**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 2018 | Quarter ended 30 September 2017 | % +/(-) | Year to date ended 30 September 2018 | Year to date ended 30 September 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 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 | 25,740 | (8,420) | | (1,219) | (47,198) | |
| **Total comprehensive (loss)/income for the financial period** | (888,061) | 45,222 | *<100* | (905,420) | 13,963 | *<100* |
| **Total comprehensive (loss)/income attributable to:** | | | | | | |
| - Owners of the Company | (824,359) | 34,485 | *<100* | (871,703) | 29,911 | *<100* |
| - Non-controlling interests | (63,702) | 10,737 | *<100* | (33,717) | (15,948) | *<100* |
| **Total comprehensive (loss)/income for the financial period** | (888,061) | 45,222 | *<100* | (905,420) | 13,963 | *<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.

**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 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| 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 |
| | | 13,306,872 | 14,119,158 | 13,858,670 |
| **Current assets** | | | | |
| 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 |
| | | 5,580,704 | 6,409,986 | 7,185,502 |
| Assets held for sale | | 3,102 | 72,239 | 48,132 |
| | | 5,583,806 | 6,482,225 | 7,233,634 |
| **Total assets** | | 18,890,678 | 20,601,383 | 21,092,304 |
| **Equity** | | | | |
| 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** | | 4,743,301 | 5,622,706 | 5,817,228 |
| Non-controlling interests | | 2,180,404 | 2,254,087 | 2,403,609 |
| **Total equity** | | 6,923,705 | 7,876,793 | 8,220,837 |

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 (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 |
|---|---|---|---|---|
| **Non-current liabilities** | | | | |
| 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 |
| | | 6,977,478 | 6,956,649 | 6,753,189 |
| **Current liabilities** | | | | |
| 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 |
| | | 4,989,495 | 5,745,463 | 6,112,681 |
| Liabilities related to assets held for sale | | - | 22,478 | 5,597 |
| | | 4,989,495 | 5,767,941 | 6,118,278 |
| **Total liabilities** | | 11,966,973 | 12,724,590 | 12,871,467 |
| **Total equity and liabilities** | | 18,890,678 | 20,601,383 | 21,092,304 |
| Net assets per share attributable to owners of the Company | | 1.30 | 1.54 | 1.59 |

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

| | Share capital | Treasury shares | Foreign exchange reserve | Re-organisation reserve | Other reserve | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **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: | | | | | | | | | |
| Item that will not be reclassified to profit or loss | | | | | | | | | |
| - actuarial loss on defined benefit plan | - | - | - | - | - | (326) | (326) | (113) | (439) |
| Items that will be subsequently reclassified to profit or loss | | | | | | | | | |
| - 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: | | | | | | | | | | |
| Item that will not be reclassified to profit or loss | | | | | | | | | | |
| - actuarial loss on defined benefit plan | - | - | - | - | - | - | (495) | (495) | - | (495) |
| Items that will be subsequently reclassified to profit or loss | | | | | | | | | | |
| - 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.

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.

**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.

## 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.

## 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.

**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"

## 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.

**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:

| | Quarter ended 30 September 2017 | | | | Restatement of comparative figures<br>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 |

**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**

## 1. Basis of Preparation (continued)

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

| | Restatement of comparative figures | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | As at 31 December 2017 | | | | 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 |
| Non-current assets | | | | | | | | |
| 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) | - |
| Current assets | | | | | | | | |
| 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 |

**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)

| | Restatement of comparative figures | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | As at 31 December 2017 | | | | 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 |
| Equity | | | | | | | | |
| 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 |
| Non-current liabilities | | | | | | | | |
| Deferred tax liabilities | 799,304 | 18 | 13,041 | 812,363 | 832,908 | (100) | 16,522 | 849,330 |
| Current liabilities | | | | | | | | |
| 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 |

**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.

## 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.

**Amounts in RM thousand unless otherwise stated**

## 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 | | 7,847,673 | 1,675,942 | 709,729 | - | 10,233,344 |
| 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 | | (838,022) | 71,472 | 25,136 | (142,257) | (883,671) |
| Disaggregation of the Group's revenue is as follows: | Timing of revenue recognition | | | | | |
| 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 |
| | | 7,847,673 | 1,675,942 | 709,729 | - | 10,233,344 |

**Amounts in RM thousand unless otherwise stated**

## 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)

| Year to date ended 30 September 2017 | | Plantation | Sugar | Logistics and Support Business | Reconciliation | Total |
|---|---|---|---|---|---|---|
| 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 | | 6,406,189 | 1,988,887 | 4,271,259 | - | 12,666,335 |
| 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 | | 1,247 | - | - | 16,455 | 17,702 |
| Profit/(loss) before zakat and taxation for the financial period | | 339,611 | (25,957) | (40,942) | (84,456) | 188,256 |
| Disaggregation of the Group's revenue is as follows: | Timing of revenue recognition | | | | | |
| Sales of Palm Products Oils | At a point in time | 3,162,382 | - | 3,958,723 | - | 7,121,105 |
| Sales of Sugar | At a point in time | - | 1,988,887 | - | - | 1,988,887 |
| Others | At a point in time/ over time | 3,243,807 | - | 312,536 | - | 3,556,343 |
| | | 6,406,189 | 1,988,887 | 4,271,259 | - | 12,666,335 |

**Amounts in RM thousand unless otherwise stated**

## 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 | - |
| | 573,919 | 514,209 |

## 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.

**Amounts in RM thousand unless otherwise stated**

## 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:

(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 Distillete ("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 Distillete ("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 |

**Amounts in RM thousand unless otherwise stated**

## 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)

(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

| | 2018 | 2017 |
|---|---|---|
| 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 |

**Amounts in RM thousand unless otherwise stated**

## 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.

**Amounts in RM thousand unless otherwise stated**

## 13. Review of Group Performance

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

## 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.

**Amounts in RM thousand unless otherwise stated**

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

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

## 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.

**Amounts in RM thousand unless otherwise stated**

## 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 | Year to date ended 30 September 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 | (3,770) | 5,462 |

## 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 |
| | (8,646) | (79,052) | (55,396) | (96,359) |
| **Foreign income tax** | | | | |
| Current financial period | (980) | (4,880) | (2,615) | (6,942) |
| **Deferred tax** | 7,723 | 22,719 | 52,967 | (19,499) |
| | (1,903) | (61,213) | (5,044) | (122,800) |

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.

**Amounts in RM thousand unless otherwise stated**

## 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 |
| **Secured** | | | | | | |
| 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 |
| **Unsecured** | | | | | | |
| 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.

**Amounts in RM thousand unless otherwise stated**

## 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 |
| Non-current | | | |
| Islamic profit rate swap | 317,380 | 931 | - |
| Current | | | |
| 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 |
|---|---|---|---|---|
| Assets | | | | |
| 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 |
| Liabilities | | | | |
| 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 |

**Amounts in RM thousand unless otherwise stated**

## 20. 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 30 September 2018 | Financial year ended 31 December 2017 |
|---|---|---|
| LLA liability | | |
| 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) |
| 30 September/31 December | 4,382,859 | 4,393,280 |
| Financial assets through other comprehensive income / available for sale financial assets | | |
| 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) |
| 30 September/31 December | 95,580 | 86,873 |

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.

## 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.

## 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.

## 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.

## 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