



**FELDA GLOBAL VENTURES HOLDINGS BERHAD (800165-P)**

**QUARTERLY REPORT**

**Condensed Consolidated Financial Statements  
For The Financial Period Ended 31 March 2018**



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT**

**On consolidated results for the quarter ended 31 March 2018**

The Directors are pleased to announce the following:

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

	Note	Year to date ended 31 March		% + / (-)
		2018	2017	
Revenue		3,602,716	4,315,039	(16.5)
Cost of sales		<u>(3,186,758)</u>	<u>(3,953,121)</u>	19.4
<b>Gross profit</b>		415,958	361,918	14.9
Other operating income		45,026	30,771	46.3
Selling and distribution costs		(94,113)	(62,005)	(51.8)
Administrative expenses		(202,711)	(220,003)	7.9
Other operating expenses		(8,212)	(38,750)	78.8
Commodity gains - net		13,544	16,406	(17.4)
<b>Operating profit</b>		169,492	88,337	91.9
Fair value changes in Land Lease Agreement ('LLA') liability		<u>(78,675)</u>	<u>(97,500)</u>	19.3
<b>Operating profit/(loss) after LLA</b>	15	90,817	(9,163)	>100
Finance income		14,983	7,207	>100
Finance costs		(63,951)	(40,514)	(57.8)
Share of results from associates		(16,165)	6,140	<100
Share of results from joint ventures		540	4,070	(86.7)
<b>Profit/(loss) before zakat and taxation</b>		26,224	(32,260)	>100
Zakat		(1,167)	(409)	<100
Taxation	16	<u>(16,588)</u>	<u>470</u>	<100
<b>Profit/(loss) for the financial period</b>		<u>8,469</u>	<u>(32,199)</u>	>100
<b>Profit/(loss) attributable to:</b>				
-Owners of the Company		1,330	1,703	(21.9)
-Non-controlling interests		<u>7,139</u>	<u>(33,902)</u>	>100
		<u>8,469</u>	<u>(32,199)</u>	>100
Earnings per share for profit attributable to the owners of the Company:				
Basic (sen)	20	0.04	0.05	



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**On consolidated results for the quarter ended 31 March 2018 (continued)**

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

	Year to date ended 31 March		%
	2018	2017	
<b>Profit/(loss) for the financial period</b>	8,469	(32,199)	+ / (-) >100
<b>Other comprehensive (loss)/income</b>			
Share of other comprehensive (loss)/income of joint ventures	(7,364)	2,892	
Actuarial gain/(loss) on defined benefit plan	86	(396)	
Fair value changes in available-for-sale financial assets	(2,368)	1,835	
Currency translation differences	(42,774)	(8,448)	
Cash flow hedges	426	-	
Other comprehensive loss for the financial period, net of tax	(51,994)	(4,117)	
<b>Total comprehensive loss for the financial period</b>	<u>(43,525)</u>	<u>(36,316)</u>	(19.9)
<b>Total comprehensive loss attributable to:</b>			
- Owners of the Company	(49,188)	(5,211)	<100
- Non-controlling interests	5,663	(31,105)	>100
<b>Total comprehensive loss for the financial period</b>	<u>(43,525)</u>	<u>(36,316)</u>	(19.9)

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to this quarterly report and the audited financial statements for the financial year ended 31 December 2017.



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**On consolidated results for the quarter ended 31 March 2018 (continued)**

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

	Note	Unaudited As at 31 March 2018	Unaudited As at 31 December 2017	Unaudited As at 1 January 2017
<b><u>Non-current assets</u></b>				
Property, plant and equipment		10,471,051	10,446,122	10,074,111
Investment properties		115,112	118,169	127,017
Intangible assets		1,533,265	1,536,568	1,576,033
Interests in associates		143,244	275,478	260,700
Interests in joint ventures		562,601	585,773	628,071
Amount due from a joint venture		27,155	26,941	20,914
Prepaid lease payments		70,501	71,666	75,710
Deposit and other receivables		76,969	88,057	107,661
Derivative financial assets		1,144	717	-
Deferred tax assets		674,927	740,359	779,421
Available-for-sale financial assets		-	157,877	154,810
Financial asset through profit and loss		67,295	-	-
Financial asset through other comprehensive income		92,476	-	-
Loan due from joint ventures		69,313	71,431	54,222
		<u>13,905,053</u>	<u>14,119,158</u>	<u>13,858,670</u>
<b><u>Current assets</u></b>				
Inventories		1,766,441	2,126,893	2,189,255
Receivables		1,636,214	1,373,976	1,763,258
Biological assets		62,775	54,372	68,843
Amount due from a significant shareholder		211,798	215,389	182,531
Amount due from joint ventures		206,375	472,938	524,429
Amount due from an associate		17	-	214
Amounts due from related companies		307,709	146,789	172,625
Tax recoverable		155,481	203,309	189,700
Available-for-sale financial assets		-	6,409	159,431
Financial assets at fair value through profit or loss		51,205	49,321	58,322
Derivative financial assets	18	6,616	6,875	5,489
Contract assets		13,493	13,043	17,351
Deposits, cash and bank balances		1,617,497	1,740,658	1,854,054
		<u>6,035,621</u>	<u>6,409,972</u>	<u>7,185,502</u>
Assets held for sale		186,696	72,239	48,132
		<u>6,222,317</u>	<u>6,482,211</u>	<u>7,233,634</u>
<b>Total assets</b>		<b><u>20,127,370</u></b>	<b><u>20,601,369</u></b>	<b><u>21,092,304</u></b>
<b><u>Equity</u></b>				
Share capital		7,029,889	7,029,889	7,029,889
Treasury shares		(1,484)	(1,484)	(1,488)
Reserves		(1,462,298)	(1,405,739)	(1,211,173)
<b>Equity attributable to owners of the Company</b>		<b>5,566,107</b>	<b>5,622,666</b>	<b>5,817,228</b>
Non-controlling interests		2,263,631	2,254,117	2,403,609
<b>Total equity</b>		<b><u>7,829,738</u></b>	<b><u>7,876,783</u></b>	<b><u>8,220,837</u></b>



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**On consolidated results for the quarter ended 31 March 2018 (continued)**

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

	Note	Unaudited As at 31 March 2018	Unaudited As at 31 December 2017	Unaudited As at 1 January 2017
<b><u>Non-current liabilities</u></b>				
Borrowings	17	781,838	733,234	198,992
Loan due to a significant shareholder	17	1,223,305	1,222,765	1,475,799
LLA liability		4,069,635	4,067,794	4,125,032
Provision for asset retirement		32,494	32,725	32,129
Provision for defined benefit plan		83,692	87,768	71,907
Deferred tax liabilities		755,701	812,359	849,330
		<u>6,946,665</u>	<u>6,956,645</u>	<u>6,753,189</u>
<b><u>Current liabilities</u></b>				
Payables		1,424,256	1,169,706	1,441,505
Loan due to a significant shareholder	17	181,354	164,551	213,206
Amount due to a significant shareholder		122,903	483,166	399,190
Amount due to associates		-	37	167
Amount due to joint ventures		-	-	6
Amounts due to related companies		7,011	128,641	11,433
Borrowings	17	3,163,432	3,376,922	3,692,140
Derivative financial liabilities	18	2,375	1,039	19,434
Provision for asset retirement		618	648	718
Other provision		32,841	32,841	-
LLA liability		330,354	325,486	282,532
Contract liabilities		63,519	58,714	44,635
Current tax liabilities		308	3,712	7,715
		<u>5,328,971</u>	<u>5,745,463</u>	<u>6,112,681</u>
Liabilities related to assets held for sale		21,996	22,478	5,597
		<u>5,350,967</u>	<u>5,767,941</u>	<u>6,118,278</u>
<b>Total liabilities</b>		<u>12,297,632</u>	<u>12,724,586</u>	<u>12,871,467</u>
<b>Total equity and liabilities</b>		<u>20,127,370</u>	<u>20,601,369</u>	<u>21,092,304</u>
Net assets per share attributable to owners of the Company		<u>1.53</u>	<u>1.54</u>	<u>1.59</u>

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to this quarterly report and the audited financial statements for the financial year ended 31 December 2017.



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

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

	<u>Share capital</u>	<u>Treasury shares</u>	<u>Foreign exchange reserve</u>	<u>Re-organisation reserve</u>	<u>Other reserve</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
<b>Year to date ended 31 March 2018</b>									
At 1 January 2018	7,029,889	(1,484)	119,077	(3,084,514)	(5,453)	1,557,780	5,615,295	2,257,968	7,873,263
Profit for the financial period	-	-	-	-	-	1,330	1,330	7,139	8,469
Other comprehensive (loss)/income for the financial period, net of tax:									
<u>Item that will not be reclassified to profit or loss</u>									
- actuarial gain on defined benefit plan	-	-	-	-	-	86	86	-	86
<u>Items that will be subsequently reclassified to profit or loss</u>									
- currency translation differences	-	-	(41,089)	-	-	-	(41,089)	(1,685)	(42,774)
- fair value changes in available-for-sale financial assets	-	-	-	-	(2,368)	-	(2,368)	-	(2,368)
- share of other comprehensive loss of joint ventures	-	-	(7,364)	-	-	-	(7,364)	-	(7,364)
- cash flow hedge reserves	-	-	-	-	217	-	217	209	426
	-	-	(48,453)	-	(2,151)	-	(50,604)	(1,476)	(52,080)
Total other comprehensive (loss)/income for the financial period	-	-	(48,453)	-	(2,151)	1,416	(49,188)	5,663	(43,525)
At 31 March 2018	7,029,889*	(1,484)	70,624	(3,084,514)	(7,604)	1,559,196	5,566,107	2,263,631	7,829,738



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

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

	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Foreign exchange reserve</u>	<u>Re-organisation reserve</u>	<u>Other reserve</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
<b>Year to date ended 31 March 2017</b>										
At 1 January 2017	3,648,152	3,371,685	(1,059)	215,241	(3,084,514)	14,319	1,653,404	5,817,228	2,403,609	8,220,837
Transition to no-par value regime on 31 January 2017 under the Companies Act 2016	3,381,737	(3,371,685)	-	-	-	(10,052)	-	-	-	-
Profit/(loss) for the financial period	-	-	-	-	-	-	1,703	1,703	(33,902)	(32,199)
Other comprehensive (loss)/income for the financial period, net of tax:										
<u>Item that will not be reclassified to profit or loss</u>										
- actuarial loss on defined benefit plan	-	-	-	-	-	-	(396)	(396)	-	(396)
<u>Items that will be subsequently reclassified to profit or loss</u>										
- currency translation differences	-	-	-	(11,102)	-	-	-	(11,102)	2,654	(8,448)
- fair value changes in available-for-sale financial assets	-	-	-	-	-	1,692	-	1,692	143	1,835
- share of other comprehensive income of joint ventures	-	-	-	2,892	-	-	-	2,892	-	2,892
	-	-	-	(8,210)	-	1,692	-	(6,518)	2,797	(3,721)
Total other comprehensive (loss)/income for the financial period	-	-	-	(8,210)	-	1,692	1,307	(5,211)	(31,105)	(36,316)
At 31 March 2017	7,029,889*	-	(1,059)	207,031	(3,084,514)	5,959	1,654,711	5,812,017	2,372,504	8,184,521

\* Includes 1 Special Share of RM1.00 held by Minister of Finance (Incorporated).

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to this quarterly report and the audited financial statements for the financial year ended 31 December 2017.



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

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

	<b>Year to date ended</b>	
	<b>31 March</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit/(loss) for the financial period</b>	8,469	(32,199)
Adjustments for non-cash items	330,904	338,358
<b>Operating profit before working capital changes</b>	339,373	306,159
Changes in working capital	59,383	(126,355)
<b>Cash generated from operations</b>	398,756	179,804
Interest received	14,983	7,207
Taxation paid	(15,411)	(27,001)
Zakat paid	(1,167)	(409)
Retirement benefits paid	(30)	(63)
<b>Net cash generated from operating activities</b>	397,131	159,538
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(210,335)	(281,009)
Additions of biological assets	-	(6,269)
Purchase of intangible asset	(7,204)	(9,200)
Proceeds from disposal of property, plant and equipment	19	-
Proceeds from sales of available-for-sale financial assets	6,253	17,660
Additions of available-for-sale financial assets	(2,004)	(19,671)
Additions of financial assets at fair value through profit or loss	-	(1,538)
Payment for asset retirement obligations	(13)	(9)
Dividend received from associates	309	767
Dividend received from joint ventures	8,727	-
Dividend received from available-for-sale financial assets	2	3
Loan to joint ventures	-	(21,748)
<b>Net cash used in investing activities</b>	(204,246)	(321,014)





**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**Unaudited Condensed Consolidated Statement of Cash Flows (continued)**

**Amounts in RM thousand unless otherwise stated**

	<b>Year to date ended 31 March</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of borrowings	1,380,357	1,601,285
Repayment of borrowings	(1,545,243)	(1,321,391)
Repayment of LLA liability	(71,966)	(76,097)
Finance costs paid	(58,990)	(20,466)
<b>Net cash (used in)/generated from financing activities</b>	<b>(295,842)</b>	<b>183,331</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(102,957)</b>	<b>21,855</b>
Effect of foreign exchange rate changes	(19,802)	(4,452)
Cash and cash equivalents at beginning of the financial period	1,693,318	1,854,054
<b>Cash and cash equivalents at end of the financial period</b>	<b>1,570,559</b>	<b>1,871,457</b>
Deposits, cash and bank balances	1,617,497	1,872,777
Less: Restricted cash	(47,340)	-
Add/(less): Assets held for sale	402	(1,320)
Cash and cash equivalents at end of the period	1,570,559	1,871,457

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to this quarterly report and the audited financial statements for the financial year ended 31 December 2017.



## FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

### QUARTERLY REPORT (CONTINUED)

#### **Explanatory Notes on the Quarterly Report – 31 March 2018** **Amounts in RM thousand unless otherwise stated**

This interim financial information of Felda Global Ventures Holdings Berhad ('FGVH' or 'Group') is prepared in accordance with the requirements of paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complies with the requirements of the Malaysian Financial Reporting Standard ('MFRS') No. 134 – Interim Financial Reporting.

The Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with FGVH audited financial statements for the financial year ended 31 December 2017. These explanatory notes attached to the Unaudited Condensed Consolidated Interim Financial Information provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

#### **1. Basis of Preparation**

The Group has adopted the new Malaysian Financial Reporting Standards ("MFRS") Framework issued by Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2018. For the periods up to, and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS") Framework as allowed by MASB as it includes transitioning entities. Except for certain differences, the requirements under FRS and MFRS are similar.

The accounting policies and presentation adopted for this Unaudited Condensed Consolidated Interim Financial Information are mainly consistent with those of the Group's audited financial statements for the financial year ended 31 December 2017, except for the following:

- (a) Adoption of MFRS 1 and Annual Improvements to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards"

The Group has consistently applied the same accounting policies in its opening MFRS statements of financial position at 1 January 2017 (transition date) and throughout all years presented, as if these policies had always been in effect. Save for the required presentation of three statements of financial position in the first MFRS financial statements, there is no other significant impact on the Group's financial results and position, and changes to the accounting policies of the Group arising from the adoption of this MFRS Framework (other than as included in (b),(c) and (d)), although there are some differences in relation to the transitional provisions and effective dates contained in certain of the MFRSs.

Subsequent to the transition in the financial reporting framework to MFRS on 1 January 2018, the restated comparative information has not been audited under MFRS. However, the comparative statements of financial position as at 31 December 2017, comparative statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended have been audited under the previous financial reporting framework, FRS.



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018**  
**Amounts in RM thousand unless otherwise stated**

**1. Basis of Preparation (continued)**

The accounting policies and presentation adopted for this Unaudited Condensed Consolidated Interim Financial Information are mainly consistent with those of the Group's audited financial statements for the financial year ended 31 December 2017, except for the following: (continued)

- (b) MFRS 9 “Financial Instruments” will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). Gains or losses on the sale of financial assets at fair value through OCI will no longer be recycled to profit or loss on sale, but instead be reclassified from the fair value through OCI reserve to retained earnings.

A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model (“ECL”) is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group has assessed the impact of adoption of the new standard on 1 January 2018 and has identified the following areas:

- The Group's equity instruments that are currently classified as available-for-sale will satisfy the conditions for classification under fair value through OCI and hence there will be no change to the accounting treatment of these assets. However, gains or losses on the sale of financial assets at fair value through OCI will no longer be recycled to profit or loss on sale, but instead be reclassified from the fair value through OCI reserve to retained earnings.
- The new impairment model requiring recognition of impairment provisions to be based on ECL rather than only retrospective provisioning of credit losses as in this case under MFRS 139. It applies to financial assets classified at amortised cost.
- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss. There is no significant impact in respect of this change to the opening retained earnings of the Group as at 1 January 2018.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018**  
**Amounts in RM thousand unless otherwise stated**

**1. Basis of Preparation (continued)**

The accounting policies and presentation adopted for this Unaudited Condensed Consolidated Interim Financial Information are mainly consistent with those of the Group's audited financial statements for the financial year ended 31 December 2017, except for the following: (continued)

- (b) MFRS 9 "Financial Instruments" will replace MFRS 139 "Financial Instruments: Recognition and Measurement". (continued)

The Group has assessed the impact of adoption of the new standard on 1 January 2018 and has identified the following areas: (continued)

- When a financial liability measured at amortised cost is modified without resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss. There is no significant impact on the Group's financial liabilities measured at amortised cost.
  - The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature of the Group's disclosures about its financial instruments particularly in the year of adoption of the new standard. Comparatives for financial year ended 31 December 2017 will not be restated.
- (c) MFRS 15 "Revenue from Contracts with Customers" replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations.

The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018**  
**Amounts in RM thousand unless otherwise stated**

**1. Basis of Preparation (continued)**

The accounting policies and presentation adopted for this Unaudited Condensed Consolidated Interim Financial Information are mainly consistent with those of the Group's audited financial statements for the financial year ended 31 December 2017, except for the following: (continued)

- (c) MFRS 15 "Revenue from Contracts with Customers" replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations. (continued)

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

The Group has assessed the effects of applying the new standard and has identified the following areas:

- Accounting for multiple element arrangements in contracts with customers – Where a contractual arrangement consists of two or more separate deliverables that have value to the customer on a stand-alone basis, revenue is recognised for each element as if it was an individual contract. Total contract consideration is allocated between separate deliverables based on their fair value. Identification of separate deliverables in relation to contracts with customers will affect the timing of the recognition of revenue moving forward. Judgment is applied in both identifying separate deliverables and allocating the consideration between them. The impact is not expected to be material to the opening retained earnings of the Group as at 1 January 2018 as majority of existing contracts have already incorporated these separation of deliverables into value attached to each deliverable.
- The Group does not expect any material impact to the basis of recognition for its sale of goods and services rendered other than the changes as disclosed in Note 1(e) of the Quarterly Report.
- The Group has adopted the standard using full retrospective approach (with optional practical expedients) which means that the cumulative impact of the adoption has been recognised in retained earnings as of 1 January 2017 and that comparatives has been restated.



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018  
Amounts in RM thousand unless otherwise stated**

**1. Basis of Preparation (continued)**

The accounting policies and presentation adopted for this Unaudited Condensed Consolidated Interim Financial Information are mainly consistent with those of the Group's audited financial statements for the financial year ended 31 December 2017, except for the following: (continued)

- (d) MFRS 141 'Agriculture' and Amendments to MFRS 116 'Property, Plant and Equipment' and MFRS 141

The Amendments to MFRS 116 'Property, Plant and Equipment' and MFRS 141 'Agriculture' introduce a new category of biological asset, i.e. the bearer plants. A bearer plant is a living plant that is used in the production and supply of agricultural produce, is expected to bear produce for more than one period, and has remote likelihood of being sold as agricultural produce (except for incidental scrap sales).

Bearer plants are seen as similar to an item of machinery in a manufacturing plant, and therefore are treated the same way under MFRS 116 'Property, Plant and Equipment'. Therefore, bearer plants are measured either at cost or revalued amounts, less accumulated depreciation and impairment losses.

Agricultural produce growing on bearer plants are measured at fair value less costs to sell, with fair value changes recognised in profit or loss as the produce grows. However, there are two occasions where the standard permits departure from fair value: at the early stage of an asset's life; and when fair value cannot be measured reliably on initial recognition.

The Group has changed its policy to align to the underlying principle of the amendments in respect of the bearer plants in previous financial year.

In respect of its agricultural produce, the Group has adjusted for the impact of the recognition of its agricultural produce measured at fair value less cost to sell (including deferred tax) upon adoption of the standard.

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

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

Standards, amendments to published standards and interpretation to existing standards that are applicable to the Group but not yet effective:

- MFRS 16 "Leases"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Amendments to MFRS 9 "Financial Instruments" - Prepayment Features with Negative Compensation
- Annual Improvements to MFRS 3 "Business Combinations"
- Annual Improvements to MFRS 112 "Income Taxes"
- Annual Improvements to MFRS 123 "Borrowing Costs"

The adoption of the above standard, IC Interpretation and Amendments to MFRSs when they become effective are not expected to have any material impact on the financial statements of the Group except for MFRS 16. The Group is in the process of assessing the financial impact of adopting MFRS 16.



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018**

**Amounts in RM thousand unless otherwise stated**

**1. Basis of Preparation (continued)**

(e) The effects of the new accounting policies and the restatement of comparative figures are as follows:

	<b>Effects of the new accounting policies</b>					<b>Restatement of comparative figures</b>			
	<b>Quarter ended 31 March 2018</b>					<b>Quarter ended 31 March 2017</b>			
	As per previous accounting framework	MFRS 9	MFRS 15	MFRS 141	As per current accounting framework	As per previous accounting framework	MFRS 15	MFRS 141	As per current accounting framework
Revenue	3,604,716	-	(2,000)	-	3,602,716	4,323,205	(8,166)	-	4,315,039
Cost of sales	(3,186,758)	-	-	-	(3,186,758)	(3,946,877)	(6,244)	-	(3,953,121)
Selling and distribution costs	(96,113)	-	2,000	-	(94,113)	(77,157)	15,152	-	(62,005)
Administrative expenses	(201,364)	(1,347)	-	-	(202,711)	(220,003)	-	-	(220,003)
Other gains/(losses)-net	5,141	-	-	8,403	13,544	18,152	-	(1,746)	16,406
Operating profit/(loss)	162,436	(1,347)	-	8,403	169,492	89,341	742	(1,746)	88,337
Taxation	(14,571)	-	-	(2,017)	(16,588)	229	(178)	419	470
Profit/(loss) for the financial period	3,430	(1,347)	-	6,386	8,469	(31,436)	564	(1,327)	(32,199)
Profit/(loss) attributable to:									
- Owners of the Company	(3,631)	(1,347)	-	6,308	1,330	2,469	570	(1,336)	1,703
- Non-controlling interests	7,061	-	-	78	7,139	(33,905)	(6)	9	(33,902)
	3,430	(1,347)	-	6,386	8,469	(31,436)	564	(1,327)	(32,199)
Earnings per share for profit attributable to the owners of the Company:									
Basic (sen)	(0.10)	(0.03)	-	0.17	0.04	0.07	0.02	(0.04)	0.05



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018**

**Amounts in RM thousand unless otherwise stated**

**1. Basis of Preparation (continued)**

(e) The effects of new accounting policies and the restatement of comparative figures are as follows: (continued)

	Effects of the new accounting policies					Restatement of comparative figures							
	As at 31 March 2018					As at 31 December 2017				As at 1 January 2017			
	As per previous accounting framework	MFRS 9	MFRS 15	MFRS 141	As per current accounting framework	As per previous accounting framework	MFRS 15	MFRS 141	As per current accounting framework	As per previous accounting framework	MFRS 15	MFRS 141	As per current accounting framework
<u>Non-current assets</u>													
Property, plant and equipment	10,470,860	-	-	191	10,471,051	10,445,915	-	207	10,446,122	10,073,774	-	337	10,074,111
Biological assets	23,915	-	-	(23,915)	-	23,931	-	(23,931)	-	29,044	-	(29,044)	-
Available for sale financial assets	159,771	(159,771)	-	-	-	157,877	-	-	157,877	154,810	-	-	154,810
Financial asset at fair value through other comprehensive income	-	92,476	-	-	92,476	-	-	-	-	-	-	-	-
Financial asset at fair value through profit and loss	-	67,295	-	-	67,295	-	-	-	-	-	-	-	-
<u>Current assets</u>													
Biological assets	-	-	-	62,775	62,775	-	-	54,372	54,372	-	-	68,843	68,843
Receivables	1,640,951	(1,347)	(3,390)	-	1,636,214	1,376,916	(2,940)	-	1,373,976	1,755,127	8,131	-	1,763,258
Contract assets	-	-	13,493	-	13,493	-	13,043	-	13,043	-	17,351	-	17,351
<b>Total assets</b>	<b>20,079,563</b>	<b>(1,347)</b>	<b>10,103</b>	<b>39,051</b>	<b>20,127,370</b>	<b>20,560,618</b>	<b>10,103</b>	<b>30,648</b>	<b>20,601,369</b>	<b>21,026,686</b>	<b>25,482</b>	<b>40,136</b>	<b>21,092,304</b>





**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018**

**Amounts in RM thousand unless otherwise stated**

**1. Basis of Preparation (continued)**

(e) The effects of new accounting policies and the restatement of comparative figures are as follows: (continued)

	Effects of the new accounting policies					Restatement of comparative figures							
	As at 31 March 2018					As at 31 December 2017				As at 1 January 2017			
	As per previous accounting framework	MFRS 9	MFRS 15	MFRS 141	As per current accounting framework	As per previous accounting framework	MFRS 15	MFRS 141	As per current accounting framework	As per previous accounting framework	MFRS 15	MFRS 141	As per current accounting framework
<u>Equity</u>													
Reorganisation reserve	(3,060,790)	-	-	(23,724)	(3,084,514)	(3,060,790)	-	(23,724)	(3,084,514)	(3,060,790)	-	(23,724)	(3,084,514)
Retained earnings	1,514,890	(1,347)	(1,505)	47,158	1,559,196	1,525,806	(1,505)	40,850	1,565,151	1,606,827	(204)	46,781	1,653,404
Non-controlling interests	2,262,834	-	246	551	2,263,631	2,253,398	246	473	2,254,117	2,403,166	(114)	557	2,403,609
<u>Non-current liabilities</u>													
Deferred tax liabilities	740,629	-	6	15,066	755,701	799,304	6	13,049	812,359	832,908	(100)	16,522	849,330
<u>Current liabilities</u>													
Payables	1,476,419	-	(52,163)	-	1,424,256	1,217,064	(47,358)	-	1,169,706	1,460,240	(18,735)	-	1,441,505
Contract liabilities	-	-	63,519	-	63,519	-	58,714	-	58,714	-	44,635	-	44,635
Total equity and liabilities	20,079,563	(1,347)	10,103	39,051	20,127,370	20,560,618	10,103	30,648	20,601,369	21,026,686	25,482	40,136	21,092,304



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018 (continued)**

**Amounts in RM thousand unless otherwise stated**

**2. Seasonal or Cyclical Factors**

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

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

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

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

**4. Material Changes in Estimates**

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

**5. Debt and Equity Securities**

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

**6. Dividends**

No dividend has been paid during the quarter ended 31 March 2018.



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018 (continued)**

**Amounts in RM thousand unless otherwise stated**

**7. Segment Information**

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision maker ("CODM"), which is the Executive Committee ("EXCO").

The EXCO considers the business by product related activities. The reportable segments for the financial year ended 31 March 2018 have been identified as follows:

- Plantation Sector - Plantation estates activities including cultivation, harvesting and production of fresh fruit bunches ("FFB") and processing of FFB into crude palm oil ("CPO") and palm kernel ("PK"), refining of CPO, fractionation of refined bleached deodorised palm oil ("RBDPO") and Palm Olein ("PO"), crushing of PK, processing and sales of biodiesel products, production of consumer bulk and packed products, trading of CPO, research and development activities, fertilisers processing, rubber processing and production and sale of planting materials.
- Sugar Sector - Sugar refining and sales and marketing of refined sugar and molasses.
- Logistics and Support Business Sector - Bulking and transportation facilities and services, engineering services, information technology, production of oleochemicals namely fatty acid and glycerine, production of graphene and nanotubes and security and travel.

The reportable segments have changed from the financial year ended 31 December 2017 due to the changes in the internal management reporting structure to the CODM. Comparatives have been restated to conform to the revised reportable segments.

Reconciliation to the reportable segments mainly relates to the inclusion of investment holding companies within the Group and Group consolidation adjustments, which are not part of the operating segments.

The EXCO assesses the performance of the operating segments based on profit before zakat and taxation.



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018 (continued)**

Amounts in RM thousand unless otherwise stated

**7. Segment Information (continued)**

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

	<b>Plantation</b>	<b>Sugar</b>	<b>Logistics and Support Business</b>	<b>Reconciliation</b>	<b>Total</b>
<b>Year to date ended 31 March 2018</b>					
Total segment revenue	4,536,934	592,185	425,833	(1,952,236)	3,602,716
Less : Inter-segment revenue	(1,705,578)	(52,482)	(194,176)	1,952,236	-
Revenue from external customers	<u>2,831,356</u>	<u>539,703</u>	<u>231,657</u>	-	<u>3,602,716</u>
Finance income	5,974	11,065	388	(2,444)	14,983
Finance costs	(18,703)	(17,769)	(8,724)	(18,755)	(63,951)
Depreciation and amortisation	(139,970)	(9,819)	(23,279)	(3,696)	(176,764)
Fair value changes in LLA liability	(78,675)	-	-	-	(78,675)
Share of results of joint ventures	(11,262)	-	-	11,802	540
Share of results of associates	349	-	-	(16,514)	<u>(16,165)</u>
Profit/(loss) before zakat and taxation for the financial period	18,292	22,013	25,356	(39,437)	<u>26,224</u>
Disaggregation of the Group's revenue is as follows:	<u>Timing of revenue recognition</u>				
Sales of Palm Products Oils	2,132,031	-	-	-	2,132,031
Sales of Sugar	-	539,703	-	-	539,703
Others	699,325	-	231,657	-	930,982
	<u>2,831,356</u>	<u>539,703</u>	<u>231,657</u>	-	<u>3,602,716</u>



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018 (continued)**

**Amounts in RM thousand unless otherwise stated**

**7. Segment Information (continued)**

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

	<b>Plantation</b>	<b>Sugar</b>	<b>Logistics and Support Business</b>	<b>Reconciliation</b>	<b>Total</b>
<b>Year to date ended 31 March 2017</b>					
Total segment revenue	4,111,400	1,252,805	1,586,276	(2,635,442)	4,315,039
Less : Inter-segment revenue	(1,904,762)	(612,004)	(118,676)	2,635,442	-
Revenue from external customers	<u>2,206,638</u>	<u>640,801</u>	<u>1,467,600</u>	<u>-</u>	<u>4,315,039</u>
Finance income	3,087	4,573	(119)	(334)	7,207
Finance costs	(14,548)	(4,494)	(992)	(20,480)	(40,514)
Depreciation and amortisation	(129,664)	(13,257)	(21,202)	(3,701)	(167,824)
Fair value changes in LLA liability	(97,500)	-	-	-	(97,500)
Share of results of joint ventures	3,560	-	-	510	4,070
Share of results of associates	(77)	-	-	6,217	<u>6,140</u>
Profit/(loss) before zakat and taxation for the financial period	47,346	(23,160)	(39,503)	(16,943)	<u>(32,260)</u>
Disaggregation of the Group's revenue is as follows:	<u>Timing of revenue recognition</u>				
Sales of Palm Products Oils	2,201,727	-	-	-	2,201,727
Sales of Sugar	-	640,801	-	-	640,801
Others	4,911	-	1,467,600	-	1,472,511
	<u>2,206,638</u>	<u>640,801</u>	<u>1,467,600</u>	<u>-</u>	<u>4,315,039</u>



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018 (continued)**  
**Amounts in RM thousand unless otherwise stated**

**8. Capital Commitments**

Authorised capital expenditure not provided for are as follows:

	<b>As at 31 March 2018</b>	<b>As at 31 March 2017</b>
Property, plant and equipment:		
- contracted	425,885	544,241
- not contracted	1,611,404	526,853
	<u>2,037,289</u>	<u>1,071,094</u>
Bearer plant:		
- contracted	99,031	94,495
- not contracted	-	7,381
	<u>99,031</u>	<u>101,876</u>
Biological asset:		
- contracted	701	-
- not contracted	1,340	1,228
	<u>2,041</u>	<u>1,228</u>

**9. Significant Related Party Transactions**

Federal Land Development Authority ("FELDA"), a significant shareholder of the Group, effectively owns 33.7% of the issued share capital of the Company. FELDA is a statutory body corporate set up under the Land Development Act 1956, and controlled by the Malaysian Government. The Group considers that, for the purpose of MFRS 124 – "Related Party Disclosures", FELDA and the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group.

The Group have collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

- (i) Purchasing of goods and services, including use of public utilities and amenities
- (ii) Placing of bank deposits with government-related financial institutions

These transactions are conducted in the ordinary course of the Group's business on terms consistently applied in accordance with the Group's internal policies and processes. These terms do not depend on whether the counterparties are government-related entities or not.



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018 (continued)**  
**Amounts in RM thousand unless otherwise stated**

**9. Significant Related Party Transactions (continued)**

(I) Related party transactions for the financial period ended 31 March 2018 and 31 March 2017 are as follows:

a) Sales of goods and services

	<b>Year to date ended 31 March</b>	
	2018	2017
(i) Transactions with joint ventures		
Sales of Palm Processed Oil ("PPO") and Palm Fatty Acid Distillate ("PFAD") by Felde Palm Industries Sdn. Bhd. ("FPI") and Felde Global Ventures Trading Sdn. Bhd. ("FGVT") to Felde Iffco Sdn. Bhd. ("FISB Group")	28,916	45,333
Sales of CPO by FPI and Felde Global Ventures Plantations (Malaysia) Sdn. Bhd. ("FGVPM") to FISB Group	353,653	465,375
Sales of Crude Palm Kernel Oil ("CPKO"), Refined Bleached Deodorised Palm Kernel Oil ("RBDPKO") and Palm Kernel Fatty Acid Distillate ("PKFAD") by Felde Kernel Products Sdn. Bhd. ("FKPSB") to FISB Group and FPG Oleochemicals Sdn. Bhd. ("FPG")	373,273	497,125
Sales of CPO by FPI and FGVPM to MAPAK Edible Oil Pvt. Ltd. ("MAPAK")	73,308	103,513
(ii) Transaction with associates		
Sales of PPO by FGVT to F.K.W. Global Commodities (Private) Limited ("FKW")	3,106	11,064



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018 (continued)**  
**Amounts in RM thousand unless otherwise stated**

**9. Significant Related Party Transactions (continued)**

(I) Related party transactions for the financial period ended 31 March 2018 and 31 March 2017 are as follows: (continued)

(a) Sales of goods and services (continued)

	<b>Year to date ended 31 March</b>	
	2018	2017
(iii) Transaction with FELDA and its subsidiaries		
Sales of fertiliser by FPM Sdn. Bhd ("FPMSB")	26,617	62,270
Maintenance and consultancy services by Felda Engineering Services Sdn. Bhd. ("FESSB")	1,206	15,014

(b) Purchase of goods and services

Transaction with FELDA and its subsidiaries:

LLA liability paid by FGVP	71,966	76,097
Interest expense charged by FELDA	16,802	20,544
Purchase of cup lump by Felda Rubber Industries Sdn. Bhd. ("FRISB")	34,308	49,085
Purchase of FFB by FPI and FGVP	843,035	795,618
Building rental charged by FELDA	6,989	11,746

(c) Transactions with Government related entities

Transactions between subsidiaries and other government agencies:

Cooking oil subsidy received from Malaysia Palm Oil Board ("MPOB")	8,239	22,699
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## FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

### QUARTERLY REPORT (CONTINUED)

#### Explanatory Notes on the Quarterly Report – 31 March 2018 (continued) Amounts in RM thousand unless otherwise stated

#### 10. Effect of Significant Changes in the Composition of FGVH

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

#### 11. Contingent Liabilities and Material Litigation

- (i) On 21 September 2017, Delima Oil Products Sdn. Bhd. ("DOP"), an indirect subsidiary of the Company, was sued by a company in China known as Chengdu Azonda International Trading Co., Ltd. ("Azonda"). The Plaintiff claims that they have incurred damages due to the alleged shipment issues in 2016 and 2017 amounting to RM7.0 million as well as loss of future profits approximately RM46.0 million.

On 3 November 2017, DOP filed its Statement of Defence and Counterclaim and Azonda filed its Reply to Defence and Defence to Counterclaim on 15 November 2017. The matter has been fixed for trial from 30 to 31 October 2018.

- (ii) On 4 April 2018, Felda Global Ventures Research & Development Sdn. Bhd. ("First Defendant") and Felda Agricultural Services Sdn. Bhd. ("Second Defendant"), the indirect subsidiaries of the Company have been served with Kuala Lumpur High Court Writ of Summons together with a Statement of Claim by Fulle Teknik Sdn. Bhd. ("Plaintiff") ("Fulle Teknik Suit").

The First Defendant appointed the Plaintiff via a Service Agreement dated 30 September 2014 to develop a prototype machine known as Subsoil Fertiliser Machine ("Machines"). The Plaintiff alleges that the First Defendant have, in breach of their contractual obligations, appointed a third party via an open tender to build and supply the Machines.

In this regard, the Plaintiff is claiming against the First and Second Defendants a total amount of RM23.39 million, special damages, interest at the rate of 5% per annum on general damages, interest at the rate of 2.5% per annum on special damages, exemplary damages, interest at the rate of 5% per annum on the judgment debt from the date of judgment to the full settlement, costs incurred by the Plaintiff in respect of the Fulle Teknik Suit and other reliefs as deemed fit by the Court. The matter now is fixed for further case management on 13 July 2018.

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

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



**FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')**

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018 (continued)**  
**Amounts in RM thousand unless otherwise stated**

**12. Review of Group Performance**

	<b>Year to date ended</b>		
	<b>31 March</b>		<b>%</b>
	<b>2018</b>	<b>2017</b>	<b>+ / (-)</b>
Revenue	<u>3,602,716</u>	<u>4,315,039</u>	(16.5)
Plantation	18,292	47,346	(61.4)
Sugar	22,013	(23,160)	>100
Logistics and Support Business ("LSB")	<u>25,356</u>	<u>(39,503)</u>	>100
Sector results	65,661	(15,317)	>100
Reconciliation	<u>(39,437)</u>	<u>(16,943)</u>	<100
Profit/(loss) before zakat and taxation	26,224	(32,260)	>100
Zakat	(1,167)	(409)	<100
Taxation	<u>(16,588)</u>	<u>470</u>	<100
Profit/(loss) for the financial period	<u><u>8,469</u></u>	<u><u>(32,199)</u></u>	>100
Profit/(loss) attributable to:			
Owners of the Company	1,330	1,703	(21.9)
Non-controlling interests	<u>7,139</u>	<u>(33,902)</u>	>100
Profit/(loss) for the financial period	<u><u>8,469</u></u>	<u><u>(32,199)</u></u>	>100

**Overall**

The Group's revenue for the financial period ended 31 March 2018 declined by 16.5% to RM3.60 billion compared to the previous period. Profit before zakat and taxation of the Group improved from a loss of RM32.26 million in previous period to a profit of RM26.22 million for the financial period ended 31 March 2018 mainly due to improvement in Sugar Sector's results and absence of provision for impairment of receivables and provision for litigation loss which have been recognised in previous period amounting to RM62.40 million.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018 (continued)**  
**Amounts in RM thousand unless otherwise stated**

**13. Review of Group Performance (continued)**

**(a) Plantation Sector**

Profit from Plantation Sector decreased to RM18.29 million from RM47.35 million in previous period mainly attributed to lower average CPO price realised of RM2,472 per mt compared to RM3,061 per mt in 2017 despite higher sales volume. Operationally, CPO production increased by 18.4% to 0.67 million mt associated with the growth in FFB production from 0.80 million mt in 2017 to 0.99 million mt in 2018. OER was lower at 19.75% compared to 19.82% achieved in the previous period.

Lower profit was also reported in kernel crushing and R&D business due to lower margin achieved in both segments coupled with reduction in sales volume for planting materials in R&D business. In addition, the share of results from joint ventures dropped to RM11.26 million losses from a profit of RM3.56 million in previous financial period.

The decrease in Sector's profit was partially offset by lower fair value charge in LLA of RM78.68 million compared to RM97.50 million posted last year. Included in previous period's results was impairment of receivables amounting to RM29.61 million.

**(b) Sugar Sector**

Results from Sugar's Sector improved from a loss of RM23.16 million in previous period to a profit of RM22.01 million for the first quarter 2018 mainly attributed to lower raw sugar material costs.

This was however partially offset by reduction in sugar sales volume coupled with lower average selling price against previous period.

**(c) LSB Sector**

LSB Sector recorded a profit of RM25.36 million compared to a loss of RM39.50 million in previous period mainly due to improvement in Logistics segment where higher throughput and tonnage carried by Group's transport operation. This was in tandem with the rise in CPO production. Included in previous period's result was a provision for litigation loss amounted to RM32.79 million.



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**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018 (continued)**  
**Amounts in RM thousand unless otherwise stated**

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

	<b>Quarter ended</b>		<b>%</b>
	<b>31 March</b>	<b>31 December</b>	<b>+ / (-)</b>
	<b>2018</b>	<b>2017</b>	
Revenue	<u>3,602,716</u>	<u>4,229,504</u>	(14.8)
Plantation	18,292	176,100	(89.6)
Sugar	22,013	27,836	(20.9)
LSB	<u>25,356</u>	<u>109,062</u>	(76.8)
Sector results	65,661	312,998	(79.0)
Reconciliation	<u>(39,437)</u>	<u>(100,205)</u>	60.6
Profit before zakat and taxation	26,224	212,793	(87.7)
Zakat	(1,167)	(761)	(53.4)
Taxation	<u>(16,588)</u>	<u>(77,264)</u>	78.5
Profit for the financial period	<u><u>8,469</u></u>	<u><u>134,768</u></u>	(93.7)
Profit attributable to:			
Owners of the Company	1,330	50,786	(97.4)
Non-controlling interests	<u>7,139</u>	<u>83,982</u>	(91.5)
Profit for the financial period	<u><u>8,469</u></u>	<u><u>134,768</u></u>	(93.7)

**Overall**

Group revenue for the first quarter ended 31 March 2018 decreased by 14.8% to RM3.60 billion compared to preceding quarter while profit before zakat and taxation for the Group dropped to RM26.22 million from RM212.79 million in the preceding quarter mainly due to lower contribution from Plantation Sector in current quarter and one-off gain on disposal of long term investment of RM73.13 million recognised in preceding quarter.



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**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018 (continued)**

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**13. Material Changes in the Quarterly Results Compared to Preceding Quarter (continued)**

**(a) Plantation Sector**

The Plantation Sector's profit declined to RM18.29 million in current quarter from RM176.10 million in preceding quarter mainly due to lower average CPO price realised of RM2,472 per mt compared to RM2,723 per mt in preceding quarter although the CPO sales volume rose by 5.0%. FFB production for the current quarter dropped to 0.99 million from 1.19 million mt in preceding quarter whilst OER was lower at 19.75% in current quarter compared to 19.92% achieved in preceding quarter.

In addition, lower profit was registered in downstream segment as RBDPKO and CPKO margin decreased compared to preceding quarter coupled with lower share of results from joint ventures. Fair value charge in LLA also increased to RM78.68 million from RM68.70 million charged in preceding quarter.

**(b) Sugar Sector**

Sugar Sector recorded a lower profit by 21% to RM22.01 million mainly attributed to decrease in tonnage sales volume by 10% and lower average sugar selling prices in current quarter as compared to preceding quarter. The lower profit was cushioned by 4% decrease in average raw sugar material cost against preceding quarter.

**(c) LSB Sector**

LSB Sector posted a lower profit of RM25.36 million compared to RM109.06 million in preceding quarter due to lower contribution from the transport and bulking operation in current quarter. Included in preceding quarter was a gain on disposal of long term investment amounted to RM73.13 million.



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**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018 (continued)**  
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**14. Variance of Actual Profit from Profit Forecast or Profit Guarantee**

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

**15. Operating profit/(loss) after LLA**

	<b>Year to date ended</b>	
	<b>31 March</b>	
	<b>2018</b>	<b>2017</b>
Included in operating profit/(loss) after LLA are:		
Depreciation of property, plant and equipment	163,870	156,261
Property, plant and equipment written off	2,754	5,210
Depreciation of investment properties	3,057	2,965
Amortisation of intangible assets	9,094	7,915
Amortisation of prepaid lease payments	727	720
Impairment of receivables	1,347	34,331
Provision for litigation loss	-	32,787
Net unrealised foreign exchange loss/(gain)	<u>7,860</u>	<u>(2,894)</u>

**16. Taxation**

	<b>Year to date Ended</b>	
	<b>31 March</b>	
	<b>2018</b>	<b>2017</b>
<b>Malaysian income tax</b>		
Current financial period	(13,944)	5,790
Prior financial period	-	-
	<u>(13,944)</u>	<u>5,790</u>
<b>Foreign income tax</b>		
Current financial period	(931)	(1,306)
	<u>(1,713)</u>	<u>(4,014)</u>
<b>Deferred tax</b>	<u>(16,588)</u>	<u>470</u>

The effective tax rate of 66% for the financial period ended 31 March 2018 is higher than the Malaysian income tax rate of 24% due to certain expenses which are not allowable and deferred tax assets not recognised on losses in certain subsidiaries.



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**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018 (continued)**  
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**17. Borrowings**

	As at 31 March 2018					
	Long term		Short term		Total borrowings	
	Foreign currency	RM Equivalent	Foreign currency	RM Equivalent	Foreign currency	RM Equivalent
<b><u>Secured</u></b>						
Islamic term loans	-	774,465	-	114,518	-	888,983
Term loans	-	561	-	303	-	864
Islamic short term trade financing	-	-	-	527,000	-	527,000
Short term trade financing						
- United States Dollar	-	-	6,912	26,699	6,912	26,699
- Thai Baht	-	-	49,545	6,136	49,545	6,136
<b><u>Unsecured</u></b>						
Loan due to significant shareholder	-	1,223,305	-	181,354	-	1,404,659
Islamic term loans	-	6,812	-	48,149	-	54,961
Term loan						
- Chinese Yuan Renminbi	-	-	78,601	48,395	78,601	48,395
Islamic short term trade financing						
- Ringgit Malaysia	-	-	-	1,469,446	-	1,469,446
- United States Dollar	-	-	89,284	344,904	89,284	344,904
- Great Britain Pound	-	-	11,327	61,495	11,327	61,495
- Singapore Dollar	-	-	1,020	3,007	1,020	3,007
Short term trade financing	-	-	-	513,380	-	513,380
<b>Total borrowings</b>		2,005,143		3,344,786		5,349,929

**Exchanges rates applied as at 31 March 2018**

United State Dollar	3.863
Thai Baht	12.3854
Great Britain Pound	5.4293
Singapore Dollar	2.9494
Chinese Yuan Renminbi	0.6157

As at 31 March 2018, certain short term trade financing is secured over certain property, plant and equipment, benefits of an insurance covering finished goods, and guaranteed by some of the directors and/or shareholders of certain subsidiary companies. Islamic term loans are secured against a leasehold land, debenture and certain bank balances of the Group.



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**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 31 March 2018 (continued)**

**Amounts in RM thousand unless otherwise stated**

**18. Derivative Financial Instruments**

FGVH uses forward foreign exchange contracts and commodity contracts to manage its exposure to various financial risks. The outstanding contractual/notional amounts and fair values of these derivatives as at 31 March 2018 are as follows:

	Contractual/ Notional Amount	Fair Value	
		Assets	Liabilities
<u>Non-current</u>			
Islamic profit rate swap	317,380	1,144	-
<u>Current</u>			
Foreign currency forwards	424,846	5,235	2,375
Palm oil futures	4,043	1,381	-
	428,889	6,616	2,375
	746,269	7,760	2,375

**19. Fair Value Changes of Financial Instruments**

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the last financial year ended 31 December 2017. The maturity periods of the above derivatives are less than one year. The following table presents the Group's assets and liabilities that are measured at fair value at 31 March 2018.

31 March 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Financial assets at fair value through profit or loss:				
- Derivatives	1,381	6,379	-	7,760
- Trading securities	118,500	-	-	118,500
	119,881	6,379	-	126,260
Financial assets at fair value through other comprehensive income	4,244	-	88,232	92,476
Total assets	124,125	6,379	88,232	218,736
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
- LLA liability	-	-	4,399,989	4,399,989
- Derivatives	-	2,375	-	2,375
Total liabilities	-	2,375	4,399,989	4,402,364





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**Explanatory Notes on the Quarterly Report – 31 March 2018 (continued)**

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**19. Fair Value Changes of Financial Instruments (continued)**

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

The fair value of financial instruments that are not traded in an active market (for example, foreign currency forward contracts) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Instruments included in Level 2 comprise foreign currency forward contracts.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Instruments included in Level 3 comprise LLA liability and unquoted available-for-sale financial assets.

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

	Financial period ended <u>31 March 2018</u>	Financial year ended <u>2017</u>
<u>LLA liability</u>		
1 January	4,393,280	4,407,564
Fair value changes charged to profit or loss	78,675	292,845
Repayment during the financial period/year	(71,966)	(307,129)
31 March/31 December	<u>4,399,989</u>	<u>4,393,280</u>
<u>Available for sale financial assets/ Financial asset through other comprehensive income</u>		
1 January	86,873	247,543
Addition	1,359	10,585
Disposal	-	(126,206)
Fair value losses transferred to available-for-sale reserves	-	(11,374)
Reclassification of reserve on derecognition of available-for-sale financial assets	-	(33,675)
31 March/31 December	<u>88,232</u>	<u>86,873</u>

Fair value changes for the LLA liability has been measured based on assumptions made on crude palm oil prices, palm kernel prices, average yield of fresh fruit bunches and mature and immature estate costs. Any changes on assumptions used will cause a material variation of the liability.



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**20. Earnings Per Share**

	<b>Year to date ended</b>	
	<b>31 March</b>	
	<b>2018</b>	<b>2017</b>
Basic earnings per share are computed as follows:		
Profit for the financial period attributable to owners of the Company (RM'000)	<u>1,330</u>	<u>1,703</u>
Weighted average number of ordinary shares in issue (thousands)	3,648,152	3,648,152
Basic earnings per share (sen)	<u>0.04</u>	<u>0.05</u>

**21. Status of Corporate Proposals**

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

**22. Significant events**

On 9 February 2018, the Board of Directors announced that the Joint Venture and Shareholders' Agreement ("JVSA") between Felda Global Ventures Downstream Sdn. Bhd. and Lipid Venture Sdn. Bhd. dated 13 November 2013 has been mutually terminated and shall have no further effect. The termination of this JVSA would not have any financial impact on FGV and its subsidiaries.

**23. Material events after reporting period**

On 14 May 2018, Felda Palm Industries Sdn Bhd, an indirect subsidiary of FGV entered into a sale and purchase agreement with Orient View Sdn Bhd for the proposed disposal of 30% of the issued share capital of Taiko Clay Chemicals Sdn Bhd for a cash consideration of RM145.0 million. The proposed disposal is expected to be completed on second half of 2018.



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**24. Prospects**

The Group's improvement in operations is clearly demonstrated by a 23% increase in FFB production in the first quarter of 2018 compared to the same period in 2017. With the Group continuing to focus on its core businesses along the value chain, the Board expects this positive trend to continue for the rest of the year. Whilst acknowledging market challenges ahead, the Board nevertheless expects the results of 2018 to be satisfactory.

By Order of the Board

Koo Shuang Yen  
Company Secretary

28 May 2018