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 June 2018

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

QUARTERLY REPORT

On consolidated results for the quarter ended 30 June 2018

The Directors are pleased to announce the following:

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

		Quarter ended 30 June			**Year to date ended 30 June**		
	Note	**2018**	**2017**	**%** *+/(-)*	**2018**	**2017**	**%** *+/(-)*
Revenue		3,437,324	4,213,237	*(18.4)*	7,040,040	8,528,276	*(17.5)*
Cost of sales		(3,084,797)	(3,826,968)	*19.4*	(6,271,555)	(7,780,089)	*19.4*
Gross profit		352,527	386,269	*(8.7)*	768,485	748,187	*2.7*
Other operating income		15,423	34,708	*(55.6)*	60,449	65,479	*(7.7)*
Selling and distribution costs		(62,057)	(68,072)	*8.8*	(156,170)	(130,077)	*(20.1)*
Administrative expenses		(206,938)	(218,629)	*5.3*	(409,649)	(438,632)	*6.6*
Other operating expenses		(14,351)	(2,445)	*<100*	(22,563)	(41,195)	*45.2*
Commodity (losses)/gains - net		(11,640)	17,882	*<100*	1,904	34,288	*(94.4)*
Operating profit	16	72,964	149,713	*(51.3)*	242,456	238,050	*1.9*
Fair value changes in Land Lease Agreement ('LLA') liability		(28,237)	(23,066)	*(22.4)*	(106,912)	(120,566)	*11.3*
Operating profit after LLA		44,727	126,647	*(64.7)*	135,544	117,484	*15.4*
Finance income		4,125	4,006	*3.0*	19,108	11,213	*70.4*
Finance costs		(31,182)	(37,753)	*17.4*	(95,133)	(78,267)	*(21.5)*
Share of results from associates		4,394	5,174	*(15.1)*	(11,771)	11,314	*<100*
Share of results from joint ventures		(20,814)	4,365	*<100*	(20,274)	8,435	*<100*
Profit before zakat and taxation		1,250	102,439	*(98.8)*	27,474	70,179	*(60.9)*
Zakat		(13,566)	(664)	*<100*	(14,733)	(1,073)	*<100*
Taxation	17	13,447	(62,057)	*>100*	(3,141)	(61,587)	*94.9*
Profit for the financial period		1,131	39,718	*(97.2)*	9,600	7,519	*27.7*
(Loss)/profit attributable to:							
-Owners of the Company		(23,227)	37,257	*<100*	(21,897)	38,961	*<100*
-Non-controlling interests		24,358	2,461	*>100*	31,497	(31,442)	*>100*
		1,131	39,718	*(97.2)*	9,600	7,519	*27.7*
Earnings per share for profit attributable to the the owners of the Company:							
Basic (sen)	21	(0.6)	1.0		(0.6)	1.1	

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

QUARTERLY REPORT (CONTINUED)

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

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

	Note	Quarter ended 30 June 2018	Quarter ended 30 June 2017	% +/(-)	Year to date ended 30 June 2018	Year to date ended 30 June 2017	% +/(-)
Profit for the financial period		1,131	39,718		9,600	7,519	
Other comprehensive income/(loss)							
Share of other comprehensive income/(loss) of joint ventures		56	(3,630)		(7,308)	(738)	
Actuarial loss on defined benefit plan		(894)	(97)		(808)	(493)	
Fair value changes of financial assets at fair value through other comprehensive income		436	-		(1,932)	-	
Fair value changes in available-for-sale financial assets		-	1,014		-	2,849	
Currency translation differences		25,396	(31,946)		(17,378)	(40,394)	
Cash flow hedges		41	-		467	-	
Other comprehensive income/(loss) for the financial period, net of tax		25,035	(34,659)		(26,959)	(38,776)	
Total comprehensive income/(loss) for the financial period		26,166	5,059	*>100*	(17,359)	(31,257)	*44.5*
Total comprehensive income/(loss) attributable to:							
- Owners of the Company		1,844	639	*>100*	(47,344)	(4,574)	*<100*
- Non-controlling interests		24,322	4,420	*>100*	29,985	(26,683)	*>100*
Total comprehensive income/(loss) for the financial period		26,166	5,059	*>100*	(17,359)	(31,257)	*44.5*

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 June 2018 (continued)

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

	Note	Unaudited As at 30 June 2018	Unaudited As at 31 December 2017	Unaudited As at 1 January 2017
Non-current assets				
Property, plant and equipment		10,567,773	10,446,122	10,074,111
Investment properties		125,233	118,169	127,017
Intangible assets		1,528,230	1,536,568	1,576,033
Interests in associates		100,958	275,478	260,700
Interests in joint ventures		530,818	585,773	628,071
Amount due from a joint venture		37,142	26,941	20,914
Prepaid lease payments		69,313	71,666	75,710
Deposit and other receivables		76,652	88,057	107,661
Derivative financial assets		1,185	717	-
Deferred tax assets		701,478	740,359	779,421
Available-for-sale financial assets		-	157,877	154,810
Financial assets through profit and loss		67,714	-	-
Financial assets through other comprehensive income		96,364	-	-
Loans due from joint ventures		71,311	71,431	54,222
		13,974,171	14,119,158	13,858,670
Current assets				
Inventories		1,535,196	2,126,893	2,189,255
Receivables		1,280,998	1,373,976	1,763,258
Biological assets		52,255	54,338	68,843
Amount due from a significant shareholder		210,574	215,389	182,531
Amounts due from joint ventures		44,037	472,938	524,429
Amount due from an associate		-	-	214
Amounts due from related companies		472,960	146,789	172,625
Tax recoverable		168,073	203,309	189,700
Available-for-sale financial assets		-	6,409	159,431
Financial assets at fair value through profit or loss		51,627	49,321	58,322
Derivative financial assets	19	3,212	6,875	5,489
Contract assets		14,616	13,091	17,351
Deposits, cash and bank balances		1,644,445	1,740,658	1,854,054
		5,477,993	6,409,986	7,185,502
Assets held for sale		222,560	72,239	48,132
		5,700,553	6,482,225	7,233,634
Total assets		19,674,724	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		(1,484)	(1,484)	(1,488)
Reserves		(1,460,673)	(1,405,699)	(1,201,121)
Equity attributable to owners of the Company		5,567,732	5,622,706	5,817,228
Non-controlling interests		2,287,868	2,254,087	2,403,609
Total equity		7,855,600	7,876,793	8,220,837

FGV HOLDINGS BERHAD
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QUARTERLY REPORT (CONTINUED)

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

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

	Note	Unaudited As at 30 June 2018	Unaudited As at 31 December 2017	Unaudited As at 1 January 2017
Non-current liabilities				
Borrowings	18	1,133,260	733,234	198,992
Loans due to a significant shareholder	18	1,083,971	1,222,765	1,475,799
LLA liability		4,046,219	4,067,794	4,125,032
Provision for asset retirement		32,926	32,725	32,129
Provision for defined benefit plan		87,737	87,768	71,907
Deferred tax liabilities		731,097	812,363	849,330
		7,115,210	6,956,649	6,753,189
Current liabilities				
Payables		895,898	1,169,706	1,441,505
Loans due to a significant shareholder	18	164,551	164,551	213,206
Amount due to a significant shareholder		109,278	483,166	399,190
Amounts due to associates		44	37	167
Amounts due to joint ventures		-	-	6
Amounts due to related companies		7,007	128,641	11,433
Borrowings	18	3,098,806	3,376,922	3,692,140
Derivative financial liabilities	19	5,607	1,039	19,434
Provision for asset retirement		646	648	718
Other provision		32,841	32,841	-
LLA liability		298,909	325,486	282,532
Contract liabilities		61,559	58,714	44,635
Current tax liabilities		7,155	3,712	7,715
		4,682,301	5,745,463	6,112,681
Liabilities related to assets held for sale		21,613	22,478	5,597
		4,703,914	5,767,941	6,118,278
Total liabilities		11,819,124	12,724,590	12,871,467
Total equity and liabilities		19,674,724	20,601,383	21,092,304
Net assets per share attributable to owners of the Company		1.53	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 June 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	-	-	-	-	-	(21,897)	(21,897)	31,497	9,600
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	-	-	-	-	-	(647)	(647)	(161)	(808)
Items that will be subsequently reclassified to profit or loss									
- currency translation differences	-	-	(15,798)	-	-	-	(15,798)	(1,580)	(17,378)
- fair value changes of financial assets at fair value through other comprehensive income	-	-	-	-	(1,932)	-	(1,932)	-	(1,932)
- share of other comprehensive loss of joint ventures	-	-	(7,308)	-	-	-	(7,308)	-	(7,308)
- cash flow hedge reserves	-	-	-	-	238	-	238	229	467
	-	-	(23,106)	-	(1,694)	-	(24,800)	(1,351)	(26,151)
Total other comprehensive (loss)/income for the financial period	-	-	(23,106)	-	(1,694)	(22,544)	(47,344)	29,985	(17,359)
Dividend paid to non-controlling interests of subsidiary	-	-	-	-	-	-	-	(40)	(40)
Total transaction with owners	-	-	-	-	-	-	-	(40)	(40)
At 30 June 2018	7,029,889*	(1,484)	95,971	(3,084,514)	(7,147)	1,535,017	5,567,732	2,287,868	7,855,600

FGV HOLDINGS BERHAD
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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 June 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	-	-	-	-	-	-	38,961	38,961	(31,442)	7,519
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	-	-	-	-	-	-	(493)	(493)	-	(493)
Items that will be subsequently reclassified to profit or loss										
- currency translation differences	-	-	-	(44,987)	-	-	-	(44,987)	4,593	(40,394)
- fair value changes in available-for-sale financial assets	-	-	-	-	-	2,686	-	2,686	163	2,849
- share of other comprehensive income of joint ventures	-	-	-	(738)	-	-	-	(738)	-	(738)
	-	-	-	(45,725)	-	2,686	-	(43,039)	4,756	(38,283)
Total other comprehensive (loss)/income for the financial period	-	-	-	(45,725)	-	2,686	38,468	(4,571)	(26,686)	(31,257)
Accretion of interest in a subsidiary	-	-	-	-	-	-	-	-	4,549	4,549
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	-	-	-	-	-	-	-	-	(33,928)	(33,928)
Total transaction with owners	-	-	-	-	-	-	(36,483)	(36,483)	(29,379)	(65,862)
At 30 June 2017	7,029,889*	-	(1,488)	169,516	(3,084,514)	7,382	1,655,389	5,776,174	2,347,544	8,123,718

** 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 June	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial period	9,600	7,519
Adjustments for non-cash items	610,814	638,652
Operating profit before working capital changes	620,414	646,171
Changes in working capital	13,194	13,598
Cash generated from operations	633,608	659,769
Interest received	19,108	11,213
Taxation paid	(9,706)	(91,749)
Zakat paid	(14,733)	(1,073)
Retirement benefits paid	(155)	(892)
Net cash generated from operating activities	628,122	577,268
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(472,317)	(726,240)
Purchase of intangible asset	(11,459)	(13,324)
Proceeds from disposal of property, plant and equipment	175	-
Proceeds from sales of available-for-sale financial assets	-	17,568
Proceeds from sale of financial assets at fair value through profit or loss	11,204	-
Additions of available-for-sale financial assets	-	(22,554)
Additions of financial assets at fair value through profit or loss	(12,709)	(1,999)
Payment for asset retirement obligations	(14)	(9)
Dividend received from associates	309	806
Dividend received from joint ventures	23,728	-
Dividend received from financial assets at fair value through other comprehensive income	1,559	-
Dividend received from available-for-sale financial assets	-	28
Loans to joint ventures	-	(22,510)
Net cash used in investing activities	(459,524)	(768,234)

FGV HOLDINGS BERHAD
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QUARTERLY REPORT (CONTINUED)

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

	Year to date ended 30 June	
	2018	**2017**
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	3,341,465	3,974,231
Repayment of borrowings	(3,217,083)	(3,405,208)
Repayment of LLA liability	(155,064)	(155,502)
Repayment of loan due to a significant shareholder	(138,143)	(102,143)
Dividend paid to shareholders	-	(36,483)
Dividend paid to non-controlling interest	(40)	(33,928)
Finance costs paid	(95,133)	(73,605)
Net cash (used in)/generated from financing activities	(263,998)	167,362
Net decrease in cash and cash equivalents	(95,400)	(23,604)
Effect of foreign exchange rate changes	(912)	(26,094)
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	1,597,006	1,804,356
Deposits, cash and bank balances	1,644,445	1,805,486
Less: Restricted cash	(47,340)	-
Less: Assets held for sale	(99)	(1,130)
Cash and cash equivalents at end of the financial period	1,597,006	1,804,356

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. Judgment is applied in both identifying separate deliverables and allocating the consideration between them. The impact is not expected to be material to the opening retained earnings of the Group as at 1 January 2018 as majority of existing contracts have already incorporated these separation of deliverables into value attached to each deliverable.

- The Group does not expect any material impact to the basis of recognition for its sale of goods and services rendered other than the changes as disclosed in Note 1(e) of the Quarterly Report.

- The Group has adopted the standard using full retrospective approach (with optional practical expedients) which means that the cumulative impact of the adoption has been recognised in retained earnings as of 1 January 2017 and that comparatives has been restated.

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.

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

QUARTERLY REPORT (CONTINUED)

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

1. Basis of Preparation (continued)

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

	Restatement of comparative figures							
	Quarter ended 30 June 2017				Year to date ended 30 June 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	4,223,645	(10,408)	-	4,213,237	8,546,850	(18,574)	-	8,528,276
Cost of sales	(3,825,445)	(1,523)	-	(3,826,968)	(7,772,322)	(7,767)	-	(7,780,089)
Selling and distribution costs	(79,976)	11,904	-	(68,072)	(157,133)	27,056	-	(130,077)
Other gains-net	2,646	-	15,236	17,882	20,798	-	13,490	34,288
Operating profit/(loss)	134,504	(27)	15,236	149,713	223,845	715	13,490	238,050
Taxation	(58,407)	7	(3,657)	(62,057)	(58,178)	(171)	(3,238)	(61,587)
Profit/(loss) for the financial period	28,159	(20)	11,579	39,718	(3,277)	544	10,252	7,519
Profit/(loss) attributable to:								
– Owners of the Company	25,913	(30)	11,374	37,257	28,382	541	10,038	38,961
– Non-controlling interests	2,246	10	205	2,461	(31,659)	3	214	(31,442)
	28,159	(20)	11,579	39,718	(3,277)	544	10,252	7,519
Earnings per share for profit attributable to the owners of the Company:								
Basic (sen)	0.71	-	0.31	1.02	0.78	0.01	0.28	1.07

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

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

4. Material Changes in Estimates

Other than the changes in assumptions made to the fair value changes of financial liabilities as disclosed in Note 20, 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 June 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.

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

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 30 June 2018 (continued)
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 June 2018		Plantation	Sugar	Logistics and Support Business	Reconciliation	Total
Total segment revenue		8,245,321	1,218,468	771,316	(3,195,065)	7,040,040
Less : Inter-segment revenue		(2,801,177)	(105,859)	(288,029)	3,195,065	-
Revenue from external customers		5,444,144	1,112,609	483,287	-	7,040,040
Finance income		9,158	12,794	(999)	(1,845)	19,108
Finance costs		(36,175)	(21,197)	(9,831)	(27,930)	(95,133)
Depreciation and amortisation		(277,172)	(30,291)	(43,378)	(4,691)	(355,532)
Fair value changes in LLA liability		(106,912)	-	-	-	(106,912)
Share of results of joint ventures		(32,076)	-	-	11,802	(20,274)
Share of results of associates		717	-	-	(12,488)	(11,771)
Profit/(loss) before zakat and taxation for the financial period		11,766	49,914	56,744	(90,950)	27,474
Disaggregation of the Group's revenue is as follows:	Timing of revenue recognition					
Sales of Palm Products Oils	At a point in time	3,760,457	-	246,832	-	4,007,289
Sales of Sugar	At a point in time	-	1,112,609	-	-	1,112,609
Others	At a point in time/ Over time	1,683,687	-	236,455	-	1,920,142
		5,444,144	1,112,609	483,287	-	7,040,040

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 June 2017		Plantation	Sugar	Logistics and Support Business	Reconciliation	Total
Total segment revenue		8,277,353	2,813,483	3,165,606	(5,728,166)	8,528,276
Less : Inter-segment revenue		(4,004,919)	(1,488,193)	(235,054)	5,728,166	-
Revenue from external customers		4,272,434	1,325,290	2,930,552	-	8,528,276
Finance income		7,654	10,520	(1,431)	(5,530)	11,213
Finance costs		(31,780)	(10,895)	(1,998)	(33,594)	(78,267)
Depreciation and amortisation		(259,599)	(25,955)	(45,364)	(7,188)	(338,106)
Fair value changes in LLA liability		(120,566)	-	-	-	(120,566)
Share of results of joint ventures		7,930	-	-	505	8,435
Share of results of associates		816	-	-	10,498	11,314
Profit/(loss) before zakat and taxation for the financial period		207,230	(41,600)	(39,578)	(55,873)	70,179
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	2,128,929	-	2,663,808	-	4,792,737
Sales of Sugar	At a point in time	-	1,325,290	-	-	1,325,290
Others	At a point in time/ Over time	2,143,505	-	266,744	-	2,410,249
		4,272,434	1,325,290	2,930,552	-	8,528,276

Amounts in RM thousand unless otherwise stated

9. Capital Commitments

Authorised capital expenditure not provided for are as follows:

	As at 30 June 2018	As at 31 December 2017
Capital expenditure approved and contracted for:		
- Property, plant and equipment	477,588	415,178
- Bearer plants	93,714	99,031
- Intangible assets	851	-
	572,153	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 June 2018 and 30 June 2017 are as follows:

(a) Sales of goods and services

	Year to date ended 30 June 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	80,505
Sales of CPO by FPI and Felda Global Ventures Plantations (Malaysia) Sdn. Bhd. ("FGVPM") to FISB Group	780,893	924,614
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")	650,173	852,640
Sales of CPO by FPI and FGVPM to MAPAK Edible Oil Pvt. Ltd. ("MAPAK")	134,617	190,428
(ii) Transaction with associates		
Sales of PPO by FPI and FGVT to F.K.W. Global Commodities (Private) Limited ("FKW")	6,716	22,834

Amounts in RM thousand unless otherwise stated

10. Significant Related Party Transactions (continued)

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

(a) Sales of goods and services (continued)

	Year to date ended 30 June 2018	2017
(iii) Transactions with FELDA and its subsidiaries		
Sales of fertiliser by FPM Sdn. Bhd ("FPMSB")	65,190	145,738
Maintenance and consultancy services by Felda Engineering Services Sdn. Bhd. ("FESSB")	2,530	27,442
IT services rendered by Felda Prodata Sdn. Bhd ("Prodata")	12,025	15,556
Security services rendered by Felda Security Services Sdn. Bhd ("FSSSB")	12,114	10,460

(b) Purchase of goods and services

	2018	2017
Transactions with FELDA and its subsidiaries:		
LLA liability paid by FGVPM	155,064	155,502
Interest expense charged by FELDA	31,611	41,087
Purchase of cup lump by Felda Rubber Industries Sdn. Bhd. ("FRISB")	58,481	77,574
Purchase of FFB by FPI and FGVPM	1,539,419	1,586,810
Building rental charged by FELDA	9,252	13,990

(c) Transactions with Government related entities

	2018	2017
Transactions between subsidiaries and other government agencies:		
Cooking oil subsidy received from Malaysia Palm Oil Board ("MPOB")	15,015	44,578
CESS payment to MPOB	17,168	16,661

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 matter has been fixed for trial from 30 to 31 October 2018.

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

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

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

On 13 July 2018, the learned Judicial Commissioner has allowed the Striking Out Application made by the Second Defendant with costs of RM3,000 payable by the Plaintiff to the Second Defendant. On 19 July 2018 the Plaintiff has withdrawn their suit against the First Defendant with liberty to file afresh. The learned Judicial Commissioner ordered the suit against First Defendant to be struck out with costs of RM7,000 payable by the Plaintiff to the First Defendant.

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

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

Amounts in RM thousand unless otherwise stated

13. Review of Group Performance

	Year to date ended 30 June 2018	2017	% +/(-)
Revenue	7,040,040	8,528,276	(17.5)
Plantation	11,766	207,230	(94.3)
Sugar	49,914	(41,600)	>100
Logistics and Support Business ("LSB")	56,744	(39,578)	>100
Sector results	118,424	126,052	(6.1)
Reconciliation	(90,950)	(55,873)	(62.8)
Profit before zakat and taxation	27,474	70,179	(60.9)
Zakat	(14,733)	(1,073)	<100
Taxation	(3,141)	(61,587)	94.9
Profit for the financial period	9,600	7,519	27.7
(Loss)/profit attributable to:			
Owners of the Company	(21,897)	38,961	<100
Non-controlling interests	31,497	(31,442)	>100
Profit for the financial period	9,600	7,519	27.7

Overall

The Group's revenue declined by 17.5% to RM7.04 billion for the financial period ended 30 June 2018 compared to previous year while the Group recorded a lower profit before zakat and taxation of RM27.47 million against RM70.18 million in the corresponding period in previous year mainly attributable to the weaker results achieved by Plantation Sector.

13. Review of Group Performance (continued)

(a) Plantation Sector

Plantation Sector registered a lower profit of RM11.77 million for the financial period ended 30 June 2018 compared to a profit of RM207.23 million in previous financial year, mainly pressured by the lower average CPO price realised of RM2,447 per mt against RM2,916 per mt in 2017. Operationally, FFB production increased by 7.4% to 1.98 million mt in 2018 while yield improved to 7.23 mt per hectare from 6.69 mt per hectare reported in previous year. OER was higher at 20.17% compared to 19.79% achieved in the previous year.

Lower result was also reported in kernel crushing and R&D business due to lower margin achieved coupled with reduction in sales volume for fertiliser business. The Sector's performance was further eroded by decrease in share of results from joint venture.

(b) Sugar Sector

Sugar Sector recorded an improvement from a loss of RM41.60 million in previous year to a profit of RM49.91 million for the financial period ended 30 June 2018 mainly attributable to lower raw sugar material costs and favorable foreign exchange rate during the current period under review.

The increase in profit was partially offsetted by the decrease in sugar sales volume compared to previous year.

(c) LSB Sector

The results in LSB Sector improved to a profit of RM56.74 million compared to a loss of RM39.58 million registered in previous year. This was mainly attributable to higher throughput and tonnage carried in Logistic business and increase in rate of security services provided by Support business. Included in previous year's result were a provision for litigation loss amounted to RM32.79 million and impairment of receivables of RM11 million.

Amounts in RM thousand unless otherwise stated

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

	Quarter ended 30 June 2018	Quarter ended 31 March 2018	% +/(-)
Revenue	3,437,324	3,602,716	(4.6)
Plantation	(6,526)	18,292	<100
Sugar	27,901	22,013	26.7
LSB	31,388	25,356	23.8
Sector results	52,763	65,661	(19.6)
Reconciliation	(51,513)	(39,437)	(30.6)
Profit before zakat and taxation	1,250	26,224	(95.2)
Zakat	(13,566)	(1,167)	<100
Taxation	13,447	(16,588)	>100
Profit for the financial period	1,131	8,469	(86.6)
(Loss)/profit attributable to:			
Owners of the Company	(23,227)	1,330	<100
Non-controlling interests	24,358	7,139	>100
Profit for the financial period	1,131	8,469	(86.6)

Overall

Group revenue reported a decrease by 4.6% to RM3.44 billion compared to preceding quarter. For the current quarter under review, the Group posted a lower profit before zakat and taxation of RM1.25 million against RM26.22 million profits in preceding quarter mainly due to lower contribution from Plantation Sector in current quarter.

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

(a) Plantation Sector

The Plantation Sector incurred a loss of RM6.53 million in current quarter compared to RM18.29 million profit in preceding quarter as average CPO price realised edged down by 2.1% from RM2,472 per mt to RM2,419 per mt in current quarter and compounded by 8.1% lower CPO sales volume and higher production cost. FFB production was flat at 0.99 million mt against preceding quarter whilst OER was higher at 20.61% in current quarter compared to 19.75% achieved in preceding quarter.

The loss was partially mitigated by higher margin posted in kernel business compared to preceding quarter and lower fair value charge in LLA of RM28.24 million compared to RM78.68 million charged in preceding quarter.

(b) Sugar Sector

Profit posted from Sugar Sector was higher by 26.7% to RM27.90 million on the back of lower average raw sugar material cost against preceding quarter. The profit was partially offset by the drop in average sugar selling prices despite higher sales volume in tandem with festive season in current quarter.

(c) LSB Sector

LSB Sector registered a higher profit of RM31.39 million compared to RM25.36 million profits in preceding quarter due to higher contribution from engineering services company and better margin in commodities marketing business in current quarter. The increase was partially offset with lower performance in transport and 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 June 2018	Year to date ended 30 June 2017
Included in operating profit after LLA are:		
Depreciation of property, plant and equipment	331,993	316,962
Property, plant and equipment written off	6,811	4,200
Depreciation of investment properties	6,114	5,922
Amortisation of intangible assets	15,570	14,067
Amortisation of prepaid lease payments	1,855	1,155
Impairment loss on amount due from a joint venture	9,700	-
Impairment loss on investment in joint venture	1,350	-
Impairment of receivables	-	48,993
Provision for litigation loss	-	32,841
Net unrealised foreign exchange loss	12,668	5,641

17. Taxation

	Quarter Ended 30 June		Year to date Ended 30 June	
	2018	2017	2018	2017
Malaysian income tax				
Current financial period	(31,475)	(22,856)	(45,419)	(17,307)
Prior financial period	(1,331)	-	(1,331)	-
	(32,806)	(22,856)	(46,750)	(17,307)
Foreign income tax				
Current financial period	(704)	(756)	(1,635)	(2,062)
Deferred tax	46,957	(38,445)	45,244	(42,218)
	13,447	(62,057)	(3,141)	(61,587)

The effective tax rate for the financial period ended 30 June 2018 is slightly higher than the Malaysian income tax rate of 24%.

Amounts in RM thousand unless otherwise stated

18. Borrowings

	As at 30 June 2018					
	Long term		Short term		Total borrowings	
	Foreign currency	RM Equivalent	Foreign currency	RM Equivalent	Foreign currency	RM Equivalent
Secured						
Islamic term loans	-	985,263	-	275,259	-	1,260,522
Term loans	-	544	-	206	-	750
Islamic short term trade financing	-	-	-	627,000	-	627,000
Short term trade financing						
- United States Dollar	-	-	6,848	27,649	6,848	27,649
- Thai Baht	-	-	63,230	7,706	63,230	7,706
Unsecured						
Loan due to significant shareholder	-	1,083,971	-	164,551	-	1,248,522
Islamic term loans	-	6,554	-	68,112	-	74,666
Term loan						
- Chinese Yuan Renminbi	-	-	82,708	50,460	82,708	50,460
Islamic short term trade financing						
- Ringgit Malaysia	-	140,899	-	1,210,560	-	1,351,459
- United States Dollar	-	-	119,158	481,101	119,158	481,101
- Great Britain Pound	-	-	11,327	60,221	11,327	60,221
- Singapore Dollar	-	-	1,020	3,021	1,020	3,021
Short term trade financing	-	-	-	287,511	-	287,511
Total borrowings		2,217,231		3,263,357		5,480,588

Exchanges rates applied as at 30 June 2018

United States Dollar	4.0375
Thai Baht	12.1868
Great Britain Pound	5.3168
Singapore Dollar	2.9625
Chinese Yuan Renminbi	0.6101

As at 30 June 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 June 2018 are as follows:

	Contractual/ Notional Amount	Fair Value Assets	Fair Value Liabilities
Non-current			
Islamic profit rate swap	317,380	1,185	-
Current			
Foreign currency forwards	389,969	1,595	5,607
Palm oil futures	24,597	1,617	-
	414,566	3,212	5,607
	731,946	4,397	5,607

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 June 2018.

30 June 2018	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss:				
- Derivatives	1,617	2,780	-	4,397
- Trading securities	119,341	-	-	119,341
	120,958	2,780	-	123,738
Financial assets at fair value through other comprehensive income	3,948	-	92,416	96,364
Total assets	124,906	2,780	92,416	220,102
Liabilities				
Financial liabilities at fair value through profit or loss:				
- LLA liability	-	-	4,345,128	4,345,128
- Derivatives	-	5,607	-	5,607
Total liabilities	-	5,607	4,345,128	4,350,735

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 June 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	106,912	292,845
Repayment during the financial period/year	(155,064)	(307,129)
30 June/31 December	4,345,128	4,393,280
Available for sale financial assets/ Financial assets through other comprehensive income		
1 January	86,873	247,543
Addition	5,543	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 June/31 December	92,416	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 June		Year to date ended 30 June	
	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)	(23,227)	37,257	(21,897)	38,961
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)	(0.6)	1.0	(0.6)	1.1

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 with Orient View Sdn Bhd for the proposed disposal of 30% of the issued share capital of Taiko Clay Chemicals Sdn Bhd for a cash consideration of RM145.0 million. The proposed disposal is expected to be completed in second half of 2018.

(iii) On 29 June 2018, the name of the Company has been changed from "Felda Global Ventures Holdings Berhad" to "FGV Holdings Berhad".

24. Prospects

The Board anticipates a challenging year for FGV given the bearish CPO price outlook, operational inefficiencies and unrealised returns from investments. As a result, the Company has embarked on a group transformation programme that is expected to reverse positively and overcome the challenges faced by the Group.

By Order of the Board

Koo Shuang Yen
Company Secretary

28 August 2018