comprises floating rate borrowings. As of 31 December 2011, we had total interest bearing borrowings (both current and non-current borrowings, inclusive of our loan from FELDA) of RM2,637.4 million. As of 31 December 2011, 30.4% of our borrowings were based on floating interest rates. A substantial increase in interest rates will increase our financing costs which would adversely affect our profitability.

(c) Critical accounting policies

Our financial statements are prepared in accordance with FRS. In preparing our financial statements, we are required to make estimates, assumptions and judgments regarding uncertainties that affect certain reported amounts of revenue and expenses during the reporting period, as well as certain reported amounts of our assets and liabilities and the disclosure of our contingent assets and liabilities at the date of the financial statements. We base these estimates, assumptions and judgments on our historical experience and on various other reasonable factors, which are reviewed and evaluated on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Our actual results may differ from these estimates, assumptions and judgments under different conditions. We believe our most critical accounting policies that result in the application of estimates, assumptions or judgments are the following.

(i) Impairment of goodwill

Goodwill represents the excess of the cost of acquisition of Subsidiaries, Associates and Jointly-Controlled Entities over our share of the fair value of our identifiable net assets, including contingent liabilities, at the date of the relevant acquisition. Goodwill related to acquisition of Subsidiaries is included as intangible assets in our consolidated balance sheet, while goodwill related to acquisition of Associates or Jointly-Controlled Entities is reflected in investments in Associates or Jointly-Controlled Entities, as applicable.

Separately recognised goodwill is tested annually for impairment or if events or circumstances occur indicating that impairment may exist, and it is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill is allocated to cash-generating units, which are the lowest level groups of assets for which there are separately identifiable cash flows. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. This involves making an estimation of the value in use of the cash-generating unit, which requires us to make an estimate of the expected future cash flows from the cash-generating unit by assuming a budgeted gross margin, growth rate as well as a suitable discount rate in order to calculate the present value of those cash flows. For additional information about impairment of goodwill, refer to Note 9.13 to our historical audited consolidated financial statements included in this Prospectus.

(ii) Property, plant and equipment

Property, plant and equipment are stated at historical cost or valuation less accumulated depreciation and impairment losses, if any. The historical cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of property, plant and equipment, including their purchase cost. Freehold land and capital work-in-progress are stated at cost and are not depreciated.

Depreciation for property, plant and equipment, other than freehold land and capital work-in-progress, is recognised in the income statement on a straight-line basis to write off the cost or fair value of each asset to its residual value over the estimated useful life of such asset. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

We review residual values, estimated useful lives and the depreciation method of the assets at each balance sheet date to determine the amount, method and period of depreciation expense to be recorded during any reporting period. Factors that could reasonably occur that would result in a change to our estimates of estimated life and residual values include changes in the expected level of usage, physical wear and tear and technological developments. Changes in the estimated useful life and the residual values for our property, plant and equipment could have a material impact on our results of operations.

We also review and test for impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the purposes of assessing impairment, assets are grouped at cash-generating units. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined based on the higher of the asset's fair value less costs to sell and its value in use. This involves making an estimation of the value in use of the asset, which requires us to make an estimate of the expected future cash flows from the asset by assuming various factors, including a suitable discount rate in order to calculate the present value of those cash flows. For additional information about impairment of property, plant and equipment, refer to Note 9.12 to our historical audited consolidated financial statements included in this Prospectus.

(iii) Intangible assets

Intangible assets other than goodwill are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair values as at the date of acquisition. Following initial recognition, other intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are categorised as either finite or indefinite. Amortisation for intangible assets with finite useful lives is recognised in the profit or loss on a straight-line basis over the estimated economic useful lives. Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or if events or circumstances occur indicating that impairment may exist.

The amortisation method and the useful life for other intangible assets are reviewed at least at each balance sheet date. The useful life of an intangible asset with an indefinite useful life is also reviewed annually to determine whether such assessment continues to be applicable. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. These intangible assets are reviewed for impairment whenever there is an indication that the intangible assets may be impaired. For additional information about impairment of intangible assets other than goodwill, refer to Note 9.13 to our historical audited consolidated financial statements included in this Prospectus.

(iv) Deferred tax assets

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and unused tax credits can be utilised.

(v) Provision for defined benefit plan

We operate a non-funded defined benefit retirement plan, under which retirement benefits for employees are determined as a function of employees' earnings, designation and years of service and are payable upon attaining the normal retirement age. Our liabilities in respect of the defined benefit retirement plan are the present value of the defined benefit obligations at the balance sheet date, together with adjustments for actuarial gain or losses and past service cost, and are calculated on a regular basis such that the amounts recognised in our financial statements do not differ materially from the amounts that would be determined at the balance sheet date. Our obligations in respect of the defined benefit retirement plan are determined by independent actuaries using the projected unit credit method and by taking into consideration the estimated future cash outflows using market yields of government securities that have currency and terms to maturity approximating the terms of the related obligations.

(d) Historical results of operations

(i) Historical operations

We derived our historical revenues from four businesses: sugar, oleochemicals, soy and canola and other. Our sugar business produces and sells refined sugar and molasses, and also receives a subsidy from the Government for refined sugar sold in Malaysia at government-controlled prices. Our oleochemicals business manufactures and sells fatty acids and glycerin, while our soy and canola business produces and sells soy and canola oils, as well as soy and canola meals. Our other businesses include real estate property management, conducted mainly through our subsidiary Felda Global Ventures Middle East Sdn Bhd, and sale of food and beverages in the Middle East by our subsidiary Felda Global Ventures Arabia Limited. Starting in 2010, we also derive management fees for certain legal and secretarial services we provided to FHB Group.

Prior to 2010, our oleochemicals business, conducted through TRT Holdings and its subsidiaries, was our primary business and we derived a substantial majority of our historical revenues from this business. In January 2010, we completed the Sugar Business Acquisition, and following the acquisition, the sugar business became the largest contributor to our revenue. Refer to Note 9.14 to our historical audited consolidated financial statements included in this Prospectus for additional information regarding the Sugar Business Acquisition. We launched our soy and canola business when TRT-ETGO Inc, a subsidiary of TRT Holdings ETGO Inc, a wholly-owned subsidiary of TRT Holdings, commenced operations in Canada in September 2010. Accordingly, our historical results of operations for 2010 and 2011 include results of operations of our sugar and soy and canola businesses, in addition to our oleochemicals business and other businesses.

Components of our historical results of operations are as follows.

(ii) Revenue

Our historical revenues are primarily derived from sales of refined sugar products, oleochemical products, (namely fatty acids and glycerin) and soy and canola products (namely soy and canola oils and soy and canola meal). Other sources of our historical revenues include sale of food and beverages and management of real estate property, including rental apartments. We did not have revenues from the sugar business or the soy and canola business in 2009, as those businesses were either acquired or commenced in 2010.

We also engage in a number of business activities through our Associates and Jointly-Controlled Entities. The results of operations of our Associates and Jointly-Controlled Entities are accounted for under the equity method as share of results from an associate or a jointly-controlled entity, as applicable. Accordingly, revenues recorded in our historical consolidated financial statements do not include the revenues of our Associates and Jointly-Controlled Entities. For more details on our share of results from Associates and Jointly-Controlled Entities, refer to Section 8.12.4(d)(ix) of this Prospectus.

For 2009, 2010 and 2011, our total historical revenues were RM615.5 million, RM3,149.5 million and RM4,201.2 million, respectively.

The following table sets forth our revenue by geographic area and the relevant percentage of total revenue for the periods indicated:

	Year Ended 31 December					
	2009		2010		2011	
Region	**RM**	**%**	**RM**	**%**	**RM**	**%**
	(in millions, except percentages)					
Malaysia.............	-	-	1,899.9	60.3	1,959.7	46.6
Asia (ex-Malaysia)	-	-	262.8	8.3	230.3	5.5
North America.....	606.3	98.5	787.9	25.0	1,450.3	34.5
Europe	-	-	127.7	4.1	399.8	9.5
Middle East.........	9.2	1.5	9.3	0.3	6.3	0.2
Other..................	-	-	61.9	2.0	154.8	3.7
Total	615.5	100.0	3,149.5	100.0	4,201.2	100.0

(iii) Cost of sales

Our historical cost of sales consists primarily of costs of raw sugar, tallow, lauric oils, soybeans and canola seeds as well as plantation costs relating to sugar cane. Raw sugar costs represented our largest historical cost of sales in 2011, followed by costs relating to tallow and lauric oils used in our oleochemicals business and costs relating to soybeans and canola seeds. In 2010 and 2011, our cost of sales also included impairment of property, plant and equipment of RM17.7 million and RM164.7 million, respectively. For additional information about impairment of property, plant and equipment, refer to Note 9.12 to our historical audited consolidated financial statements included in this Prospectus. We did not record any cost of sales relating to refined sugar products in 2009 as our sugar business was acquired in 2010. In addition, we did not record any cost of sales relating to raw materials for our soy and canola business as production of our soy and canola products commenced in 2010.

Other historical cost of sales also include energy and utility costs, cost of packaging materials, cost of maintenance and repairs of our production facilities, staff and other labour costs directly attributable to production and costs of materials and supplies used in our production processes.

The following table sets forth the components of our historical cost of sales for the periods indicated:

	Year ended 31 December					
	2009		2010		2011	
	RM	%	RM	%	RM	%
	(in millions, except percentages)					
Raw materials and chemicals......	469.6	80.5	2,267.1	83.2	3,282.4	83.1
Energy and utilities....................	28.4	4.9	81.3	3.0	106.5	2.7
Depreciation.............................	13.3	2.3	67.7	2.5	58.2	1.5
Materials and supplies................	-	-	25.4	0.9	5.7	0.1
Maintenance and repairs..........	6.9	1.2	49.7	1.8	58.0	1.5
Staff and labour..........................	30.3	5.2	73.0	2.7	82.2	2.1
Packaging materials...................	-	-	34.1	1.3	36.9	0.9
Factory overhead........................	-	-	4.4	0.2	10.6	0.3
Milling and manufacturing	-	-	-	-	24.0	0.6
Impairment of property, plant and equipment........	-	-	17.7	0.6	164.7	4.2
Other..................	34.9	5.9	105.1	3.8	121.8	3.0
Total	583.4	100.0	2,725.5	100.0	3,951.0	100.0

(iv) Operating expenses

Our historical operating expenses consist of selling and distribution expenses, administrative expenses and other operating expenses.

Our selling and distribution expenses primarily comprise costs relating to freight and other transportation, warehousing and handling costs, as well as rent and lease payments for warehouses and distribution centers and sales commissions for our export sales. Administrative expenses include management and staff costs, labour costs, director remuneration, depreciation and amortisation, maintenance and repair costs, professional and purchased services, employee retirement plan contributions, insurance expense and staff travel. Other operating expenses comprise primarily expenses related to allowance for doubtful debts and impairment losses in respect of intangible assets.

The table below sets forth our selling and distribution expenses, administrative expenses and other operating expenses as a percentage of total operating expenses for the periods indicated:

	Year Ended 31 December					
	2009		2010		2011	
	RM	%	RM	%	RM	%
	(in millions, except percentages)					
Selling and distribution expenses	56.3	29.6	98.6	43.6	97.0	32.7
Administrative expenses	65.0	34.3	82.5	36.4	115.7	39.0
Other operating expenses	68.6	36.1	45.4	20.0	83.8	28.3
Total	189.9	100.0	226.5	100.0	296.5	100.0

(v) Other operating income

Other operating income consists primarily of realised and unrealised foreign exchange gains and rental income from land and buildings. Other operating income for 2009, 2010 and 2011 was RM6.3 million, RM7.9 million and RM74.4 million, respectively.

(vi) Other net gains/losses

Other net gains/losses consist of fair value losses or gains on futures contracts for raw sugar, soybeans and canola seeds and foreign exchange forward contracts that we may enter into in order to hedge our exposures to fluctuations in prices of related commodities and exchange rates. No net losses or gains were recorded in respect of these hedging transactions in 2009 because the current accounting standards relating to recognition and measurement of these derivative financial instruments and their disclosure were not applicable and were not early adopted in 2009. Moreover, our sugar business and soy and canola business that engage in these transactions were not part of FGVH in 2009.

In 2010, we recorded other net losses of RM66.3 million, while in 2011, we recorded other net gains of RM35.9 million.

(vii) Finance income

Our historical finance income consists principally of interest income in respect of our cash and cash equivalents deposited with licensed banks and other licensed financial institutions. Our historical finance income for 2009, 2010 and 2011 was RM6.9 million, RM12.2 million and RM38.1 million, respectively.

(viii) Finance costs

Historical finance costs consist mainly of interest expenses related to term loans, a revolving credit facility and bankers' acceptance, and these costs are affected by the level of our financing activities and the applicable interest rates. Finance costs also include interest expense with respect to a loan from FELDA at a fixed interest rate. For more information regarding our historical borrowings and indebtedness, refer to Section 8.12.5 (c) of this Prospectus. In 2010, finance costs also included adjustments recorded in respect of the deemed effective interest on an advance to us from FELDA ("unwinding of discounts") prior to conversion of this advance into our RCPS and RCCPS. Unrealised losses on translation of cash and cash equivalents denominated in a foreign currency are also included in finance costs. No finance costs related to bankers' acceptance and unrealised losses on foreign exchange were recorded in 2009 because the sugar business or soy and canola business, to which these finance costs relate, were not conducted by us in 2009.

Our historical finance costs for 2009, 2010 and 2011 were RM10.0 million, RM151.5 million and RM141.2 million, respectively.

(ix) Share of results from Associates and Jointly-Controlled Entities

For any financial period, our share of profit after taxation of our Associates and Jointly-Controlled Entities is dependent on the results of operations of our Associates and Jointly-Controlled Entities. Our Associates are FHB and Tradewinds, and our Jointly-Controlled Entities are of Felda IFFCO and Trurich.

FHB, in which we own a 49% equity interest, is engaged primarily in the upstream and downstream palm oil business (including oleochemicals and oils and fats) and other agri-businesses, including the rubber business. It is also engaged in the livestock business, as well as certain logistics and services operations. Tradewinds, a company listed on the Main Market of Bursa Securities in which we acquired a 20% equity interest in 2010 as part of the Sugar Business Acquisition, is involved mainly in the palm oil, sugar and rice businesses.

Felda IFFCO, in which we acquired a 50% equity interest in 2009, is engaged primarily in the manufacture of oils and fats, while Trurich, in which we own a 50% equity interest, is involved in the operation of commercial oil palm plantations in Indonesia.

The results of operations of our Associates and Jointly-Controlled Entities are accounted for under the equity method as share of results from an associate or a jointly-controlled entity, as applicable, and are not combined in our historical consolidated financial statements.

For 2009, 2010 and 2011, our share of results from Associates were gains of RM349.2 million, RM391.2 million and RM329.3 million, respectively, while our share of results from Jointly-Controlled Entities was a gain of RM8.8 million in 2009 and losses of RM24.6 million in 2010 and RM54.0 million in 2011.

(x) Taxation

Tax incentives

The Government provides certain tax incentives for the promotion of investments in selected industries in Malaysia, including the RA. The RA is available for manufacturing companies that incur capital expenditures on projects for purposes of expansion, modernisation or diversification. The rate of RA is 60% on the qualifying capital expenditures and this amount is in addition to capital allowances claims. The RA is used to reduce up to 70% of statutory income. Amounts claimed pursuant to the RA remain subject to review and approval by the MIRB and may differ in the event of an audit by MIRB.

Under current regulations, the incentive period for RA is fifteen consecutive years beginning on the first year for which a claim is made by a company. The RA was previously available for MSM and KGFP, our Subsidiaries in our sugar segment, for the applicable periods until their availability expired at the end of 2011. None of our Subsidiaries currently qualifies for this incentive.

Deferred tax asset

We recognise deferred tax asset for the carry forward of unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that future taxable profit will be available against which the unabsorbed tax losses and unutilised capital allowances can be applied.

(xi) Discontinued operations

In 2009, we recorded a loss of RM139.3 million from discontinued operations of Twin Rivers Technologies Natural Ingredients LLC, a subsidiary of TRT Holdings that produces primarily fatty esters and glycerin, which we disposed of to a wholly-owned subsidiary of our Jointly-Controlled Entity, Felda IFFCO in 2009. We recorded a loss of RM18.6 million in 2009 in connection with this disposition. Refer Note 9.8 to our historical audited consolidated financial statements included in this Prospectus for additional information regarding discontinued operations.

(xii) Year ended 31 December 2011 compared to year ended 31 December 2010

The following table presents selected historical statements of comprehensive income data, the percentage such amounts represent of total revenue and their percentage change for the periods indicated.

	Year Ended 31 December				
	2010	% of Revenue	2011	% of Revenue	% Change
	RM		RM		
	(in millions, except percentages)				
Revenue	3,149.5	100.0	4,201.2	100.0	33.4
Cost of sales	(2,725.5)	(86.5)	(3,951.0)	(94.0)	45.0
Gross profit	424.0	13.5	250.2	6.0	(41.0)
Other operating income	7.9	0.2	74.4	1.8	841.8
Selling and distribution costs	(98.6)	(3.1)	(97.0)	(2.3)	(1.6)
Administrative expenses	(82.5)	(2.6)	(115.7)	(2.8)	40.2
Other operating expenses	(45.4)	(1.5)	(83.8)	(2.0)	84.6
Other net gains / (losses)	(66.3)	(2.1)	35.9	0.8	(154.1)
Profit from operations	139.1	4.4	64.0	1.5	(54.0)
Finance income	12.2	0.4	38.1	0.9	212.3
Finance costs	(151.5)	(4.8)	(141.2)	(3.3)	(6.8)
Share of results from Associates	391.2	12.4	329.3	7.8	(15.8)
Share of results from Jointly-Controlled Entities	(24.6)	(0.8)	(54.0)	(1.3)	(119.5)
PBT	366.4	11.6	236.2	5.6	(35.5)
Taxation	(79.1)	(2.5)	(87.4)	(2.1)	10.5
Profit for the year	287.3	9.1	148.8	3.5	(48.2)

Revenue

Our revenue increased by 33.4% to RM4,201.2 million in 2011 compared to RM3,149.5 million in 2010. The increase primarily reflects a full year's revenue recorded in 2011 from sales of soy and canola products, which commenced operations in September 2010, as well as a 27.3% increase in the average selling prices of refined sugar products to RM2,248 per MT in 2011 from RM2,110 per MT in 2010, as continued rise in global price of raw sugar during 2011 led to an increase in sales price of refined sugar. In addition, the increase in our revenue was also attributable to an increase in export sales of refined sugar resulting from both the volume of export sales and higher sales prices. This increase was offset in part by a reduction in subsidies from the Government for refined sugar to RM154.6 million in 2011, compared to RM479.9 million in 2010, and by lower sales volumes of our oleochemical products primarily due to weak demand in the United States, as economic outlook continued to remain uncertain, particularly in light of the European Union fiscal crisis. The effect of foreign exchange translations also offset the increase in our revenue, as sales of our oleochemical products are primarily recorded in USD and the RM appreciated against the USD during 2011.

Cost of sales

Our cost of sales for 2011 increased by 45.0% to RM3,951.0 million compared to RM2,725.5 million for 2010. The increase principally reflects a full year's of cost of sales recorded in 2011 for our soy and canola business, including cost of soybeans and canola seeds, of RM1,048.6 million, compared to RM346.2 million for three months for 2010, as our soy and canola business commenced operations in September 2010. Costs of raw sugar consumed also increased to RM1,581.2 million for 2011 from RM1,455.6 million, as global commodities price increased in 2011. In addition, we recorded as cost of sales an impairment of property, plant and equipment of RM164.7 million recorded in 2011, compared to RM17.7 million recorded in 2010, primarily reflecting the difference between the recoverable amount and the carrying value of our non-sugar refinery assets. These increases were offset in part by a decrease in cost of raw materials used by our oleochemicals business, consistent with the lower sales volume of our oleochemicals products in 2011.

Gross profit and gross margin

As a result of the factors discussed above, our gross profit for 2011 decreased by 41.0% to RM250.2 million, compared to RM424.0 million for 2010. Our gross margin decreased to 6.0% for 2011, compared to 13.5% for 2010, as increased revenue from the sugar and soy and canola businesses in 2010 outpaced the additional cost of sales, including an impairment of property, plant and equipment, recorded in 2011.

Other operating income

Our other operating income increased by 841.8% to RM74.4 million in 2011 compared to RM7.9 million in 2010, mainly reflecting gains of RM68.2 million on disposal of Felda Global Ventures Middle East Sdn Bhd and Felda Global Ventures Arabia Limited in September 2011.

Operating expenses

Our selling and distribution costs remained relatively stable at RM97.0 million for 2011 and RM98.6 million for 2010, while our administrative expenses increased by 40.2% to RM115.7 million in 2011 from RM82.5 million in 2010. The increase was mainly due to expenses incurred in connection with the initial public offering of MSM Holdings.

Our other operating expenses increased 84.6% to RM83.8 million in 2011 from RM45.4 million in 2010, primarily due to an impairment loss of RM42.8 million recorded in 2011 relating to impairment of intangible assets of TRT Holdings, compared to an impairment loss of RM30.4 million recorded in 2010, as well as a loss of RM31.4 million on the sale of TRT-ETGO Inc's inventory and soy and canola futures contracts to Bunge ETGO, a joint venture company.

Other net gains/losses

We recorded other net gains of RM35.9 million in 2011 compared to other net losses of RM66.3 million in 2010, primarily reflecting a reduction in losses arising from changes in fair value of foreign exchange forward contracts, for which we recorded losses of RM47.0 million in 2010, compared to losses of RM2.4 million in 2011, as the RM appreciated against the USD during 2011. These losses were offset by fair value gains of RM38.3 million arising from changes in fair value of our futures contracts for raw sugar, as global market prices for commodities generally rose in 2011, compared to fair value losses of this type of RM19.3 million in 2010.

Profit from operations

As a result of the factors discussed above, our profit from operations decreased 54.0% to RM64.0 million for 2011 from RM139.1 million for 2010, mainly due to decreases in gross profit and increases in operating expenses, partially offset by higher other operating income in 2011.

Finance income

Our finance income increased 212.3%, from RM12.2 million for 2010 to RM38.1 million for 2011. This increase was primarily due to proceeds from the sale of our shares in MSM Holdings in its initial public offering in June 2011.

Finance costs

Our finance costs decreased 6.8% from RM151.5 million for 2010 to RM141.2 million for 2011. This decrease was primarily due to a lower amount of deemed interest expense we recorded as a result of the unwinding of discounts in 2011 compared to 2010. We recorded RM17.6 million in such deemed interest expense in 2011 relating to full settlement of amounts due to FHB in connection to our acquisition of 50% equity interest in Felda IFFCO from FHB in 2009, while in 2010, we recorded RM35.5 million in deemed interest expense as a result of the unwinding of discounts relating to a RM1.0 billion advance to us from FELDA. This decrease was offset in part by a 3.9% increase in interest expense to RM91.4 million in 2011, compared to a RM88.0 million interest expense in 2010 on a loan from FELDA in connection with the financing of the Sugar Business Acquisition.

Interest expense on our term loans increased by 68.6% from RM11.8 million in 2010 to RM19.9 million in 2011 due to higher interest rates and the loans being outstanding for a longer period in 2011. In 2011, we also recorded an interest expense of RM3.2 million related to TRT-ETGO Inc's revolving credits drawn to support additional working capital requirements for its soy and canola business.

Share of results from Associates and Jointly-Controlled Entities

Associates

Our share of results from Associates decreased 15.8% to RM329.3 million in 2011 from RM391.2 million in 2010. The decrease was primarily due to no gain from bargain purchase being recorded in 2011, compared to the recording of RM116.1 million of gain from bargain purchase in 2010 in connection with our acquisition of the equity interest in Tradewinds. This was offset in part by a 31.6% increase in our share of results from FHB.

FHB recorded revenues of RM15,130.7 million and RM18,998.6 million for 2010 and 2011, respectively. The 25.6% increase in FHB's revenue mainly reflects the higher selling prices of its commodities products throughout 2011, particularly those of refined products in China and Pakistan, with the average selling price of RBD products increasing 29.9% from RM2,624 per MT in 2010 to RM3,408 per MT in 2011. In addition, selling price of rubber increased 41.7% from RM10,470 per MT in 2010 to RM14,838 per MT in 2011, mainly as a result of the diminished supply of raw rubber that is used as raw materials in the production of rubber products due to the wet weather conditions and high demand from other rubber producers.

The 25.6% increase in FHB's revenue in 2011 slightly outpaced a 25.5% increase in its cost of sales during the same period, as FHB's cost of sales increased from RM13,988.6 million in 2010 to RM17,556.7 million in 2011. This increase was primarily a result of escalating raw material costs, as global commodities prices increased in tandem with the selling prices of FHB's products. Higher margins in FHB's milling operations and its rubber business were offset in part by lower margins for FHB's oils and fats business, particularly in the first half of 2011, as prices of RBD palm oil and related products fluctuated in 2011. As a result of these factors, FHB's gross profit margin remained relatively constant at 7.5% in 2010 and 7.6% in 2011.

FHB's other operating income decreased by 43.3% to RM129.5 million in 2011 from RM228.2 million in 2010, mainly reflecting smaller gains it recorded in 2011 compared to the gains recorded in 2010. The decline in FHB's other operating income also reflected gains arising from foreign exchange decreasing 74.0% to RM15.6 million in 2011 from RM59.9 million in 2010, primarily due to a smaller appreciation of RM against the USD and other currencies in 2011 compared to 2010. Gains FHB recorded in 2011 included a RM56.2 million gain on the disposal of its associate KGFP.

In addition, FHB recorded other net losses of RM11.3 million in 2011, while it recorded other net gains of RM30.7 million in 2010, as in 2011 FHB recorded fair value losses on palm oil futures contracts of RM3.6 million, compared to fair value gains of RM32.8 million in 2010. FHB also recorded a fair value loss of RM11.8 million in 2011 on its foreign currency forward contracts, while it recorded a RM1.7 million fair value loss on its foreign currency forward currency forward contracts in 2010.

FHB's selling and distribution cost increased by 13.4% in 2011 to RM185.4 million from RM163.5 million in 2010, primarily reflecting an increase in transportation costs due to higher volume of sales made and an increase in marketing costs related to promotion of new end-consumer products. FHB's administrative expenses increased primarily due to increases in salary and higher bonus paid in 2011 compared to 2010. Finance costs also increased by 65.2% to RM41.3 million in 2011 from RM25.0 million in 2010, as higher short-term borrowings, especially bankers' acceptances and export credit refinancing, were used to finance FHB's purchases of raw materials as commodity prices continued to rise in 2011. FHB's share of results from associates and joint ventures contributed RM62.7 million in 2011, a 53.3% increase over the RM40.9 million in 2010, primarily due to an increase in share of profits from FPG of RM35.7 million for 2011 compared to RM6.4 million in 2010.

As a result of the foregoing factors, FHB's profit before zakat and taxation increased 21.9% from RM760.1 million in 2010 to RM926.2 million in 2011. Tax expenses for 2011 increased compared to 2010 primarily as a result of higher profit before zakat and taxation, resulting in an increase of 17.6% in FHB's profit for the year from RM614.2 million in 2010 to RM722.0 million in 2011.

Jointly-Controlled Entities

Our share of results from Jointly-Controlled Entities were a loss RM54.0 million in 2011, compared to a loss of RM24.6 million in 2010. This higher loss mainly reflects losses at Felda IFFCO, which were primarily due to negative refining margins in its oils and fats business, as prices of raw materials, including CPO and PKO prices, increased significantly in 2011, while the sales prices of its refined products increased by smaller amounts. Trurich also recorded losses in 2011, mainly due to adverse weather conditions that yielded low quality FFB in 2011, contributing to our share of losses from our Jointly-Controlled Entities.

Profit before taxation

As a result of the factors discussed above, our profit before taxation for 2011 decreased by 35.5% to RM236.2 million, compared to RM366.4 million for 2010. Our profit before taxation margin decreased to 5.6% for 2011, compared to 11.6% for 2010, as the increase in cost of sales and operating expenses recorded in 2010 outpaced the increase in revenue, other operating income and finance income, and we recorded a larger loss from our share of results from Jointly-Controlled Entities in 2011.

Tax expenses

Our tax expense increased by 10.5% to RM87.4 million for 2011 compared to RM79.1 million for 2010. The increase was primarily due to a higher tax base in 2011, which is calculated inclusive of the impairment losses we recorded in respect of property, plant and equipment and intangible assets. Primarily as a result of these factors, our effective tax rate increased to 37.0% for 2011 from 21.6% for 2010.

Profit for the year

As a result of the factors discussed above, our profit for the year decreased by 48.2% to RM148.8 million for 2011, from RM287.3 million for 2010. Our profit after taxation margin decreased to 3.5% for 2011 compared to 9.1% for 2010 due to the decreased profit for the year in 2011 compared to 2010.

(xiii) Year ended 31 December 2010 compared to year ended 31 December 2009

The following table presents selected historical statements of comprehensive income data, the percentage such amounts represent of total revenue and their percentage change for the periods indicated.

	Year Ended 31 December				
	2009	**% of Revenue**	**2010**	**% of Revenue**	**% Change**
	RM		**RM**		
	(in millions, except percentages)				
Revenue	615.5	100.0	3,149.5	100.0	411.7
Cost of sales	(583.4)	(94.8)	(2,725.5)	(86.5)	367.2
Gross profit	32.1	5.2	424.0	13.5	1,220.9
Other operating income	6.3	1.0	7.9	0.2	25.4
Selling and distribution costs	(56.3)	(9.1)	(98.6)	(3.1)	75.1
Administrative expenses	(65.0)	(10.6)	(82.5)	(2.6)	26.9
Other operating expenses	(68.6)	(11.1)	(45.4)	(1.5)	(33.8)
Other net gains / (losses)	-	-	(66.3)	(2.1)	-
Profit from operations	(151.5)	(24.6)	139.1	4.4	191.8
Finance income	6.9	1.1	12.2	0.4	76.8
Finance costs	(10.0)	(1.6)	(151.5)	(4.8)	1,415.0
Share of results from Associates	349.2	56.7	391.2	12.4	12.0
Share of results from Jointly-Controlled Entities	8.8	1.4	(24.6)	(0.8)	(379.5)
PBT	203.4	33.0	366.4	11.6	80.1
Taxation	(13.5)	(2.2)	(79.1)	(2.5)	485.9
Profit for the year from continuing operations	189.9	30.8	287.3	9.1	51.3
Loss for the year from discontinued operations	(139.3)	(22.6)	-	-	(100.0)
Profit for the year	50.6	8.2	287.3	9.1	467.8

Revenue

Our revenue increased by 411.7% to RM3,149.5 million in 2010 compared to RM615.5 million in 2009. The increase was due primarily to the revenue of RM2,147.7 million in 2010 from our sugar business, including a government subsidy amount of RM479.9 million, and, to a lesser extent, from our soy and canola business. We had no revenue from either the sugar business or the soy and canola business in 2009.

Cost of sales

Our cost of sales for 2010 increased by 367.2% to RM2,725.5 million compared to RM583.4 million for 2009. The increase principally reflects the cost of sales related to our sugar business as well as our soy and canola business, while we had no cost of sales for these businesses in 2009.

Gross profit and gross margin

As a result of the factors discussed above, our gross profit for 2010 increased significantly to RM424.0 million, compared to RM32.1 million for 2009. Our gross margin increased to 13.5% for 2010, compared to 5.2% for 2009, as additional revenue from the sugar and soy and canola businesses in 2010 outpaced the additional cost of sales.

Other operating income

Our other operating income increased by 25.4% to RM7.9 million in 2010 compared to RM6.3 million in 2009, mainly due to a substantial increase in realised foreign exchange gains from RM8,000 in 2009 to RM3.1 million in 2010, primarily as a result of our Subsidiary FGV Indonesia repaying a foreign currency loan to FELDA in 2010.

Operating expenses

Our selling and distribution costs increased by 75.1% to RM98.6 million in 2010 from RM56.3 million in 2009. The increase was primarily due to additional selling and distribution costs related to our sugar business, including freight, transportation, warehousing and handling costs in connection with refined sugar sales in the domestic and export market, which were not part of our selling and distribution costs in 2009.

Our administrative expenses increased by 26.9% to RM82.5 million in 2010 from RM65.0 million in 2009. The increase was mainly due to the higher management and staff costs, including employment retirement contributions, as a result of the Sugar Business Acquisition, as well as expenses incurred in connection with the Sugar Business Acquisition.

Our other operating expenses decreased 33.8% from RM68.6 million in 2009 to RM45.4 million in 2010, primarily due to an impairment loss of RM30.4 million we recorded in 2010 relating to impairment intangible assets of TRT Holdings compared to an impairment loss of RM68.6 million we recorded in 2009 relating to impairment of an apartment property of Felda Global Ventures Middle East Sdn Bhd.

Other net gains / losses

We recorded other net losses of RM66.3 million in 2010 compared to none in 2009 due to losses of RM19.3 million arising from changes in fair value of our futures contracts for raw sugar, soybeans and canola seeds and losses of RM47.0 million arising from changes in fair value of foreign exchange forward contracts as global market prices for commodities generally rose in 2010 and the RM appreciated against the USD during 2010. No net gains or losses were recorded in respect of these hedging transactions in 2009 because the current accounting standards relating to recognition and measurement of these derivative financial instruments and their disclosure were not applicable and were not early adopted in 2009. Moreover, our businesses that engage in these transactions were not part of our Group in 2009.

Profit from operations

As a result of the factors discussed above, our profit from operations for 2010 was RM139.1 million compared to a loss from operations of RM151.5 million for 2009.

Finance income

Our finance income increased 76.8%, from RM6.9 million for 2009 to RM12.2 million for 2010. This increase was primarily due to an increase in interest income as a result of the interest income from new subsidiaries we acquired in 2010 as part of the Sugar Business Acquisition.

Finance costs

Our finance costs increased significantly from RM10.0 million for 2009 to RM151.5 million for 2010. This increase was primarily due to RM88.0 million in interest expense on a loan from FELDA that we received in 2010 connection with the financing of the Sugar Business Acquisition, including accrued interest and additional interest expense with respect to an additional RM225.0 million loan from FELDA. The increase in 2010 was also due in part to a RM35.5 million deemed interest expense we recorded as a result of the unwinding of discounts relating to a RM1.0 billion advance to us from FELDA before this advance was converted into our RCPS and RCCPS and RM6.4 million in interest expense on bankers' acceptances that we incurred in 2010, as our sugar segment used bankers' acceptances to finance raw sugar purchases.

Interest expense on our term loans increased from RM8.3 million in 2009 to RM11.8 million in 2010 due to higher interest rates and the loans being outstanding for a longer period in 2010, the effect of which was offset in part by the repayment of a term loan by TRT Holdings at the end of 2009. In 2010, we also recorded an interest expense of RM4.9 million related to TRT-ETGO Inc's revolving credits drawn to support additional working capital requirements for our soy and canola business.

Unrealised foreign currency exchange loss in 2010 of RM5.1 million, compared to none in 2009, also contributed to the increase in our finance costs in 2010. The unrealised foreign currency exchange loss in 2010 resulted from translation of cash and cash equivalents denominated in foreign currency, primarily USD held by FGV North America and FGV India, as the RM appreciated against the USD during 2010.

Share of results from Associates and Jointly-Controlled Entities

Associates

Our share of results from Associates increased 12.0% to RM391.2 million in 2010 from RM349.2 million in 2009. The increase was primarily due to our acquisition of a 20% equity interest in Tradewinds in January 2010, offset in part by a 61.4% decrease in gain from bargain purchase from RM301.0 million in 2009 to RM116.1 million in 2010. The gain from bargain purchase in 2009 relates to our acquisition of a 49% equity interest in FHB, and the gain from bargain purchase in 2010 relates to our acquisition of the equity interest in Tradewinds. Excluding gain from bargain purchase related to these acquisitions, our share of results from Associates increased 471.0% from RM48.2 million in 2009 to RM275.2 million in 2010, primarily reflecting a full year's share of results with respect to our equity interest in FHB for 2010, compared to three months' share for 2009, as well as our share of results for Tradewinds in 2010, which was absent in 2009.

FHB recorded revenues of RM11,964.6 million and RM15,130.7 million for 2009 and 2010, respectively. The 26.5% increase in FHB's revenues mainly reflects a 26.7% increase in sales of goods from RM11,383.4 million in 2009 to RM14,425.2 million in 2010, as selling prices of CPO, CPKO, RBD products, PK and rubber increased substantially in 2010 compared to 2009 as a result of rainy weather conditions that reduced the supply of those products and increased their price in 2010, which more than offset decreases in the volumes sold of CPKO and PKE by 5.7% and 2.2%, respectively, in 2010 compared to 2009.

However, a 31.0% increase in FHB's total cost of sales in 2010 outpaced the increase in revenue during the corresponding period, increasing from RM10,679.7 million in 2009 to RM13,988.6 million in 2010. This increase was primarily a result of escalating raw material costs, as global commodities prices increased significantly in 2010. Heavy rains and floods in 2010 led to a decrease in the supply of FFB and an increase in its selling price, which increased the spot market price of FFB. The upward trend in the cost of FFB had an adverse effect on FHB's milling operations. The upward movement in FFB prices during 2010 significantly reduced margins of FHB's milling operations in 2010, as FHB typically sells CPO through forward contracts while it purchases FFB on the spot markets, the effect of which decreases FHB's margins for its milling operations during periods when FFB and CPO prices are both rising. Moreover, increases in FFB prices and, consequently, CPO prices also decreased margins for FHB's oils and fats businesses, as sales prices of RBD products and other CPO-based products did not increase sufficiently to fully offset the increase in raw materials costs. As a result, FHB's gross profit decreased 11.1% from RM1,284.9

million in 2009 to RM1,142.0 million in 2010, while its gross profit margin decreased from 10.7% in 2009 to 7.5% in 2010.

FHB's other operating income increased 79.7% from RM127.0 million in 2009 to RM228.2 million in 2010 mainly due to a RM66.0 million gain on the exchange of FHB's equity interest in its associate, BH Insurance (M) Bhd., for an equity interest in Axa Affin General Insurance Bhd. and a RM18.9 million gain from the disposal of its subsidiary, Felda Oil Products Sdn. Bhd, to Felda IFFCO. Gains arising from foreign exchange translation of RM59.9 million, compared to RM23.2 million in 2009, also contributed to the increase in other operating income in 2010.

In addition, FHB recorded other net gains of RM30.7 million in 2010, mainly due to fair value gains of RM32.8 million on palm oil futures contracts, which more than offset fair value losses associated with cocoa bean futures contracts and foreign currency forward contracts. No net losses or gains were recorded in respect of these hedging transactions in 2009 because the current accounting standards relating to recognition and measurement of these derivative financial instruments and their disclosure were not applicable and were not early adopted by FHB in 2009.

These net gains and the increase in operating income were offset in part by an increase of RM27.2 million in administrative expense resulting from higher wages and bonuses and a RM12.0 million decrease in share of results from jointly-controlled entities, as FHB disposed of its 50% equity interest in Felda IFFCO in 2009 and, accordingly, Felda IFFCO was no longer FHB's jointly-controlled entity in 2010. FHB's finance costs also increased by RM8.9 million due to higher interest expense for bank borrowings.

As a result of the foregoing factors, FHB's profit before zakat and taxation decreased 5.5% from RM804.3 million in 2009 to RM760.1 million in 2010. Tax expenses for 2010 decreased compared to 2009 as a result of the lower profit before zakat and taxation, coupled with an over-provision of prior year's taxation in 2010, resulting in a 0.4% increase in FHB's profit for the year from RM611.6 million in 2009 to RM614.2 million in 2010.

Jointly-Controlled Entities

Our share of results from Jointly-Controlled Entities decreased from a gain of RM8.8 million in 2009 to a loss of RM24.6 million in 2010. This reversal mainly reflects a full year's share of results with respect to our equity interest in Felda IFFCO for 2010, compared to one month's share for 2009. Losses in Felda IFFCO were primarily due to negative refining margins in its oils and fats business as prices of raw materials, including CPO and PKO prices, increased significantly in 2010, while the sales prices of its refined products increased by smaller amounts. Turich also recorded losses in 2010, mainly due to late commissioning of its mills and adverse weather conditions that yielded low quality FFB in 2010, contributing to our share of losses from our Jointly-Controlled Entities.

In addition, we had recorded a gain from bargain purchase of RM14.9 million in 2009 in connection with the acquisition of our Jointly-Controlled Entities, Felda IFFCO and Trurich, but we recorded no such gain from bargain purchase in 2010, which contributed to the decrease in our share of results from our Jointly-Controlled Entities in 2010.

Profit before taxation

As a result of the factors discussed above, our profit before taxation for 2010 increased by 80.1% to RM366.4 million, compared to RM203.4 million for 2009. Our profit before taxation margin for our continuing operations decreased to 11.6% for 2010, compared to 33.0% for 2009, as the increase in cost of sales and finance costs and other net losses recorded in 2010 outpaced the increase in revenue, and we recorded a loss from our share of results from Jointly-Controlled Entities.

Tax expense

Our tax expense increased by 485.9% to RM79.1 million for 2010 compared to RM13.5 million for 2009. The increase was primarily due to a higher profit before taxation in 2010 as a result of the sugar business and soy and canola business that became part of our operations in 2010. In addition, tax expense in 2010 also increased as a result of deferred tax assets not recognised in 2010 amounting to RM55.2 million compared to none in 2009. Primarily as a result of these factors, our effective tax rate increased to 21.6% for 2010 from 6.6% for 2009.

Discontinued operations

We did not record a loss from discontinued operations in 2010, while we recorded a loss of RM139.3 million in 2009 in connection with the disposition of Twin Rivers Technologies Natural Ingredients LLC, a subsidiary of TRT Holdings that produces primarily fatty esters and glycerin, to a wholly-owned subsidiary of Felda IFFCO that was completed in December 2009.

Profit for the year

As a result of the factors discussed above, our profit for the year increased by 467.8% to RM287.3 million for 2010, from RM50.6 million for 2009. Our profit after taxation margin increased to 9.1% for 2010 compared to 8.2% for 2009 due to the increased profit after taxation in 2010 compared to 2009.

8.12.5 Liquidity and capital resources

(a) Working capital

Our principal sources of liquidity are cash generated from our operations, cash and cash equivalents, credit extended by our suppliers and borrowings from financial institutions and FELDA. Our ability to rely on these sources of funding could be affected by our results of operations and financial position and by the conditions in the Malaysian and international financial markets.

As at 31 December 2011, we had cash and cash equivalents of RM1,457.2 million (including fixed deposits with licensed financial institutions in Malaysia of RM1,507.0 million but excluding fixed deposits pledged of RM320.6 million) and total borrowings of RM2,637.4 million. Our working capital, calculated as current assets minus current liabilities, was RM1,603.1 million as at 31 December 2011.

(b) Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year Ended 31 December		
	2009	**2010**	**2011**
	RM	**RM (in millions)**	**RM**
Net cash (used in)/generated from operating activities	(6.8)	(247.5)	255.0
Net cash (used in)/generated from investing activities	(2,291.7)	(1,214.7)	1,149.0
Net cash generated from/(used in) financing activities	3,229.2	289.1	(358.6)
Net increase/(decrease) in cash and cash equivalents	930.8	(1,173.1)	1,045.4
Cash and cash equivalents at beginning of year	604.3	1,564.7	417.0
Cash and cash equivalents at end of year	1,564.7	417.0	1,457.2

Most of our cash and cash equivalents are held in RM. Our Board is of the opinion that there are no legal, financial or economic restrictions on our Subsidiaries' ability to transfer funds to our Company in the form of cash dividends, subject to availability of distributable reserves, and/or loans or advances.

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Net cash (used in)/generated from operating activities

Net cash generated from operating activities in 2011 was RM255.0 million, consisting primarily of amounts received in respect of our continuing operations, including sales of refined sugar and molasses, fatty acids, glycerin and soy and canola products as well as subsidy from the government related to refined sugar and adjustments for non-cash items relating to impairment losses of RM164.7 million for property, plant and equipment and RM42.8 million for intangible assets. Changes in working capital had a positive impact on our cash flow of RM83.5 million, primarily as a result of decreases in inventories and receivables of RM92.9 million and RM88.7 million, respectively, as well as an increase in amount due to a Jointly-Controlled Entity of RM35.1 million. The decrease in inventories during 2011 mainly reflects the sales of TRT-ETGO Inc's inventory to Bunge ETGO in connection with the tolling agreement with Bunge ETGO, while the decrease in receivables was due to a decrease in derivative financial assets. The amounts due to our Jointly-Controlled Entity, Bunge ETGO, increased as a result of a buy-in adjustment incurred during the transition period in December 2011 in connection with the tolling agreement with Bunge ETGO. These positive adjustments were offset in part by a decrease in amounts due from an associate during 2011 mainly as a result of full settlement of amounts due to FHB in connection with our acquisition of 50% equity interest in Felda IFFCO from FHB in 2009.

Net cash used in operating activities in 2010 was RM247.5 million, consisting primarily of payments to suppliers of raw materials and other items used in our sugar, oleochemicals and soy and canola operations as well as other expenses related to the production and distribution of our products, partially offset by amounts received in respect of our continuing operations, including sales of refined sugar and molasses, fatty acids, glycerin and soy and canola products as well as subsidy from the government related to refined sugar. Changes in working capital had a negative impact on our cash flow of RM508.3 million, primarily as a result of increases in receivables, inventories, payables and amounts due to Associates of RM202.4 million, RM60.9 million, RM242.4 million and RM20.7 million, respectively. The increases in receivables and inventories during 2010 mainly reflect the inclusion of receivables and inventories of our sugar business and our soy and canola business, while payables increased during 2010 mainly due to commencement of operations of our soy and canola business. The increase in amounts due to Associates during 2010 reflects remaining amounts payable to FHB related to our acquisition of FHB's equity interest in Felda IFFCO completed in 2009.

Net cash used in operating activities in 2009 was RM6.8 million, consisting primarily of payments to suppliers of raw materials and other items used in our oleochemicals and other operations as well as other expenses related to the production and distribution of fatty acids and glycerin, partially offset by amounts received in respect of our continuing operations, including sales of fatty acids and glycerin, food and beverages and real estate management fees. Changes in working capital had a positive impact on our cash flow of RM151.5 million, primarily as a result of decreases in inventories of RM226.7 million and payables of RM129.0 million. These decreases during 2009 were mainly due to the effects of sale of Twin Rivers Technologies Natural Ingredients LLC.

Net cash (used in)/generated from investing activities

Net cash generated from investing activities in 2011 was RM1,149.0 million, consisting primarily of RM1,160.5 million of proceeds from disposal of subsidiaries and dilution of interest in subsidiaries and RM203.7 million in dividends received from our Associates, FHB and Tradewinds. These positive adjustments were offset in part by RM82.9 million of additions of property, plant and equipment mainly related to capital expenditures relating to capacity expansion, upgrades of equipment and machinery for our production facilities in our sugar business and our soy and canola business as well as RM75.7 million used in connection with our acquisition of interests in a Jointly-Controlled Entity, Bunge ETGO.

Net cash used in investing activities in 2010 was RM1,214.7 million consisting primarily of RM1,088.2 million used in connection with the Sugar Business Acquisition and RM187.3 million used for purchase of property, plant and equipment, mainly related to the construction of TRT-ETGO Inc's soybean and canola seed crushing and refinery facilities and other capital expenditures relating to upgrades of equipment and machinery for our production facilities, and RM88.7 million used for acquisitions of interests in Jointly-Controlled Entities. These negative adjustments were offset in part by RM138.6 million in dividends received from our Associates, FHB and Tradewinds.

Net cash used in investing activities for 2009 was RM2,291.7 million consisting primarily of RM1,567.6 million in connection with the acquisition of a 49% equity interest in FHB, RM314.3 million used for purchase of property, plant and equipment related to the construction of TRT-ETGO Inc's soybean and canola seed crushing and refinery facilities and purchase of related equipment and machinery, RM265.5 million used in connection with the Sugar Business Acquisition and RM102.3 million for the acquisition of a 50% equity interest in Trurich. These positive adjustments were offset in part by RM23.0 million from disposal of Twin Rivers Technologies Natural Ingredients LLC and RM50.3 million in dividend received from our Associate, FHB.

Net cash generated from/(used in) financing activities

Net cash used in financing activities in 2011 was RM358.6 million, consisting primarily of RM290.0 million in repayment of borrowings relating to working capital for TRT-ETGO Inc's operations, RM286.5 million in fixed deposits pledged for bank guarantees, RM123.6 million in finance costs paid, RM36.5 million in dividends paid to non-controlling interests and RM25.0 million in dividends paid to our shareholder, offset in part by RM332.1 million in drawdown of borrowings to support the additional working capital needs of the operations of TRT-ETGO Inc.

Net cash generated from financing activities in 2010 was RM289.1 million, consisting primarily of proceeds of RM542.0 million from bankers' acceptances, a loan received from FELDA of RM225.0 million and drawdowns of RM184.0 million in borrowings, offset in part by RM491.5 million in repayment of borrowings, RM107.3 million in finance costs paid, RM34.1 million in additional deposits pledged for bank guarantees and RM25.0 million in dividends paid to our shareholder.

Net cash generated from financing activities in 2009 was RM3,229.2 million, consisting primarily of RM1,610.7 million in advances received from FELDA, RM1,567.6 million in proceeds from issuance of share capital and RM320.0 million in borrowings, offset in part by RM223.8 million of repayment of borrowings, RM35.3 million in dividends paid and RM10.0 million in finance costs paid.

(c) Borrowings

Our total outstanding borrowings as at 31 December 2011 were as follows:

Borrowings and indebtedness	As at 31 December 2011 RM (in millions)
Short-term debts	
Secured	
Revolving credits	461.6
Term loans	12.0
Unsecured	
Bankers' acceptances	288.3
Total short-term debts	761.9
Long-term debts	
Secured	
Loan from FELDA	1,835.0
Term loans	39.1
Revolving credits	1.4
Total long-term debts	1,875.5
Total borrowings and indebtedness	2,637.4
Gearing ratio (times)[1]	0.8

Note:

(1) The gearing ratio is calculated by dividing total indebtedness by total shareholders' equity.

As at 31 December 2011, our outstanding borrowings are primarily denominated in RM, CAD and USD. The table below sets forth, as at 31 December 2011, our outstanding borrowings, excluding FELDA loans and advances, by the currency in which they are denominated:

Borrowings	As at 31 December 2011 RM (in millions)
RM	288.3
CAD	423.6
USD	90.6
Total borrowings	802.5

As at 31 December 2011, our loans and advances from FELDA were denominated in RM and the total amount of such loans and advances were as follows:

Loans and advances from FELDA	As at 31 December 2011 RM (in millions)
Total	1,835.0

For additional information on our borrowings and loans and advances from FELDA as at 31 December 2011, refer to Notes 9.21 and 9.33 to our historical audited consolidated financial statements included in this Prospectus.

There has been no default on payments of either interest or principal for any of our borrowings throughout the year ended 31 December 2011. We are not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans which can materially affect our financial position and results or business operations, or the investment by holders of our securities.

The maturity profile of our borrowings as of the dates indicated is as follows:

	As at 31 December		
	2009	2010	2011
Maturity of borrowings	RM	RM	RM
		(in millions)	
Within 1 year	30.0	444.1	762.0
1-3 years	105.0	274.3	430.0
3-5 years	827.9	827.9	682.0
More than 5 years	967.1	977.8	763.4
Total	1,930.0	2,524.1	2,637.4

The table below sets forth the interest rate profile of our financial liabilities as at 31 December 2011:

	As at 31 December 2011
	RM
	(in millions)
Fixed rate instruments	1,835.0
Floating rate instruments	802.4
Total	2,637.4

(d) Capital expenditures

We incurred capital expenditures of RM314.3 million, RM187.3 million and RM82.9 million for the years ended 31 December 2009, 2010 and 2011, respectively.

Our major capital expenditures by business for the periods indicated are as follows:

	Year Ended 31 December		
Capital expenditures by business	2009	2010	2011
	RM	RM	RM
		(in millions)	
Sugar			
Capacity expansion projects	-	8.6	19.7
Equipment and parts replacements	-	5.6	8.2
Other		4.0	3.3
Sub-total	-	18.2	31.2
Oleochemicals			
Plant and machinery	15.4	8.3	4.3
Other	2.3	4.4	1.2
Sub-total	17.7	12.7	5.5

Capital expenditures by business	Year Ended 31 December 2009	2010	2011
	RM	RM	RM
		(in millions)	
Soy and Canola			
Additions to land	13.7	-	-
Construction of crushing and refinery facilities	276.3	152.2	14.7
Plant and machinery	-	-	30.7
Motor vehicles	1.0	2.3	0.1
Other	1.7	1.6	0.2
Sub-total	292.7	156.1	45.7
Other			
Buildings	3.6	-	-
Other	0.3	0.3	0.5
Sub-total	3.9	0.3	0.5
Total capital expenditures	**314.3**	**187.3**	**82.9**

The majority of our capital expenditures during the past three years have primarily been related to construction and improvements to our production facilities, including the construction of our soybean and canola seed crushing and refinery facilities in Canada that commenced operations in September 2010, as well as capacity expansion projects, such as replacement and upgrade of machinery and equipment to improve efficiency and performance.

We generally fund our capital expenditure requirements through our cash and cash equivalents on hand, cash generated from operations and financing activities. Our ability to obtain external financing and to make timely repayments of our debt obligations are subject to various uncertainties, including our future results of operations, financial condition and cash flows, the condition of the Malaysian and global economy and the markets for our products, the cost of financing, the condition of financial markets and the willingness of banks to provide financing facilities to us.

(e) Material commitments

We had material capital commitments of RM105.2 million at 31 December 2011. These commitments consisted of the following:

Material Capital Commitments	As at 31 December 2011 RM (in millions)
Property, plant and equipment	
Commitments approved and contracted for	20.1
Commitments approved and not contracted for	85.1
Total material capital commitments	105.2