



FGV HOLDINGS BERHAD (800165-P)
(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT

**Condensed Consolidated Financial Statements
For The Financial Period Ended 30 September 2018**



FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT

On consolidated results for the quarter ended 30 September 2018

The Directors are pleased to announce the following:

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

	Note	Quarter ended 30 September			Year to date ended 30 September		
		2018	2017	% + / (-)	2018	2017	% + / (-)
Revenue		3,193,304	4,138,059	(22.8)	10,233,344	12,666,335	(19.2)
Cost of sales		(2,860,619)	(3,556,486)	19.6	(9,132,174)	(11,336,575)	19.4
Gross profit		332,685	581,573	(42.8)	1,101,170	1,329,760	(17.2)
Other operating income		30,067	15,231	97.4	90,516	80,710	12.1
Selling and distribution costs		(69,839)	(111,580)	37.4	(226,009)	(241,657)	6.5
Administrative expenses		(223,139)	(249,981)	10.7	(623,088)	(688,613)	9.5
Impairment losses on financial assets		(84,371)	-	<100	(94,071)	-	<100
Other operating expenses		(695,517)	(3,113)	<100	(718,080)	(44,308)	<100
Commodity (losses)/gains - net		(2,389)	14,373	<100	(485)	48,661	<100
Operating (loss)/profit	16	(712,503)	246,503	<100	(470,047)	484,553	<100
Fair value changes in Land Lease Agreement ('LLA') liability		(102,323)	(103,579)	1.2	(209,235)	(224,145)	6.7
Operating (loss)/ profit after LLA		(814,826)	142,924	<100	(679,282)	260,408	<100
Finance income		3,848	14,177	(72.9)	22,956	25,390	(9.6)
Finance costs		(39,829)	(44,378)	10.3	(134,962)	(122,645)	(10.0)
Share of results from associates		815	6,388	(87.2)	(10,956)	17,702	<100
Share of results from joint ventures		(61,153)	(1,034)	<100	(81,427)	7,401	<100
(Loss)/profit before zakat and taxation		(911,145)	118,077	<100	(883,671)	188,256	<100
Zakat		(753)	(3,222)	76.6	(15,486)	(4,295)	<100
Taxation	17	(1,903)	(61,213)	96.9	(5,044)	(122,800)	95.9
(Loss)/profit for the financial period		(913,801)	53,642	<100	(904,201)	61,161	<100
(Loss)/profit attributable to:							
-Owners of the Company		(849,256)	41,526	<100	(871,153)	80,486	<100
-Non-controlling interests		(64,545)	12,116	<100	(33,048)	(19,325)	(71.0)
		(913,801)	53,642	<100	(904,201)	61,161	<100
Earnings per share for profit attributable to the owners of the Company:							
Basic (sen)	21	(23.3)	1.1		(23.9)	2.2	



FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 30 September 2018 (continued)

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

	Quarter ended 30 September			Year to date ended 30 September		
	2018	2017	% + / (-)	2018	2017	% + / (-)
(Loss)/profit for the financial period	(913,801)	53,642		(904,201)	61,161	
Other comprehensive (loss)/income						
Share of other comprehensive income/(loss) of joint ventures	7,179	(1,982)		(129)	(2,720)	
Actuarial gain/(loss) on defined benefit plan	369	-		(439)	(495)	
Fair value changes in available-for-sale financial assets	1,500	595		(432)	3,444	
Currency translation differences	16,946	(6,703)		(432)	(47,097)	
Cash flow hedges	(254)	(330)		213	(330)	
Other comprehensive income/(loss) for the financial period, net of tax	<u>25,740</u>	<u>(8,420)</u>		<u>(1,219)</u>	<u>(47,198)</u>	
Total comprehensive (loss)/income for the financial period	<u>(888,061)</u>	<u>45,222</u>	<100	<u>(905,420)</u>	<u>13,963</u>	<100
Total comprehensive (loss)/income attributable to:						
- Owners of the Company	(824,359)	34,485	<100	(871,703)	29,911	<100
- Non-controlling interests	<u>(63,702)</u>	<u>10,737</u>	<100	<u>(33,717)</u>	<u>(15,948)</u>	<100
Total comprehensive (loss)/income for the financial period	<u>(888,061)</u>	<u>45,222</u>	<100	<u>(905,420)</u>	<u>13,963</u>	<100

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



FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 30 September 2018 (continued)

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

	Note	Unaudited As at 30 September 2018	Unaudited As at 31 December 2017	Unaudited As at 1 January 2017
<u>Non-current assets</u>				
Property, plant and equipment		10,482,864	10,446,122	10,074,111
Investment properties		122,137	118,169	127,017
Intangible assets		1,010,040	1,536,568	1,576,033
Interests in associates		102,420	275,478	260,700
Interests in joint ventures		475,807	585,773	628,071
Amount due from a joint venture		26,616	26,941	20,914
Prepaid lease payments		67,995	71,666	75,710
Deposit and other receivables		76,901	88,057	107,661
Derivative financial assets	19	931	717	-
Deferred tax assets		703,938	740,359	779,421
Available-for-sale financial assets		-	157,877	154,810
Financial assets through profit and loss		65,140	-	-
Financial assets through other comprehensive income		99,576	-	-
Loans due from joint ventures		72,507	71,431	54,222
		<u>13,306,872</u>	<u>14,119,158</u>	<u>13,858,670</u>
<u>Current assets</u>				
Inventories		1,573,879	2,126,893	2,189,255
Receivables		1,373,707	1,373,976	1,763,258
Biological assets		51,022	54,338	68,843
Amount due from a significant shareholder		303,206	215,389	182,531
Amounts due from joint ventures		282,070	472,938	524,429
Amount due from an associate		-	-	214
Amounts due from related companies		289,430	146,789	172,625
Tax recoverable		155,153	203,309	189,700
Available-for-sale financial assets		-	6,409	159,431
Financial assets at fair value through profit or loss		56,961	49,321	58,322
Derivative financial assets	19	-	6,875	5,489
Contract assets		13,442	13,091	17,351
Deposits, cash and bank balances		1,481,834	1,740,658	1,854,054
		<u>5,580,704</u>	<u>6,409,986</u>	<u>7,185,502</u>
Assets held for sale		3,102	72,239	48,132
		<u>5,583,806</u>	<u>6,482,225</u>	<u>7,233,634</u>
Total assets		<u>18,890,678</u>	<u>20,601,383</u>	<u>21,092,304</u>
<u>Equity</u>				
Share capital		7,029,889	7,029,889	3,648,152
Share premium		-	-	3,371,685
Treasury shares		(1,556)	(1,484)	(1,488)
Reserves		(2,285,032)	(1,405,699)	(1,201,121)
Equity attributable to owners of the Company		<u>4,743,301</u>	<u>5,622,706</u>	<u>5,817,228</u>
Non-controlling interests		2,180,404	2,254,087	2,403,609
Total equity		<u>6,923,705</u>	<u>7,876,793</u>	<u>8,220,837</u>



FGV HOLDINGS BERHAD

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QUARTERLY REPORT (CONTINUED)

On consolidated results for the quarter ended 30 September 2018 (continued)

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

	Note	Unaudited As at 30 September 2018	Unaudited As at 31 December 2017	Unaudited As at 1 January 2017
<u>Non-current liabilities</u>				
Borrowings	18	940,996	733,234	198,992
Loans due to a significant shareholder	18	1,114,773	1,222,765	1,475,799
LLA liability		4,078,331	4,067,794	4,125,032
Provision for asset retirement		33,227	32,725	32,129
Provision for defined benefit plan		87,176	87,768	71,907
Deferred tax liabilities		722,975	812,363	849,330
		<u>6,977,478</u>	<u>6,956,649</u>	<u>6,753,189</u>
<u>Current liabilities</u>				
Payables		1,152,568	1,169,706	1,441,505
Loans due to a significant shareholder	18	97,514	164,551	213,206
Amount due to a significant shareholder		67,831	483,166	399,190
Amounts due to associates		145	37	167
Amounts due to joint ventures		6	-	6
Amounts due to related companies		4,318	128,641	11,433
Borrowings	18	3,262,495	3,376,922	3,692,140
Derivative financial liabilities	19	2,580	1,039	19,434
Provision for asset retirement		662	648	718
Other provision		32,841	32,841	-
LLA liability		304,528	325,486	282,532
Contract liabilities		60,935	58,714	44,635
Current tax liabilities		3,072	3,712	7,715
		<u>4,989,495</u>	<u>5,745,463</u>	<u>6,112,681</u>
Liabilities related to assets held for sale		-	22,478	5,597
		<u>4,989,495</u>	<u>5,767,941</u>	<u>6,118,278</u>
Total liabilities		<u>11,966,973</u>	<u>12,724,590</u>	<u>12,871,467</u>
Total equity and liabilities		<u>18,890,678</u>	<u>20,601,383</u>	<u>21,092,304</u>
Net assets per share attributable to owners of the Company		<u>1.30</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.



FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

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>
Year to date ended 30 September 2018									
At 1 January 2018	7,029,889	(1,484)	119,077	(3,084,514)	(5,453)	1,557,561	5,615,076	2,257,923	7,872,999
(Loss)/profit for the financial period	-	-	-	-	-	(871,153)	(871,153)	(33,048)	(904,201)
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	-	-	-	-	-	(326)	(326)	(113)	(439)
<u>Items that will be subsequently reclassified to profit or loss</u>									
- currency translation differences	-	-	129	-	-	-	129	(561)	(432)
- available for sale	-	-	-	-	(332)	-	(332)	(100)	(432)
- share of other comprehensive loss of joint ventures	-	-	(129)	-	-	-	(129)	-	(129)
- cash flow hedge reserves	-	-	-	-	108	-	108	105	213
	-	-	-	-	(224)	-	(224)	(556)	(780)
Total other comprehensive (loss)/income for the financial period	-	-	-	-	(224)	(871,479)	(871,703)	(33,717)	(905,420)
Treasury shares	-	(4,920)	-	-	-	-	(4,920)	-	(4,920)
Employee share grant	-	-	-	-	4,848	-	4,848	-	4,848
Transfer to LTIP reserve	-	4,848	-	-	(4,848)	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	(416)	(416)
Dividend paid to non-controlling interests of subsidiary	-	-	-	-	-	-	-	(43,386)	(43,386)
Total transaction with owners	-	(72)	-	-	-	-	(72)	(43,802)	(43,874)
At 30 September 2018	7,029,889*	(1,556)	119,077	(3,084,514)	(5,677)	686,082	4,743,301	2,180,404	6,923,705



FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT (CONTINUED)

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

	Share capital	Share premium	Treasury shares	Foreign exchange reserve	Re-organisation reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
Year to date ended 30 September 2017										
At 1 January 2017	3,648,152	3,371,685	(1,488)	215,241	(3,084,514)	14,748	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	-	-	-	-	-	-	80,486	80,486	(19,325)	61,161
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	-	-	-	-	-	-	(495)	(495)	-	(495)
<u>Items that will be subsequently reclassified to profit or loss</u>										
- currency translation differences	-	-	-	(51,080)	-	-	-	(51,080)	3,983	(47,097)
- fair value changes in available-for-sale financial assets	-	-	-	-	-	3,331	-	3,331	113	3,444
- share of other comprehensive income of joint ventures	-	-	-	(2,720)	-	-	-	(2,720)	-	(2,720)
- cash flow hedges	-	-	-	-	-	391	-	391	(721)	(330)
	-	-	-	(53,800)	-	3,722	-	(50,078)	3,375	(46,703)
Total other comprehensive (loss)/income for the financial period	-	-	-	(53,800)	-	3,722	79,991	29,913	(15,950)	13,963
Treasury shares	-	-	(8,997)	-	-	-	-	(8,997)	-	(8,997)
Accretion of interest in a subsidiary	-	-	-	-	-	-	-	-	4,502	4,502
Dividend paid for the financial year ended 31 December 2016 (final)	-	-	-	-	-	-	(36,483)	(36,483)	-	(36,483)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(42,140)	(42,140)
Total transaction with owners	-	-	(8,997)	-	-	-	(36,483)	(45,480)	(37,638)	(83,118)
At 30 September 2017	7,029,889*	-	(10,485)	161,441	(3,084,514)	8,418	1,696,912	5,801,661	2,350,021	8,151,682

* 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.



FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT (CONTINUED)

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

	Year to date ended	
	30 September	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit for the financial period	(904,201)	61,161
Adjustments for non-cash items	1,777,531	1,030,650
Operating profit before working capital changes	873,330	1,091,811
Changes in working capital	(96,278)	83,300
Cash generated from operations	777,052	1,175,111
Interest received	22,956	25,390
Taxation paid	(24,904)	(123,940)
Zakat paid	(15,486)	(4,295)
Retirement benefits paid	(449)	(615)
Net cash generated from operating activities	759,169	1,071,651
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(688,820)	(918,716)
Purchase of intangible asset	(13,383)	(17,490)
Purchase of investment properties	-	(7,609)
Proceeds from disposal of property, plant and equipment	175	377
Proceeds from sales of available-for-sale financial assets	-	47,914
Proceeds from disposal of investment in an associate	145,000	-
Proceeds from sale of financial assets at fair value through profit or loss	17,978	-
Additions of available-for-sale financial assets	-	(60,096)
Additions of financial assets at fair value through profit or loss	(23,519)	(1,515)
Net cash inflow from disposal in a subsidiary	1,173	-
Payment for asset retirement obligations	(14)	(21)
Dividend received from associates	309	898
Dividend received from joint ventures	23,728	-
Dividend received from financial assets at fair value through profit or loss	1,578	-
Dividend received from available-for-sale financial assets	-	2,504
Loans to joint ventures	-	(22,510)
Net cash used in investing activities	(535,795)	(976,264)

**FGV HOLDINGS BERHAD***(Formerly known as Felda Global Ventures Holdings Berhad)***QUARTERLY REPORT (CONTINUED)****Unaudited Condensed Consolidated Statement of Cash Flows (continued)****Amounts in RM thousand unless otherwise stated**

	Year to date ended 30 September	
	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	5,465,785	5,161,366
Repayment of borrowings	(5,369,756)	(5,112,111)
Repayment of LLA liability	(219,656)	(227,507)
Repayment of loan due to a significant shareholder	(188,143)	(102,143)
Dividend paid to shareholders	-	(36,483)
Dividend paid to non-controlling interest	(43,386)	(42,140)
Finance costs paid	(134,962)	(111,155)
Purchase of treasury stock	(4,920)	(8,997)
Net cash used in financing activities	(495,038)	(479,170)
Net decrease in cash and cash equivalents	(271,664)	(383,783)
Effect of foreign exchange rate changes	12,840	(16,608)
Cash and cash equivalents at beginning of the financial period	1,693,318	1,854,054
Cash and cash equivalents at end of the financial period	1,434,494	1,453,663
Deposits, cash and bank balances	1,481,834	1,454,793
Less: Restricted cash	(47,307)	-
Less: Assets held for sale	(33)	(1,130)
Cash and cash equivalents at end of the financial period	1,434,494	1,453,663

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.



FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2018
Amounts in RM thousand unless otherwise stated

This interim financial information of FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad) ('FGV' 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 financial 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 financial 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.



FGV HOLDINGS BERHAD

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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 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” replaces 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.



FGV HOLDINGS BERHAD

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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2018 (continued)

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” replaces 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.



FGV HOLDINGS BERHAD

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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2018 (continued)

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. Judgement 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.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2018 (continued)

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 financial 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:

- Amendments to MFRS 2 “Share-based Payment” - Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 140 “Investment Property” - Clarification on Change in Use - Assets transferred to, or from, Investment Properties
- Annual Improvements to MFRS 1 “First-time Adoption of Malaysian Financial Reporting Standards”
- Annual Improvements to MFRS 128 “Investments in Associates and Joint Ventures”
- IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration”



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Explanatory Notes on the Quarterly Report – 30 September 2018 (continued)

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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)

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.



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1. Basis of Preparation (continued)

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

	Quarter ended 30 September 2017				Restatement of comparative figures Year to date ended 30 September 2017			
	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
Revenue	4,148,989	(10,930)	-	4,138,059	12,695,839	(29,504)	-	12,666,335
Cost of sales	(3,551,998)	(4,488)	-	(3,556,486)	(11,324,320)	(12,255)	-	(11,336,575)
Selling and distribution costs	(126,748)	15,168	-	(111,580)	(283,881)	42,224	-	(241,657)
Other gains-net	10,377	-	3,996	14,373	31,175	-	17,486	48,661
Operating profit/(loss)	242,757	(250)	3,996	246,503	466,602	465	17,486	484,553
Taxation	(60,314)	60	(959)	(61,213)	(118,492)	(111)	(4,197)	(122,800)
Profit/(loss) for the financial period	50,795	(190)	3,037	53,642	47,518	354	13,289	61,161
Profit/(loss) attributable to:								
– Owners of the Company	38,772	(283)	3,037	41,526	67,154	257	13,075	80,486
– Non-controlling interests	12,023	93	-	12,116	(19,636)	97	214	(19,325)
	50,795	(190)	3,037	53,642	47,518	354	13,289	61,161
Earnings per share for profit attributable to the owners of the Company:								
Basic (sen)	1.06	(0.01)	0.08	1.13	1.84	0.01	0.36	2.21



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Explanatory Notes on the Quarterly Report – 30 September 2018

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1. Basis of Preparation (continued)

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

	As at 31 December 2017				Restatement of comparative figures			
				As per current accounting framework	As at 1 January 2017			As per current accounting framework
	As per previous accounting framework	MFRS 15	MFRS 141		As per previous accounting framework	MFRS 15	MFRS 141	
<u>Non-current assets</u>								
Property, plant and equipment	10,445,915	-	207	10,446,122	10,073,774	-	337	10,074,111
Biological assets	23,931	-	(23,931)	-	29,044	-	(29,044)	-
<u>Current assets</u>								
Biological assets	-	-	54,338	54,338	-	-	68,843	68,843
Receivables	1,376,916	(2,940)	-	1,373,976	1,755,127	8,131	-	1,763,258
Contract assets	-	13,091	-	13,091	-	17,351	-	17,351
Total assets	20,560,618	10,151	30,614	20,601,383	21,026,686	25,482	40,136	21,092,304



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Explanatory Notes on the Quarterly Report – 30 September 2018

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1. Basis of Preparation (continued)

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

	As at 31 December 2017				Restatement of comparative figures			
					As at 1 January 2017			
	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)
Retained earnings	1,525,806	(1,452)	40,837	1,565,191	1,606,827	(204)	46,781	1,653,404
Non-controlling interests	2,253,398	229	460	2,254,087	2,403,166	(114)	557	2,403,609
<u>Non-current liabilities</u>								
Deferred tax liabilities	799,304	18	13,041	812,363	832,908	(100)	16,522	849,330
<u>Current liabilities</u>								
Payables	1,217,064	(47,358)	-	1,169,706	1,460,240	(18,735)	-	1,441,505
Contract liabilities	-	58,714	-	58,714	-	44,635	-	44,635
Total equity and liabilities	20,560,618	10,151	30,614	20,601,383	21,026,686	25,482	40,136	21,092,304



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Explanatory Notes on the Quarterly Report – 30 September 2018 (continued)

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1. Basis of Preparation (continued)

- (f) On 1 January 2018, the Group investment in sukuk fund was reclassified from available-for-sale to financial asset at fair value through profit and loss. As a result, the fair value of RM72,984,000 was reclassified to financial asset at fair value through profit and loss and related fair value gain or loss from this investment will be recognised in profit and loss.
- (g) On 1 January 2018, the Group investment in quoted and unquoted shares with fair values of RM91,302,000 were reclassified from available-for-sale to financial assets at fair value through other comprehensive income. The fair value gain or loss arising from these investment will be reclassified from the available-for-sale reserve to financial assets at fair value through other comprehensive income reserve.

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

During the quarter under review, the goodwill on acquisition of Asian Plantations Limited of RM513 million had been reallocated and fully impaired as disclosed in Note 23(viii). There were no other 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. Change of Name

The Company has changed its name from Felda Global Ventures Holdings Berhad to FGV Holdings Berhad on 29 June 2018.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2018 (continued)
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7. Dividends

No dividend has been paid during the quarter ended 30 September 2018.

8. 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 30 June 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, production of oleochemicals namely fatty acid and glycerine, production of graphene and nanotubes, 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, sales and marketing of refined sugar and molasses.
- Logistics and Support Business Sector - Bulking and transportation facilities and services, engineering services, information technology, 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.



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Explanatory Notes on the Quarterly Report – 30 September 2018 (continued)

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8. Segment Information (continued)

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

Year to date ended 30 September 2018		Plantation	Sugar	Logistics and Support Business	Reconciliation	Total
Total segment revenue		11,843,792	1,846,123	1,097,985	(4,554,556)	10,233,344
Less : Inter-segment revenue		(3,996,119)	(170,181)	(388,256)	4,554,556	-
Revenue from external customers		<u>7,847,673</u>	<u>1,675,942</u>	<u>709,729</u>	<u>-</u>	<u>10,233,344</u>
Finance income		14,931	13,300	(4,883)	(392)	22,956
Finance costs		(52,113)	(23,924)	(11,165)	(47,760)	(134,962)
Depreciation and amortisation		(411,874)	(42,799)	(62,687)	(6,693)	(524,053)
Fair value changes in LLA liability		(209,235)	-	-	-	(209,235)
Share of results of joint ventures		(93,230)	-	-	11,803	(81,427)
Share of results of associates		1,145	-	-	(12,101)	(10,956)
(Loss)/profit before zakat and taxation for the financial period		<u>(838,022)</u>	<u>71,472</u>	<u>25,136</u>	<u>(142,257)</u>	<u>(883,671)</u>
Disaggregation of the Group's revenue is as follows:	<u>Timing of revenue recognition</u>					
Sales of Palm Products Oils	At a point in time	5,315,109	-	344,733	-	5,659,842
Sales of Sugar	At a point in time	-	1,675,942	-	-	1,675,942
Others	At a point in time/ over time	2,532,564	-	364,996	-	2,897,560
		<u>7,847,673</u>	<u>1,675,942</u>	<u>709,729</u>	<u>-</u>	<u>10,233,344</u>



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Explanatory Notes on the Quarterly Report – 30 September 2018 (continued)

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8. Segment Information (continued)

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

			Logistics and Support Business		
	Plantation	Sugar		Reconciliation	Total
Year to date ended 30 September 2017					
Total segment revenue	12,774,629	3,611,979	4,705,025	(8,425,298)	12,666,335
Less : Inter-segment revenue	(6,368,440)	(1,623,092)	(433,766)	8,425,298	-
Revenue from external customers	<u>6,406,189</u>	<u>1,988,887</u>	<u>4,271,259</u>	<u>-</u>	<u>12,666,335</u>
Finance income	13,255	18,942	(947)	(5,860)	25,390
Finance costs	(34,769)	(26,998)	(392)	(60,486)	(122,645)
Depreciation and amortisation	(398,972)	(31,560)	(64,452)	(11,641)	(506,625)
Fair value changes in LLA liability	(224,145)	-	-	-	(224,145)
Share of results of joint ventures	6,901	-	-	500	7,401
Share of results of associates	<u>1,247</u>	<u>-</u>	<u>-</u>	<u>16,455</u>	<u>17,702</u>
Profit/(loss) before zakat and taxation for the financial period	<u>339,611</u>	<u>(25,957)</u>	<u>(40,942)</u>	<u>(84,456)</u>	<u>188,256</u>
Disaggregation of the Group's revenue is as follows:	<u>Timing of revenue recognition</u>				
Sales of Palm Products Oils	3,162,382	-	3,958,723	-	7,121,105
Sales of Sugar	-	1,988,887	-	-	1,988,887
Others	3,243,807	-	312,536	-	3,556,343
	<u>6,406,189</u>	<u>1,988,887</u>	<u>4,271,259</u>	<u>-</u>	<u>12,666,335</u>



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 September 2018 (continued)
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9. Capital Commitments

Authorised capital expenditure not provided for are as follows:

	As at 30 September 2018	As at 31 December 2017
Capital expenditure approved and contracted for:		
- Property, plant and equipment	478,593	415,178
- Bearer plants	92,385	99,031
- Intangible assets	2,941	-
	<u>573,919</u>	<u>514,209</u>

10. 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.

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(I) Related party transactions for the financial period ended 30 September 2018 and 30 September 2017 are as follows:

(a) Sales of goods and services

	Year to date ended 30 September	
	2018	2017
(i) Transactions with joint ventures		
Sales of Palm Processed Oil (“PPO”) and Palm Fatty Acid Distillate (“PFAD”) by Felda Palm Industries Sdn. Bhd. (“FPI”) and FGV Trading Sdn. Bhd. (“FGVT”) to Felda Iffco Sdn. Bhd. (“FISB Group”)	72,290	122,773
Sales of CPO by FPI and Felda Global Ventures Plantations (Malaysia) Sdn. Bhd. (“FGVPM”) to FISB Group	1,080,219	1,400,621
Sales of Crude Palm Kernel Oil (“CPKO”), Refined Bleached Deodorised Palm Kernel Oil (“RBDPKO”) and Palm Kernel Fatty Acid Distillate (“PKFAD”) by Felda Kernel Products Sdn. Bhd. (“FKPSB”) to FISB Group and FPG Oleochemicals Sdn. Bhd. (“FPG”)	902,244	1,223,424
Sales of CPO by FPI and FGVPM to MAPAK Edible Oil Pvt. Ltd. (“MAPAK”)	181,963	271,709
Provision of storage space for vegetable oil by FBSB to FISB Group and FPG	10,487	7,445
(ii) Transaction with associates		
Sales of PPO by FPI and FGVT to F.K.W. Global Commodities (Private) Limited (“FKW”)	12,202	50,194

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(I) Related party transactions for the financial period ended 30 September 2018 and 30 September 2017 are as follows: (continued)

(a) Sales of goods and services (continued)

	Year to date ended 30 September	
	2018	2017
(iii) Transactions with FELDA and its subsidiaries		
Sales of fertiliser by FPM Sdn. Bhd ("FPMSB")	96,554	222,147
Maintenance and consultancy services by Felda Engineering Services Sdn. Bhd. ("FESSB")	6,367	29,035
IT services rendered by Felda Prodata Sdn. Bhd ("Prodata")	18,612	22,950
Security services rendered by Felda Security Services Sdn. Bhd ("FSSSB")	18,010	16,130
Sales of seedlings and planting materials by Felda Agricultural Services Sdn. Bhd. ("FASSB")	14,495	11,652

(b) Purchase of goods and services

Transactions with FELDA and its subsidiaries:

LLA liability paid by FGVPM	219,656	227,507
Interest expense charged by FELDA	46,172	58,712
Purchase of cup lump by Felda Rubber Industries Sdn. Bhd. ("FRISB")	93,464	110,651
Purchase of FFB by FPI and FGVPM	2,164,946	2,578,841
Building rental charged by FELDA	13,928	20,344



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10. Significant Related Party Transactions (continued)

(I) Related party transactions for the financial period ended 30 September 2018 and 30 September 2017 are as follows: (continued)

(c) Transactions with Government related entities

	Year to date ended 30 September	
	2018	2017
Transactions between subsidiaries and other government agencies:		
Cooking oil subsidy received from Malaysia Palm Oil Board (“MPOB”)	18,520	59,298
CESS payment to MPOB	26,123	27,643

11. Effect of Significant Changes in the Composition of FGVH

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

12. 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 Court has fixed 15 January 2019 for hearing of the Defendant’s application to call an additional witness and 4 March 2019 to 5 March 2019 for continued trial.

Based on available information and on legal advice received, the Directors are of the view that there is a good chance of defending the above claim 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.



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Explanatory Notes on the Quarterly Report – 30 September 2018 (continued)
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13. Review of Group Performance

	Year to date ended		
	30 September		%
	2018	2017	+ / (-)
Revenue	<u>10,233,344</u>	<u>12,666,335</u>	(19.2)
Plantation	(838,022)	339,611	<100
Sugar	71,472	(25,957)	>100
Logistics and Support Business (“LSB”)	<u>25,136</u>	<u>(40,942)</u>	>100
Sector results	(741,414)	272,712	<100
Reconciliation	<u>(142,257)</u>	<u>(84,456)</u>	(68.4)
(Loss)/profit before zakat and taxation	(883,671)	188,256	<100
Zakat	(15,486)	(4,295)	<100
Taxation	<u>(5,044)</u>	<u>(122,800)</u>	95.9
(Loss)/profit for the financial period	<u>(904,201)</u>	<u>61,161</u>	<100
(Loss)/profit attributable to:			
Owners of the Company	(871,153)	80,486	<100
Non-controlling interests	<u>(33,048)</u>	<u>(19,325)</u>	(71.0)
(Loss)/profit for the financial period	<u>(904,201)</u>	<u>61,161</u>	<100

Overall

Group revenue for the financial period ended 30 September 2018 declined by 19.2% to RM10.23 billion from a year earlier while the Group incurred a significant loss before zakat and taxation of RM883.67 million compared to a profit of RM188.26 million in the corresponding period in previous year. This was largely due to loss suffered in Plantation Sector mainly attributed to lower average CPO price realised and impairment losses of intangible assets, property, plant and equipment and receivables of RM798 million. Excluding the impairment, the loss before taxation for the Group was RM86 million.



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13. Review of Group Performance (continued)

(a) Plantation Sector

Plantation Sector incurred a loss of RM838.02 million for the financial period ended 30 September 2018 compared to a profit of RM339.61 million from a year ago. Operationally, the Sector was significantly affected by the drop in average CPO price realised from RM2,820 per mt to RM2,371 per mt in 2018, weak margins in R&D and kernel crushing and refining business coupled with lower sales volume in fertilizer business.

FFB production weakened marginally by 0.4% to 3.06 million mt in 2018 while yield remain flat at 11.13 mt per hectare. OER was higher at 20.41% compared to 19.79% achieved in the previous year.

The Sector's performance was further eroded by impairment of intangible assets of RM561.8 million, impairment of property, plant and equipment amounting to RM123.8 million and higher share of loss from joint ventures in both upstream and downstream segments.

(b) Sugar Sector

Sugar Sector registered an improvement from a loss of RM25.96 million in previous year to a profit of RM71.47 million for the financial period ended 30 September 2018. Despite lower sales volume and average selling prices, the lower revenue was compensated by lower raw sugar material costs and favourable foreign exchange rate.

(c) LSB Sector

The results in LSB Sector improved to a profit of RM25.14 million compared to a loss of RM40.94 million registered in previous year mainly attributable to higher handling rate in Logistic business and increase in rate of security services provided by Support business.



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14. Material Changes in the Quarterly Results Compared to Preceding Quarter

	Quarter ended		%
	30 September 2018	30 June 2018	+ / (-)
Revenue	<u>3,193,304</u>	<u>3,437,324</u>	(7.1)
Plantation	(849,788)	(6,526)	<100
Sugar	21,558	27,901	(22.7)
LSB	<u>(31,608)</u>	<u>31,388</u>	<100
Sector results	(859,838)	52,763	<100
Reconciliation	<u>(51,307)</u>	<u>(51,513)</u>	0.4
(Loss)/profit before zakat and taxation	(911,145)	1,250	<100
Zakat	(753)	(13,566)	94.4
Taxation	<u>(1,903)</u>	<u>13,447</u>	<100
(Loss)/profit for the financial period	<u>(913,801)</u>	<u>1,131</u>	<100
(Loss)/profit attributable to:			
Owners of the Company	(849,256)	(23,227)	<100
Non-controlling interests	<u>(64,545)</u>	<u>24,358</u>	<100
(Loss)/profit for the financial period	<u>(913,801)</u>	<u>1,131</u>	<100

Overall

Group revenue was lower by 7.1% to RM3.19 billion compared to preceding quarter. The Group incurred a significant loss before zakat and taxation of RM911.15 million for the current quarter under review mainly attributed to losses incurred in Plantation Sector which was associated with lower average CPO price realized and higher share of loss from joint ventures. In addition, the Group registered impairment of intangible assets, property, plant and equipment, receivables and amount due from joint venture in current quarter amounting to RM788 million. Without the impairment, the loss before zakat and taxation for the Group reduced to RM123 million.



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

(a) Plantation Sector

The Plantation Sector incurred a higher loss of RM849.79 million in current quarter compared to RM6.53 million loss in preceding quarter. Operationally, this was mainly attributed to the lower average CPO price realised of RM2,224 per mt compared to RM2,419 per mt in preceding quarter although CPO sales volume inched up by 7.4% .

FFB production rose to 1.08 million from 0.99 million mt in preceding quarter whilst yield improved from 3.62 mt per hectare to 3.92 mt per hectare in current quarter. OER was higher at 20.89% in current quarter compared to 20.61% achieved in preceding quarter.

The Sector's result was further dragged down by impairment losses mainly on intangible assets, property, plant and equipment amounting to RM561.8 million and RM123.8 million respectively, higher share of losses from joint ventures companies in current quarter amounting to RM61.15 million and higher fair value charge in LLA of RM102.32 million compared to RM28.24 million charged in preceding quarter.

(b) Sugar Sector

Sugar Sector's profit was down by 22.7% to RM21.56 million due to lower revenue achieved as a result of decrease in average selling prices coupled with 10% lower sales volume as compared to preceding quarter which was in tandem with festive season.

(c) LSB Sector

LSB Sector registered a loss of RM31.61 million compared to RM31.39 million profits in preceding quarter mainly due to impairment on receivables amounting to RM54.8 million recognised in current quarter and lower tonnage sold under commodities marketing business. The loss was partially offset by the increased contribution from bulking operations compared to preceding quarter.



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15. Variance of Actual Profit from Profit Forecast or Profit Guarantee

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

16. Operating profit after LLA

	Year to date ended 30 September	
	2018	2017
Included in operating profit after LLA are:		
Depreciation of property, plant and equipment	492,295	474,011
Property, plant and equipment written off	7,012	6,818
Depreciation of investment properties	9,167	8,876
Amortisation of intangible assets	19,814	21,630
Amortisation of prepaid lease payments	2,777	2,108
Impairment loss on amount due from a joint venture	20,700	-
Impairment loss on investment in joint venture	1,350	2,444
Impairment loss on property, plant and equipment	140,104	-
Impairment loss on investment properties	1,218	-
Impairment loss on intangible assets	561,827	-
Impairment of biological assets	-	5,532
Impairment of receivables	73,371	81,657
Provision for litigation loss	-	32,841
Loss on disposal in an associate	18,494	-
Net unrealised foreign exchange (gain)/loss	<u>(3,770)</u>	<u>5,462</u>

17. Taxation

	Quarter Ended 30 September		Year to date Ended 30 September	
	2018	2017	2018	2017
Malaysian income tax				
Current financial period	(9,921)	(82,326)	(55,340)	(99,633)
Prior financial period	1,275	3,274	(56)	3,274
	<u>(8,646)</u>	<u>(79,052)</u>	<u>(55,396)</u>	<u>(96,359)</u>
Foreign income tax				
Current financial period	(980)	(4,880)	(2,615)	(6,942)
Deferred tax	<u>7,723</u>	<u>22,719</u>	<u>52,967</u>	<u>(19,499)</u>
	<u>(1,903)</u>	<u>(61,213)</u>	<u>(5,044)</u>	<u>(122,800)</u>

The effective tax rate for the financial period ended 30 September 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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18. Borrowings

	As at 30 September 2018					
	Long term		Short term		Total borrowings	
	Foreign currency	RM Equivalent	Foreign currency	RM Equivalent	Foreign currency	RM Equivalent
<u>Secured</u>						
Islamic term loans	-	934,216	-	323,821	-	1,258,037
Term loans	-	528	-	150	-	678
Islamic short term trade financing	-	-	-	520,000	-	520,000
Short term trade financing						
- United States Dollar	-	-	6,779	28,041	6,779	28,041
- Thai Baht	-	-	48,690	6,228	48,690	6,228
<u>Unsecured</u>						
Loan due to significant shareholder	-	1,114,773	-	97,514	-	1,212,287
Islamic term loans	-	6,252	-	93,975	-	100,227
Term loan						
- Chinese Yuan Renminbi	-	-	85,990	51,671	85,990	51,671
Islamic short term trade financing						
- Ringgit Malaysia	-	-	-	1,382,763	-	1,382,763
- United States Dollar	-	-	99,365	411,022	99,365	411,022
- Great Britain Pound	-	-	11,457	61,946	11,457	61,946
- Singapore Dollar	-	-	1,020	3,085	1,020	3,085
Short term trade financing	-	-	-	379,793	-	379,793
Total borrowings		2,055,769		3,360,009		5,415,778

Exchanges rates applied as at 30 September 2018

United States Dollar	4.1365
Thai Baht	12.7921
Great Britain Pound	5.4070
Singapore Dollar	3.0251
Chinese Yuan Renminbi	0.6009

As at 30 September 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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19. Derivative Financial Instruments

FGVH uses forward foreign exchange contracts and commodity contracts to manage its exposure to various financial risks. The outstanding contractual/notional amounts and fair values of these derivatives as at 30 September 2018 are as follows:

	Contractual/ Notional Amount	Fair Value	
		Assets	Liabilities
<u>Non-current</u>			
Islamic profit rate swap	317,380	931	-
<u>Current</u>			
Foreign currency forwards	152,340	-	700
Palm oil futures	46,055	-	1,880
	198,395	-	2,580
	515,775	931	2,580

20. 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 30 September 2018.

30 September 2018

	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Financial assets at fair value through profit or loss:				
- Derivatives	-	931	-	931
- Trading securities	122,101	-	-	122,101
	122,101	931	-	123,032
Financial assets at fair value through other comprehensive income	3,996	-	95,580	99,576
Total assets	126,097	931	95,580	222,608
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
- LLA liability	-	-	4,382,859	4,382,859
- Derivatives	1,880	700	-	2,580
Total liabilities	1,880	700	4,382,859	4,385,439

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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>30 September 2018</u>	Financial year ended <u>31 December 2017</u>
<u>LLA liability</u>		
1 January	4,393,280	4,407,564
Fair value changes charged to profit or loss	209,235	292,845
Repayment during the financial period/year	(219,656)	(307,129)
	<u>4,382,859</u>	<u>4,393,280</u>
<u>Financial assets through other comprehensive income / available for sale financial assets</u>		
1 January	86,873	247,543
Addition	8,707	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)
	<u>95,580</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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21. Earnings Per Share

	Quarter ended 30 September		Year to date ended 30 September	
	2018	2017	2018	2017
Basic earnings per share are computed as follows:				
(Loss)/profit for the financial period attributable to owners of the Company (RM'000)	(849,256)	41,526	(871,153)	80,486
Weighted average number of ordinary shares in issue (thousands)	3,648,152	3,648,152	3,648,152	3,648,152
Basic earnings per share (sen)	(23.3)	1.1	(23.9)	2.2

22. Status of Corporate Proposals

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

23. Significant Events

- (i) 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.
- (ii) On 14 May 2018, Felda Palm Industries Sdn Bhd, an indirect subsidiary of FGV entered into a sale and purchase agreement ("SPA") 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. On 23 August 2018, the disposal has completed in accordance with the terms and conditions of the SPA and the balance purchase price has been duly received, resulting in a loss on disposal of RM18.49 million.
- (iii) On 29 June 2018, the name of the Company has been changed from "Felda Global Ventures Holdings Berhad" to "FGV Holdings Berhad".
- (iv) On 27 August 2018, the Board of Directors announced that ProXcel Sdn Bhd ("ProXcel"), the indirect joint venture company of FGV, has been placed under members' voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. A liquidator has been appointed for ProXcel on the same day. The members' voluntary winding-up of ProXcel will not have any material impact on the net assets and earnings per share of FGV for the financial year ending 31 December 2018.



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23. Significant Events

- (v) On 5 July 2018, the Board had established a three member Special Board Committee (“SBC”) to monitor the performance of FGV closely; engage directly with the Group President/Chief Executive (“GP/CEO”) regularly on the progress of key result areas; ascertain the sufficiency of steps being taken and planned, for the attainment of such key result areas; and make such recommendations and give directions to the management where appropriate.

The three members of the SBC are FGV Chairman, Datuk Wira Azhar Abdul Hamid and Board members, Datuk Dr Salmiah Ahmad and Dr Nazeeb Alithambi.

- (vi) On 13 September 2018, a Notice of Inquiry has been issued to the GP/CEO of FGV, following the conclusion of internal investigations. Following the Notice of Inquiry, the GP/CEO's powers and authorities vested in him as the GP/CEO of FGV have been suspended pending further notification by the Board.

In the interim, the Special Board Committee 2 comprising of four (4) FGV Directors, namely its Chairman, Datuk Wira Azhar Abdul Hamid, Datuk Dr. Salmiah Ahmad, Dr. Mohamed Nazeeb P. Alithambi and Datin Hoi Lai Ping, has taken over the responsibilities to perform the functions of the GP/CEO of FGV.

- (vii) On 18 September 2018, Dato' Zakaria Arshad resigned as the Group GP/CEO of FGV, thus the suspension ended. The forensic investigation continue and is expected to be concluded by this year end.

- (viii) APL was acquired by FGVH in 2014 for cash consideration of RM568 million, resulted in goodwill on acquisition of RM513 million. At the date of acquisition, the fair value of net assets of APL included external borrowings of RM517 million assumed by FGVH group, which had been subsequently settled by FGVH on APL's behalf. The Board is of the view that effectively FGVH had paid a total of RM1,081 million for its investment in APL.

The goodwill which arose from the acquisition of APL had been assessed for impairment on an annual basis in accordance with MFRS 136 "Impairment" as part of the Palm Upstream group of cash generating units ("CGUs"), as this group of CGUs is expected to benefit from the synergies of the combination, which represented the lowest level within the Group at which goodwill was monitored. On this basis, the goodwill had been assessed as fully recoverable.

APL has been loss making since acquisition, despite efforts undertaken by management to improve its performance due to several challenges faced by APL in particular due to its geographical location, labour shortages and weather. APL had also suffered crop losses over the years, which require significant efforts to rehabilitate the estate assets. Due to lack of synergy derived since the acquisition of APL, management has decided to reorganize its reporting structure to review APL operations separately from the other Palm Upstream operations with effect from the quarter ended 30 September 2018. Accordingly, the goodwill on the acquisition of APL has been retained in APL.

Based on the impairment assessment performed subsequent to the reorganization of its reporting structure, an impairment loss of RM513 million has been recognized in the consolidated financial statements for the period ended 30 September 2018.



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24. Material events after reporting period

- (i) On 1 October 2018, FGV changed its registered address to Level 21, Wisma FGV, Jalan Raja Laut 50350 Kuala Lumpur.
- (ii) On 12 October 2018, Encik Ahmad Tifli Dato' Haji Mohd Talha resigned as the Group Chief Financial Officer ("GCFO"). Puan Aznur Kama Azmir, Head of Group Finance Division has been appointed as the Acting GCFO of FGV on 18 October 2018.
- (iii) On 24 October 2018, Datuk Wira Azhar Abdul Hamid was appointed as an Interim Chief Executive Officer until a new Chief Executive Officer is appointed. This appointment on an interim basis has been concurred by the Minister of Finance (Incorporated). The Special Board Committee 2, which took over the responsibilities to perform the functions of the GP/CEO since 18 September 2018 was disbanded. His current role as Chairman of FGV Board remains unchanged.
- (iv) On 23 November 2018, the Board of Directors announced that the Company has commenced legal proceedings in Kuala Lumpur Court against 14 defendants consist of former Directors and Employees of FGV. The suit concerns the Company's acquisition of 100% equity interest in Asian Plantation Limited ("APL") via a voluntary conditional cash offer in 2014. The Company brought this action for loss suffered from their failure to discharge their respective fiduciary duty, duty of fidelity and/or duty to exercise reasonable care, skill and diligence.

The Company seeks the damages totalling RM514 million for loss arising from the acquisition of APL, general damages with 5% interest rate per annum starting from the date of the filling of the suit until the date of full and final settlement; costs with 5% interest rate per annum on the amount of costs awarded starting from the date when the costs was awarded until the date of full and final settlement as well as other reliefs that the Court deems fit and proper. The Company is currently assessing the financial impact arising from this litigation and will make a further announcement at a later date. However, there is no impact on existing operations.



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25. Prospects

The CPO price trend in 2018 has been subject to fluctuations with a decline in the 3rd quarter. The outlook is bearish and the downward price trend is expected to continue into the early part of next year.

The CPO price will have a major impact on the Group's performance. Nevertheless, the Group is committed to its turnaround plan and transformation initiatives to achieve further cost reductions and uplift productivity.

By Order of the Board

Koo Shuang Yen
Company Secretary

28 November 2018