



FELDA GLOBAL VENTURES HOLDINGS BERHAD (800165-P)

QUARTERLY REPORT

**Condensed Consolidated Financial Statements
For The Financial Year Ended 31 December 2016**



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT

On consolidated results for the fourth quarter ended 31 December 2016

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 31 December		%	Year to date ended 31 December		%
		2016 RM'000	2015 RM'000 Restated	+ / (-)	2016 RM'000	2015 RM'000 Restated	+ / (-)
Continuing operations							
Revenue		5,195,664	4,148,110	25.3	17,282,554	15,558,769	11.1
Cost of sales		(4,704,354)	(3,680,573)	(27.8)	(15,617,555)	(13,605,052)	(14.8)
Gross profit		<u>491,310</u>	<u>467,537</u>	5.1	<u>1,664,999</u>	<u>1,953,717</u>	(14.8)
Other operating income		41,715	71,854		146,179	182,849	
Selling and distribution costs		(63,991)	(76,600)		(308,790)	(302,161)	
Administrative expenses		(305,753)	(355,659)		(936,949)	(1,064,388)	
Other operating expenses		(60,382)	3,370		(106,115)	(48,378)	
Commodity (losses) /gains - net		(36,950)	67,361		3,391	32,049	
Operating profit	15	<u>65,949</u>	<u>177,863</u>		<u>462,715</u>	<u>753,688</u>	
Fair value changes in Land Lease Agreement ('LLA') liability		139,002	6,872		(68,275)	(224,861)	
Operating profit after LLA		<u>204,951</u>	<u>184,735</u>	10.9	<u>394,440</u>	<u>528,827</u>	(25.4)
Finance income		22,371	28,468		43,041	47,237	
Finance costs		(38,481)	(40,132)		(181,814)	(174,972)	
Share of results from associates		5,058	3,216		29,767	19,036	
Share of results from joint ventures		25,727	18,979		(19,478)	40,022	
Profit before zakat and taxation		<u>219,626</u>	<u>195,266</u>	(12.5)	<u>265,956</u>	<u>460,150</u>	(42.2)
Zakat		(16,658)	(5,496)		(17,765)	(23,900)	
Taxation	16	<u>(114,103)</u>	<u>(8,756)</u>		<u>(182,493)</u>	<u>(137,716)</u>	
Profit from continuing operations		<u>88,865</u>	<u>181,014</u>		<u>65,698</u>	<u>298,534</u>	
Discontinued operations							
(Loss)/profit from discontinued operations		(144)	14,370		(2,764)	74,643	
Profit for the financial year		<u>88,721</u>	<u>195,384</u>	(54.6)	<u>62,934</u>	<u>373,177</u>	(83.1)
Profit attributable to:							
-Owners of the Company		110,597	140,703	(21.4)	29,608	188,790	(84.3)
-Non-controlling interests		(21,876)	54,681	<100	33,326	184,387	(81.9)
Profit for the financial year		<u>88,721</u>	<u>195,384</u>	(54.6)	<u>62,934</u>	<u>373,177</u>	(83.1)
Earnings per share for profit attributable to the owners of the Company:							
Basic (sen)	21	3.0	3.9		0.8	5.2	

Note: The comparatives have been restated following the change in accounting policy and fraud losses in a subsidiary of a jointly controlled entity as described in Notes 1(b) and 1(c) respectively.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

On consolidated results for the fourth quarter ended 31 December 2016 (continued)

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

	Note	Quarter ended 31 December		%	Year to date ended 31 December		
		2016 RM'000	2015 RM'000 Restated		2016 RM'000	2015 RM'000 Restated	% + / (-)
Profit for the financial year		88,721	195,384	(54.6)	62,934	373,177	(83.1)
Other comprehensive income/(loss)							
Share of other comprehensive income/(loss) of joint ventures		9,119	843		3,662	(13,433)	
Share of other comprehensive income of associate		-	5,413		-	5,413	
Actuarial loss on defined benefit plan		(9,788)	(161)		(9,788)	(327)	
Fair value changes in available-for-sale financial assets		(8,514)	21,245		(4,618)	20,692	
Currency translation differences		62,670	(22,669)		21,930	150,879	
Foreign exchange realisation on disposal of subsidiary		-	37,945		-	37,945	
Other comprehensive income/(loss) for the financial year, net of tax		<u>53,487</u>	<u>42,616</u>		<u>11,186</u>	<u>201,169</u>	
Total comprehensive income for the financial year		<u>142,208</u>	<u>238,000</u>	(40.2)	<u>74,120</u>	<u>574,346</u>	(87.1)
Total other comprehensive income attributable to:							
- Owners of the Company		166,615	164,562	(1.2)	41,855	371,307	(88.7)
- Non-controlling interests		<u>(24,407)</u>	<u>73,438</u>	<100	<u>32,265</u>	<u>203,039</u>	(84.1)
Total other comprehensive income for the financial year		<u>142,208</u>	<u>238,000</u>	(40.2)	<u>74,120</u>	<u>574,346</u>	(87.1)

Note: The comparatives have been restated following the change in accounting policy and fraud losses in a subsidiary of a jointly controlled entity as described in Notes 1(b) and 1(c) respectively.

The unaudited Condensed Consolidated Statements 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 2015.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

On consolidated results for the fourth quarter ended 31 December 2016 (continued)

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

	Note	Unaudited As at 31 December 2016	As at 31 December 2015 (Restated)	As at 1 January 2015 (Restated)
<u>Non-current assets</u>				
Property, plant and equipment		10,106,806	9,282,311	8,905,190
Investment properties		127,017	137,334	144,544
Intangible assets		1,587,850	1,544,022	1,547,316
Interests in associates		263,319	239,640	215,754
Interests in joint ventures		628,071	661,347	718,603
Amount due from a joint venture		21,437	34,807	-
Biological assets		29,425	29,297	29,187
Prepaid lease payments		77,471	78,210	49,961
Deposit and other receivables		107,661	459,325	165,273
Deferred tax assets		774,534	882,461	873,761
Available-for-sale financial assets		152,950	314,861	243,685
		<u>13,876,541</u>	<u>13,663,615</u>	<u>12,893,274</u>
<u>Current assets</u>				
Inventories		2,189,255	2,078,372	1,763,695
Receivables		1,823,784	1,894,271	1,089,410
Amount due from a significant shareholder		182,531	101,555	79,233
Amount due from joint ventures		468,435	212,502	328,941
Amount due from an associate		214	85	36
Amounts due from related companies		183,823	102,636	63,964
Tax recoverable		182,377	184,442	129,407
Financial assets at fair value through profit or loss		58,322	65,905	21,431
Loan due from a jointly controlled entity		54,222	-	-
Derivative financial assets	18	10,551	1,388	15,337
Deposits, cash and bank balances		1,847,783	2,503,035	3,673,415
		<u>7,001,297</u>	<u>7,144,191</u>	<u>7,164,869</u>
Assets held for sale		207,563	16,420	28,619
		<u>7,208,860</u>	<u>7,160,611</u>	<u>7,193,488</u>
Total assets		<u><u>21,085,401</u></u>	<u><u>20,824,226</u></u>	<u><u>20,086,762</u></u>
<u>Equity</u>				
Share capital		3,648,152	3,648,152	3,648,152
Share premium		3,371,685	3,371,685	3,371,685
Treasury shares		(1,059)	-	-
Reserves		(1,173,175)	(1,142,067)	(1,294,485)
Equity attributable to owners of the Company		<u>5,845,603</u>	<u>5,877,770</u>	<u>5,725,352</u>
Non-controlling interests		2,407,029	2,517,204	2,436,018
Total equity		<u><u>8,252,632</u></u>	<u><u>8,394,974</u></u>	<u><u>8,161,370</u></u>



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

On consolidated results for the fourth quarter ended 31 December 2016 (continued)

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

	Note	Unaudited As at 31 December 2016	As at 31 December 2015 (Restated)	As at 1 January 2015 (Restated)
<u>Non-current liabilities</u>				
Borrowings	17	198,993	407,549	434,461
Loan due to a significant shareholder	17	1,480,417	1,684,702	1,980,405
LLA liability		4,125,032	4,312,277	4,309,308
Provision for asset retirement		32,129	32,229	30,610
Provision for defined benefit plan		71,907	46,034	39,720
Deferred tax liabilities		820,399	751,518	759,916
		<u>6,728,877</u>	<u>7,234,309</u>	<u>7,554,420</u>
<u>Current liabilities</u>				
Payables		1,543,715	1,281,648	1,417,503
Loan due to a significant shareholder	17	208,588	208,588	222,515
Amount due to a significant shareholder		399,190	140,113	240,444
Amount due to associates		167	-	-
Amount due to joint ventures		6	31	-
Amounts due to related companies		11,433	98,524	9,136
Borrowings	17	3,621,057	3,142,870	2,065,545
Derivative financial liabilities	18	24,495	1,858	32,392
Provision for asset retirement		718	687	87
LLA liability		282,532	314,918	371,521
Current tax liabilities		6,394	5,706	11,829
		<u>6,098,295</u>	<u>5,194,943</u>	<u>4,370,972</u>
Liabilities related to assets held for sale		5,597	-	-
		<u>6,103,892</u>	<u>5,194,943</u>	<u>4,370,972</u>
Total liabilities		<u>12,832,769</u>	<u>12,429,252</u>	<u>11,925,392</u>
Total equity and liabilities		<u>21,085,401</u>	<u>20,824,226</u>	<u>20,086,762</u>
Net assets per share attributable to owners of the Company		<u>1.60</u>	<u>1.61</u>	<u>1.57</u>

Note: The comparatives have been restated following the change in accounting policy and fraud losses in a subsidiary of a jointly controlled entity as described in Notes 1(b) and 1(c) respectively.

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 2015.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

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

	<u>Note</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Foreign exchange reserve</u>	<u>Re-organisation reserve</u>	<u>Other reserve</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Year to date ended 31 December 2016											
At 1 January 2016, as previously stated		3,648,152*	3,371,685	-	193,521	(2,088,969)	18,937	1,303,521	6,446,847	2,538,622	8,985,469
Effects of change in accounting policy	1 (b)	-	-	-	-	(971,821)	-	439,563	(532,258)	(21,418)	(553,676)
Effects of correction in error due to fraud losses	1 (c)	-	-	-	-	-	-	(36,819)	(36,819)	-	(36,819)
At 1 January 2016, as restated		3,648,152*	3,371,685	-	193,521	(3,060,790)	18,937	1,706,265	5,877,770	2,517,204	8,394,974
Profit for the financial year		-	-	-	-	-	-	29,608	29,608	33,326	62,934
Other comprehensive (loss)/income for the financial year, net of tax:											
<u>Items that will not be reclassified to profit and loss</u>											
- actuarial loss on defined benefit plan		-	-	-	-	-	-	(7,474)	(7,474)	(2,314)	(9,788)
<u>Items that will be subsequently reclassified to profit and loss</u>											
- currency translation differences		-	-	-	20,071	-	-	-	20,071	1,859	21,930
- available-for-sale fair value changes		-	-	-	-	-	(4,618)	-	(4,618)	-	(4,618)
- share of other comprehensive income of associates		-	-	-	606	-	-	-	606	(606)	-
- share of other comprehensive income of joint ventures		-	-	-	3,662	-	-	-	3,662	-	3,662
					24,339		(4,618)		19,721	1,253	20,974
Total other comprehensive income for the financial year		-	-	-	24,339	-	(4,618)	22,134	41,855	32,265	74,120
Treasury shares		-	-	(1,059)	-	-	-	-	(1,059)	-	(1,059)
Accretion of interest in a subsidiary		-	-	-	-	-	-	-	-	1,800	1,800
Disposal of subsidiaries		-	-	-	-	-	-	-	-	(29,053)	(29,053)
Dividend paid for the financial year ended 31 December 2015 (final)		-	-	-	-	-	-	(72,963)	(72,963)	-	(72,963)
Dividend paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	(115,187)	(115,187)
Total transaction with owners		-	-	(1,059)	-	-	-	(72,963)	(74,022)	(142,440)	(216,462)
At 31 December 2016		3,648,152	3,371,685	(1,059)	217,860	(3,060,790)	14,319	1,655,436	5,845,603	2,407,029	8,252,632



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

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

Note	Share capital	Share premium	Foreign exchange reserve	Re-organisation reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
Year ended 31 December 2015									
At 1 January 2015, as previously stated	3,648,152*	3,371,685	(12,865)	(2,088,969)	42,508	1,415,722	6,376,233	2,447,532	8,823,765
Effects of change in accounting policy 1 (b)	-	-	-	(971,821)	-	347,379	(624,442)	(11,514)	(635,965)
Effects of correction in error due to fraud losses 1 (c)	-	-	-	-	-	(26,439)	(26,439)	-	(26,439)
At 1 January 2015, as restated	3,648,152	3,371,685	(12,865)	(3,060,790)	42,508	1,736,662	5,725,352	2,436,018	8,161,370
Profit for the financial year	-	-	-	-	-	188,790	188,790	184,387	373,177
Other comprehensive (loss)/income for the financial year, net of tax:									
<u>Items that will not be reclassified to profit and loss</u>									
- actuarial loss on defined benefit plan	-	-	-	-	-	(298)	(298)	(29)	(327)
<u>Items that will be subsequently reclassified to profit and loss</u>									
- currency translation differences	-	-	148,685	-	-	-	148,685	2,194	150,879
- available-for-sale fair value changes	-	-	-	-	5,721	-	5,721	14,971	20,692
- share of other comprehensive income of associate	-	-	3,897	-	-	-	3,897	1,516	5,413
- share of other comprehensive income/(loss) of joint ventures	-	-	15,859	-	(29,292)	-	(13,433)	-	(13,433)
- realisation of foreign exchange on disposal of a subsidiary	-	-	37,945	-	-	-	37,945	-	37,945
Total other comprehensive income/(loss) for the financial year	-	-	206,386	-	(23,571)	-	182,815	18,681	201,496
Accretion of interest in subsidiaries	-	-	206,386	-	(23,571)	188,492	371,307	203,039	574,346
Dividend paid for the financial year ended:								20,637	20,637
- 31 December 2014 (final)	-	-	-	-	-	(218,889)	(218,889)	-	(218,889)
- 31 December 2015 (interim)	-	-	-	-	-	-	-	-	-
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(142,490)	(142,490)
Total transaction with owners	-	-	-	-	-	(218,889)	(218,889)	(121,853)	(340,742)
At 31 December 2015	3,648,152*	3,371,685	193,521	(3,060,790)	18,937	1,706,265	5,877,770	2,517,204	8,394,974

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 2015

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



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

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

	Note	Year to date ended 31 December	
		2016	2015 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the financial year		62,934	373,177
Adjustments for non-cash items		1,201,815	1,259,752
Operating profit before working capital changes		1,264,749	1,632,929
Changes in working capital		(60,305)	(1,630,493)
Cash generated from operations		1,204,444	2,436
Interest received		43,041	42,763
Taxation paid		(92,537)	(229,198)
Zakat paid		(17,765)	(23,900)
Retirement benefits paid		(2,003)	(1,836)
Net cash generated from/(used in) operating activities		1,135,180	(209,735)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(906,694)	(1,187,097)
Purchase of intangible assets		(15,583)	(57,447)
Purchase of investment property		(1,595)	(4,560)
Purchase of prepaid lease payments		(5,849)	(210)
Net cash outflow from acquisition of a subsidiary	10	(278,618)	(92,903)
Net cash inflow from disposal of a subsidiary		-	548,239
Net cash outflow from liquidation of subsidiaries		(916)	-
Deposits for acquisition of subsidiaries		-	(365,500)
Payment for asset retirement obligation		-	(72)
Proceeds from disposal of property, plant and equipment		1,375	7,261
Proceeds from available-for-sale financial assets		-	21,028
Proceeds from disposal of fair value through profit or loss		83,694	-
Proceeds from disposal asset held for sale		-	4,900
Additions in fair value through profit or loss		(77,709)	(42,029)
Additions in available- for sale financial assets		(5,489)	(69,613)
Dividend received from associates		6,360	270
Dividend received from joint ventures		11,558	76,263
Dividend received from available-for-sale financial assets		2,687	2,459
Increase/(decrease) in restricted cash		494,496	(382,904)
Net cash used in investing activities		(692,283)	(1,542,076)



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

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

	Note	Year to date ended 31 December	
		2016	2015 Restated
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		7,773,855	6,400,783
Repayment of borrowings		(7,503,469)	(5,106,034)
Repayment of LLA liability		(287,907)	(278,495)
Repayment of loan due to a significant shareholder		(204,286)	(304,286)
Loan to a jointly controlled entity		(54,222)	-
Dividend paid to shareholders		(72,963)	(218,889)
Dividend paid to non-controlling interest		(115,187)	(142,490)
Finance costs paid		(164,124)	(168,057)
Net cash (used in)/generated from financing activities		(628,303)	182,532
Net decrease in cash and cash equivalents		(185,405)	(1,569,279)
Effect of foreign exchange rate changes		24,649	15,995
Cash and cash equivalents at beginning of the financial year		2,008,539	3,561,823
Cash and cash equivalents at end of the financial year		1,847,783	2,008,539
Deposits, cash and bank balances		1,847,783	2,503,035
Less: Fixed deposits pledged		-	(494,496)
Cash and cash equivalents at end of the financial year		1,847,783	2,008,539

Note: The comparatives have been restated following the change in accounting policy and fraud losses in a subsidiary of jointly controlled entity as described in Notes 1(b) and 1(c) respectively.

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 2015.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 **Amounts in RM thousand unless otherwise stated**

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

The Unaudited Condensed Interim Financial Information should be read in conjunction with FGVH audited financial statements for the financial year ended 31 December 2015. These explanatory notes attached to the Unaudited Condensed 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 2015.

1. Basis of Preparation

(a) General

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the annual financial statements for the financial year ended 31 December 2015, except for the adoption of the new Financial Reporting Standards ("FRS"), Amendments to FRS and IC Interpretations with effect from 1 January 2016 and as described in (b), (c), (d) and (e) below.

The Group includes transitioning entities and has elected to continue to apply FRS during the financial year. The Group will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS") for financial year beginning on 1 January 2018. In adopting the new framework, the Group will be applying MFRS 1 "First-time Adoption of MFRS".

(b) Change in accounting policy

During the financial year, the Group changed its accounting policy for bearer plants to be in line with the accounting requirements of FRS 116 – Property, Plant and Equipment. A bearer plant is a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. The bearer plants of the Group are oil palm trees and rubber trees.

Prior to the change in the accounting policy, the Group adopted the capital maintenance model on its bearer plants (previously termed as biological assets) whereby the expenditure on new planting was capitalised as biological assets at cost and was not amortised. Replanting of same crops expenditure was charged to the profit or loss in the financial year in which the expenditure was incurred.

Under the revised accounting policy, bearer plants (both new planting and replanting) are accounted for in the same way as self-constructed items of property, plant and equipment. Expenditure on new planting and replanting of bearer plants are capitalised at cost and depreciated on a straight-line basis over the economic useful lives of 22 years for oil palm trees and 20 years for rubber trees from date of maturity or, the remaining period of the land lease, whichever is shorter. Bearer plants are classified as property, plant and equipment. The bearer plants are assessed for indicator of impairment, and if indication exists, an impairment test is performed in accordance with FRS 136 – Impairment of Assets.

Livestock and forest which do not meet the definition of bearer plants continue to be presented as biological asset.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016
Amounts in RM thousand unless otherwise stated

1. Basis of Preparation (continued)

(b) Change in accounting policy (continued)

The revised accounting policy will result in the financial statements reflecting more fairly the Group's financial position and financial performance. The carrying amount of bearer plants will be more reflective of the cost incurred whilst the depreciation of the bearer plants over their useful lives will reflect the consumption of the bearer plants' future economic benefits.

The new accounting policy is also more aligned with the underlying principle in the revised standard, Agriculture: Bearer Plants (Amendments to MFRS 116 – Property, Plant and Equipment and MFRS 141 - Agriculture) issued under the Malaysian Financial Reporting Standards Framework (MFRS Framework).

(c) Fraud losses in a subsidiary of a jointly controlled entity

During the financial year, the Group discovered fraud losses in Felda Iffo Gida Sanayi, Turkey, a subsidiary of Felda Iffco Sdn Bhd, a jointly controlled entity of FGVH, which arose from overstatements of inventories, receivables and gross profits.

Stock losses of TL71.96 million (RM91.32 million) and overstatements of receivables of TL11.48 million (RM14.56 million) had been identified by the Group due to the manipulation of financial statements perpetrated by management of Felda Iffco Gida Sanayi from the beginning financial year 2011 to 2016, which were considered as deliberate misrepresentation of facts and fraud. Accordingly, the impact of errors relating to the fraud perpetrated in prior financial years of RM36.8 million had been adjusted retrospectively in prior year's financial statements.

(d) The effects of the change in the accounting policy and fraud losses on the comparative figures are as follows:

Condensed Consolidated Statement of Comprehensive Income

	Quarter ended 31 December 2015			Year to date ended 31 December 2015		
	Previously stated	Adjustments	Restated	Previously stated	Adjustments	Restated
Cost of sales	(3,726,365)	45,792	(3,680,573)	(13,696,615)	91,563	(13,605,052)
Operating profit	132,071	45,792	177,863	662,125	91,563	753,688
Share of result from joint ventures	29,359	(10,380)	18,979	50,402	(10,380)	40,022
Profit before zakat and taxation	159,854	35,412	195,266	378,967	81,183	460,150
Taxation	(20,325)	11,569	(8,756)	(128,433)	(9,283)	(137,716)
Profit from continuing operations	134,033	46,981	181,014	226,634	71,900	298,534
Profit for the financial year	148,403	46,981	195,384	301,277	71,900	373,177
Profit attributable to:						
-Owners of the Company	91,245	49,458	140,703	106,986	81,804	188,790
-Non-controlling interests	57,158	(2,477)	54,681	194,291	(9,904)	184,387
Profit for the financial year	148,403	46,981	195,384	301,277	71,900	373,177
Earnings per share for profit attributable to the owners of the Company:						
Basic (sen)	2.5	1.4	3.9	2.9	2.3	5.2



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016

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1. Basis of Preparation (continued)

- (d) The effects of the change in accounting policy and fraud losses in the comparative figures are as follows: (continued)

Condensed Consolidated Statement of Financial Position

	As at 31 December 2015			As at 1 January 2015		
	Previously stated	Adjustments	Restated	Previously stated	Adjustments	Restated
Non-current assets						
Property, plant and equipment*	6,532,749	2,749,562	9,282,311	6,310,324	2,594,866	8,905,190
Interests in joint ventures	698,166	(36,819)	661,347	745,042	(26,439)	718,603
Biological assets*	2,848,414	(2,819,117)	29,297	2,791,969	(2,762,782)	29,187
Deferred tax assets	1,282,189	(399,728)	882,461	1,254,586	(380,825)	873,761
Current assets						
Biological assets*	57,494	(57,494)	-	50,697	(50,607)	-
Equity						
Reorganisation reserve	(2,088,969)	(971,821)	(3,060,790)	(2,088,969)	(971,821)	(3,060,790)
Retained earnings	1,303,521	402,744	1,706,265	1,415,722	320,940	1,736,662
Non-controlling interest	2,538,622	(21,418)	2,517,204	2,447,532	(11,514)	2,436,018
Non-current liabilities						
Deferred tax liabilities	724,619	26,899	751,518	723,398	36,518	759,916

* The adjustments above include the reclassification of bearer plants formerly in biological assets to property, plant and equipment.

Condensed Consolidated Statement of Cash Flows (continued)

	Year to date ended 31 December 2015		
	Previously stated	Adjustments	Restated
Profit for the financial year	301,277	71,900	373,177
Taxation	128,433	9,283	137,716
Depreciation and amortisation	523,873	164,938	688,811
Property, plant and equipment written off	30,280	7,281	37,561
Accelerated depreciation of biological assets	6,055	(4,885)	1,170
Share of results from joint ventures	(50,402)	10,380	(40,022)
Net cash generated from/(used in) operating activities	(468,632)	258,897	(209,735)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(838,032)	(349,065)	(1,187,097)
Additions of biological assets	(90,168)	90,168	-
Net cash used in investing activities	(1,283,179)	(258,897)	(1,542,076)
Net decrease in cash and cash equivalents	(1,569,279)	-	(1,569,279)



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016
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1. Basis of Preparation (continued)

- (e) Accounting pronouncements that are effective and have been adopted by the Group as at 1 January 2016:
- Amendments to FRS 101 'Presentation of Financial Statements' - Disclosure initiative
 - Amendments to FRS 116 'Property, Plant and Equipment' and FRS 138 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortisation
 - Amendments to FRS 127 'Separate Financial Statements' - Equity accounting in separate financial statements
 - Amendments to FRS 10 'Consolidated Financial Statements' and FRS 128 'Investment in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associates/ joint ventures
 - Amendments to FRS 11 'Joint Arrangements' - Accounting for acquisition of interests in joint operations
 - Amendments to FRS 10 'Consolidated Financial Statements', FRS 12 'Disclosure of Interests in Other Entities' and FRS 128 'Investment in Associates and Joint Ventures' - Investment entities: applying the consolidation exception
 - Annual Improvements to FRS 2012 – 2014 (Amendments to FRS 5 'Non-current Assets Held for Sale and Discontinued Operations', FRS 7 'Financial Instruments: Disclosures', FRS 119 'Employee Benefits' and FRS 134 'Interim Financial Reporting')

The adoption of the above amendments to existing standards did not have any significant impact on the current or any prior financial year and are not likely to affect future financial periods.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)

Amounts in RM thousand unless otherwise stated

2. Seasonal or Cyclical Factors

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

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

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

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

4. Material Changes in Estimates

Other than the changes in assumptions made to the fair value changes of financial liabilities as disclosed in Note 19, there were no other material changes in the estimates of amounts reported in the prior interim periods of the current financial year or the previous financial years that have a material effect on the results for the current quarter under review.

5. Debt and Equity Securities

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

6. Dividends

No dividend has been paid during the quarter ended 31 December 2016.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
Amounts in RM thousand unless otherwise stated

7. Segment Information

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

The EXCO considers the business by product related activities. The reportable segments for the financial year ended 31 December 2016 have been identified as follows:

- Palm Upstream – 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").
- Palm Downstream – Refining of CPO, fractionation of refined bleached deodorised palm oil ("RBDPO") and Palm Olein ("PO"), crushing of PK, processing and sales of biodiesel products, production of oleochemicals namely fatty acid and glycerine, production of graphene and nanotubes and production of consumer bulk and packed products.
- Sugar – Sugar refining and sales and marketing of refined sugar and molasses.
- Trading, Marketing, Logistics and Others ("TMLO") – Trading, bulking and transportation facilities and services, engineering services, information technology, security and travel.
- Others – Rubber processing, research and development activities, fertilisers processing and production and sale of planting materials.

The reportable segments have changed from the second quarter 2016 due to the changes in the internal management reporting structure of 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 discontinued operations mainly relates to cocoa business, which the Group had previously approved to exit.

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



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)

Amounts in RM thousand unless otherwise stated

7. Segment Information (continued)

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

Year to date ended 31 December 2016	Palm Upstream	Palm Downstream	Sugar	Trading, marketing, logistics and others	Others	Reconciliation	Total	Discontinued operations	Total
Total segment revenue	9,422,225	3,846,002	4,193,482	8,007,876	1,649,422	(9,836,453)	17,282,554	-	17,282,554
Less : Inter-segment revenue	(7,320,254)	(91,673)	(1,529,457)	(413,658)	(481,411)	9,836,453	-	-	-
Revenue from external customers	<u>2,101,971</u>	<u>3,754,329</u>	<u>2,664,025</u>	<u>7,594,218</u>	<u>1,168,011</u>	<u>-</u>	<u>17,282,554</u>	<u>-</u>	<u>17,282,554</u>
Finance income	11,914	4,638	5,512	3,771	5,478	11,728	43,041	-	43,041
Finance costs	(55,763)	(7,519)	(12,439)	(6,358)	(4,577)	(95,158)	(181,814)	(2,193)	(184,007)
Depreciation and amortization	(406,325)	(82,334)	(50,868)	(83,642)	(38,720)	(16,667)	(678,556)	(136)	(678,692)
Fair value changes in LLA liability	(68,275)	-	-	-	-	-	(68,275)	-	(68,275)
Share of results of joint ventures	(15,582)	(11,711)	-	7,799	16	-	(19,478)	-	(19,478)
Share of results of associates	1,605	-	-	26,094	-	2,068	29,767	-	29,767
Profit/(Loss) before zakat and taxation for the financial year	<u>541,411</u>	<u>(52,853)</u>	<u>164,980</u>	<u>13,277</u>	<u>25,391</u>	<u>(426,250)</u>	<u>265,956</u>	<u>(2,764)</u>	<u>263,192</u>



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)

Amounts in RM thousand unless otherwise stated

7. Segment Information (continued)

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

Year to date ended 31 December 2015 (Restated)	Palm Upstream	Palm Downstream	Sugar	Trading, marketing, and logistics	Others	Reconciliation	Total	Discontinued operations	Total
Total segment revenue	9,260,408	3,655,460	2,388,423	7,584,950	1,692,994	(9,023,466)	15,558,769	913,136	16,471,905
Less : Inter-segment revenue	(7,454,673)	(194,675)	(81,160)	(829,972)	(462,986)	9,023,466	-	-	-
Revenue from external customers	<u>1,805,735</u>	<u>3,460,785</u>	<u>2,307,263</u>	<u>6,754,978</u>	<u>1,230,008</u>	<u>-</u>	<u>15,558,769</u>	<u>913,136</u>	<u>16,471,905</u>
Finance income	12,411	5,216	15,623	9,469	6,331	(1,813)	47,237	14	47,251
Finance costs	(42,588)	(16,155)	(6,616)	(4,287)	(5,142)	(100,184)	(174,972)	(7,556)	(182,528)
Depreciation and amortization	(381,308)	(93,219)	(39,794)	(84,504)	(40,334)	(12,822)	(651,981)	(38,000)	(689,981)
Fair value changes in LLA liability	(224,861)	-	-	-	-	-	(224,861)	-	(224,861)
Share of results of joint ventures	(7,936)	47,099	-	814	45	-	40,022	-	40,022
Share of results of associates	691	-	-	16,942	-	1,403	<u>19,036</u>	<u>-</u>	<u>19,036</u>
Profit/(Loss) before zakat and taxation for the financial year	<u>471,175</u>	<u>27,857</u>	<u>399,705</u>	<u>(30,013)</u>	<u>39,622</u>	<u>(448,196)</u>	<u>460,150</u>	<u>74,643</u>	<u>534,793</u>



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
Amounts in RM thousand unless otherwise stated

8. Capital Commitments

Authorised capital expenditure not provided for are as follows:

	As at 31 December 2016	As at 31 December 2015
Property, plant and equipment:		
- contracted	702,956	640,522
- not contracted	625,644	1,242,182
	<u>1,328,600</u>	<u>1,882,704</u>
Biological assets:		
- contracted	87,958	65,377
- not contracted	18,094	32,384
	<u>106,052</u>	<u>97,761</u>
Intangible assets:		
- contracted	-	114

9. Significant Related Party Transactions

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

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

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

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



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
Amounts in RM thousand unless otherwise stated

9. Significant Related Party Transactions (continued)

(I) Related party transactions for the financial year ended 31 December 2016 and 31 December 2015 are as follows:

a) Sales of goods and services

	Year to date ended 31 December	
	2016	2015
(i) Transactions with joint ventures		
Sales of Palm Processed Oil ("PPO") and Palm Fatty Acid Distillate ("PFAD") by Felda Global Ventures Trading Sdn. Bhd. ("FGVT") to Felda Iffco Sdn. Bhd. ("FISB Group")	238,509	352,454
Sales of CPO by Felda Global Ventures Plantations (Malaysia) Sdn. Bhd. ("FGVPM") to FISB Group	1,671,057	1,375,612
Sales of Crude Palm Kernel Oil ("CPKO"), Refined Bleached Deodorised Palm Kernel Oil ("RBDPKO") and Palm Kernel Fatty Acid Distillate ("PKFAD") by Felda Kernel Products Sdn. Bhd. ("FKPSB") to FISB Group and FPG Oleochemicals Sdn. Bhd. ("FPG")	1,487,618	976,336
Sales of processed Palm Oil ("PPO") by Felda Marketing Services Sdn. Bhd. ("FELMA") to FISB Group	-	17,321
Provision of storage space of vegetable oil by Felda Bulkera Sdn. Bhd. ("FBSB") to FISB Group and FPG	14,685	15,665
Sales of CPO by FGVPM to MAPAK Edible Oil Pvt. Ltd. ("MAPAK")	311,442	221,212
(ii) Transaction with associates		
Sales of PPO by FGVT to F.K.W. Global Commodities (Private) Limited ("FKW")	36,997	35,160



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
Amounts in RM thousand unless otherwise stated

9. Significant Related Party Transactions (continued)

(I) Related party transactions for the financial year ended 31 December 2016 and 31 December 2015 are as follows: (continued)

(a) Sales of goods and services (continued)

	Year to date ended 31 December	
	2016	2015
(iii) Transaction with FELDA Group		
Sales of fertilizer by FPM Sdn. Bhd. ("FPMSB")	232,894	339,203
IT services rendered by Felda Prodata Systems Sdn. Bhd. ("Prodata")	28,349	42,781
Maintenance and consultancy services by Felda Engineering Services Sdn. Bhd. ("FESSB")	72,099	88,620
Security services rendered by Felda Security Services Sdn. Bhd. ("FSSSB")	23,555	23,327
Sales of seedlings and planting materials by Felda Agricultural Services Sdn. Bhd. ("FASSB")	15,672	19,084

(b) Purchase of goods and services

(i) Transactions with joint venture

Purchase of CPO by FELMA from FISB Group	-	16,395
Purchase of CPO by FGV Trading from FISB Group	-	85,319

(ii) Transaction with FELDA Group

LLA liability paid by FGVP	287,907	278,495
Interest expense charged by FELDA	89,811	95,797



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
Amounts in RM thousand unless otherwise stated

9. Significant Related Party Transactions (continued)

(I) Related party transactions for the financial year ended 31 December 2016 and 31 December 2015 are as follows: (continued)

(e) Purchase of goods and services (continued)

	Year to date ended 31 December	
	2016	2015
(ii) Transaction with FELDA Group (continued)		
Purchase of cup lump by Felda Rubber Industries Sdn. Bhd. ("FRISB")	90,150	84,822
Purchase of FFB by Felda Palm Industries Sdn. Bhd. ("FPISB") and FGVP	2,990,673	2,734,046
Building rental charged by FELDA	33,490	29,468
Infrastructure costs charged by FELDA to FGVP	14,637	17,722
Joint Consultative Committee payment by FPI and FGVP to FELDA	10,073	12,315

(f) Transactions with Government related entities

Transactions between subsidiaries and other government agencies		
Cooking oil subsidy received from Malaysia Palm Oil Board ('MPOB')	141,124	99,160
CESS payment to Malaysia Palm Oil Board ('MPOB')	36,965	32,662



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
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10. Effect of Significant Changes in the Composition of FGVH

(a) Acquisition of a subsidiary

On 14 March 2016, Pontian United Plantations Berhad ("PUP") had completed the acquisition of a piece of land owned by Golden Land Berhad and its four wholly-owned subsidiary companies namely Yapidmas Plantation Sdn Bhd, Sri Kehuma Sdn Bhd, Ladang Kluang Sdn Bhd and Tanah Emas Oil Palm Processing Sdn Bhd ("Yapidmas") for a total purchase consideration of RM655 million.

The purchase price allocation of Yapidmas was completed and the effects of the final purchase price allocation are as follows:

	<u>Carrying value</u>	<u>Fair value</u>
Property, plant and equipment	165,936	458,643
Biological assets	154,818	201,010
Net current assets	<u>2,880</u>	<u>2,880</u>
Total net assets acquired	323,634	662,533
Deferred tax liabilities	<u>(25,754)</u>	<u>(107,090)</u>
Purchase consideration		<u>655,000</u>
Goodwill on acquisition		<u>99,557</u>

The cash outflow on the acquisition is as follows:

Purchase consideration	655,000
Less: Cash and cash equivalents acquired	<u>(10,882)</u>
	644,118
Less: Deposit paid in 2015	<u>(365,500)</u>
Net cash outflow on acquisition	<u>278,618</u>

The effects to the results of the Group for the financial period ended and effects had the acquisition taken effects at the beginning of the financial year are not material.

11. Contingent Liabilities and Material Litigation

- (i) On 3 September 2010, FPISB and FELDA were sued by 514 settlers of Felda Seriting Scheme and 252 settlers of Felda Gugusan Raja Alias Scheme in Jempol, Negeri Sembilan for alleged fraud and manipulation of the extraction rate for palm oil. The claim amounted to RM15.4 million for the year 2008 only. The learned Seremban High Court Judge on 26 June 2015 has dismissed the Plaintiffs' claim with costs. The Court awarded costs of the sum of RM1,000 per Plaintiff, to be paid to the Defendants. There are 370 remaining Plaintiffs, from the original 766 Plaintiffs, as a portion of them have duly withdrawn and passed away. Therefore, costs awarded to the Defendants amounting to RM370,000. The learned Judge delivered her brief grounds of judgment, the Court found that the Plaintiffs have failed to prove their claim for fraud, conspiracy to defraud and breach of trust. On 22 July 2015, Defendants filed an appeal to Court of Appeal against the whole decision of the Seremban High Court. The Court of Appeal has heard the Plaintiffs' appeal and submissions from both parties on 13 and 14 April 2016. The Court had yet to fix dates for the decision.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
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11. Contingent Liabilities and Material Litigation (continued)

- (ii) On 12 July 2011, FPISB and FELDA were sued by 711 settlers of Felda Jengka 1 to 25 and Felda Sg. Tekam in Temerloh, Pahang (Jengka A) for alleged fraud and manipulation of the extraction rate of palm oil. The claim amounted to RM22.9 million for year the 2008 only. This case was called for mention on 18 September 2013 and the Judge has ordered the Plaintiffs to determine who actually has the locus standi to sue in this suit and to determine which Plaintiffs have signed agreements with Felda. The clarification has been completed and the matter which has been fixed previously for decision on 24 October 2016 has been vacated. On 30 November 2016 Temerloh High Court delivered its decision of which dismissed the entire Plaintiffs' claim with cost amounting to RM200,000 to be paid to Defendants. Court found that the Plaintiffs have failed to prove their claim for fraud, conspiracy to defraud and breach of trust.
- (iii) On 10 November 2011, FPISB and FELDA were sued by 365 settlers of Felda Jengka 1 to 7, 10, 13 to 19, 23 to 24, Felda Ulu Jempol and Felda Sg. Tekam Utara (Jengka B) for alleged fraud and manipulation of the extraction rate of palm oil. The claim amounted to RM11.7 million for the year 2008 only. The Court had on 19 April 2012 allowed an order in terms for application by FELDA and FPISB to strike out 20 Plaintiffs with costs. The Temerloh High Court has vacated all the dates fixed previously for trial. The matter is now has yet to be fixed with new trial dates. On 28 September 2016, Plaintiffs filed application to amend statement of defence and was allowed by the Court. Now Defendants appealed on the high court's decision allowing the amendment of statement of claim. Court fixed date on 2 March 2017 to hear the appeal on amendment of statement of claim. This case will be heard together with case Mempaga.
- (iv) On 20 September 2011, FPISB and FELDA were sued by 550 settlers of Gugusan Bera for alleged fraud and manipulation of the extraction rate of palm oil. The plaintiffs are claiming for a share from the sale of kernel, burn ash and sludge oil which was derived from their FFB consignments sold to FPISB's mills. The claim amounted to RM19.2 million for the year 2008 only. FPISB has filed Memorandum of Appearance in High Court on 15 November, a Statement of Defence on 3 January 2012 and have also filed an application to Strike-Out Ground on Plaintiffs' claims on 25 January 2012. The matter fixed for further clarification on 19 October 2016 has been vacated. Temerloh High Court has yet to fix dates for further clarification.
- (v) On 10 May 2012, FPISB and FELDA were sued by 770 settlers of Rancangan Felda Chini 1 to 5 and Rancangan Felda Chini Timur 1 to 3 in Pahang for alleged fraud and manipulation of the extraction rate of palm oil. The claim amounted to RM24.8 million for the year 2008 only. FPISB has to file a Memorandum of Appearance in High Court on 16 May 2012. The matter was final heard on 16 February 2016. The matter fixed for decision on 20 October 2016 and 2 November 2016 have been vacated. On 16 November 2016, Kuantan High Court delivered its decision dismissed the entire Plaintiffs' claim with cost RM300,000 to be paid to the Defendants. The Court found out that Plaintiffs have failed to prove their claim for fraud, conspiracy to defraud and breach of trust.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
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11. Contingent Liabilities and Material Litigation (continued)

- (vi) On 5 June 2012, FPISB and FELDA were sued by 956 settlers of Rancangan Felda Keratong 1 to 10 for alleged fraud and manipulation of the extraction rate of palm oil. The claim amounted to RM30.9 million for the year 2008 only. FPISB has filed a Memorandum of Appearance in High Court on 26 June 2012. The matter was heard on 22 to 26 June 2015 and continued on 29 to 30 June 2015 and 1 to 3 July 2015. The Court has heard the case and completed. The clarification was heard on 29 June 2016. On 27 to 29 July 2016, Plaintiffs filed application to amend statement of claim and was allowed by the Court. Now Defendants appealed on the high court's decision allowing the amendment of statement of claim. This matter postponed for hearing on the Plaintiffs' application for Recusal Application on 3 March 2017.

- (vii) On 25 January 2013, FPISB and FELDA were sued by 351 settlers of Rancangan Felda Mempaga for alleged fraud and manipulation of the extraction of palm oil. The claim amounted to RM11.3 million for the year 2008 only. The matter which was fixed for trial on 22 to 26 September 2014 have been vacated to give priority to hear Jengka A case. The Temerloh High Court has vacated all the dates fixed previously for trial. The matter is now has yet to be fixed with new trial dates. On 28 September 2016, Plaintiffs filed application to amend statement of defence and was allowed by the Court. Now Defendants appealed on the high court's decision allowing the amendment of statement of claim. Court fixed date on 2 March 2017 to hear the appeal on amendment of statement of claim. This case will be heard together with case Jengka B.

The remaining claims are not material to be disclosed in the financial statements and deemed remote by the Directors. The above amounts are shown at gross before accounting for non-controlling interests and effects of the five years indemnity provided by Koperasi Permodalan Felda Berhad ("KPF") in December 2013 as part of the acquisition of KPF's interest in FHB.

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



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
Amounts in RM thousand unless otherwise stated

12. Review of Group Performance

	Year to date ended		% + / (-)
	31 December 2016	2015 Restated	
Revenue	<u>17,282,554</u>	<u>15,558,769</u>	11.1
Palm Upstream	541,411	471,175	14.9
Sugar	164,980	399,705	(58.7)
Palm Downstream	(52,853)	27,857	<100
Trading, marketing, logistics and others ("TMLO")	13,277	(30,013)	>100
Others	<u>25,391</u>	<u>39,622</u>	(35.9)
Segment results	692,206	908,346	(23.8)
Reconciliation	<u>(426,250)</u>	<u>(448,196)</u>	4.9
Profit before taxation ("PBT")	265,956	460,150	(42.2)
Zakat	(17,765)	(23,900)	25.7
Tax expense	<u>(182,493)</u>	<u>(137,716)</u>	(32.5)
Profit from continuing operations	65,698	298,534	(78.0)
(Loss)/profit from discontinued operations	<u>(2,764)</u>	<u>74,643</u>	<100
Net profit for the financial year	<u>62,934</u>	<u>373,177</u>	(83.1)
Profit attributable to:			
Owners of the Company	29,608	188,790	(84.3)
Non-controlling interests	<u>33,326</u>	<u>184,387</u>	(81.9)
Profit after tax and non-controlling interests	<u>62,934</u>	<u>373,177</u>	(83.1)

Overall

Group revenue of RM17.28 billion was recorded for the financial year ended 31 December 2016, higher by 11% compared to RM15.56 billion reported last year. The Group posted a lower profit before taxation of RM265.96 million in 2016 compared to RM460.15 million registered last year largely due to lower CPO production, higher raw sugar costs, impairment losses incurred in Palm Upstream and Palm Downstream segments and losses suffered by jointly controlled entity.

The lower profit was mitigated by lower fair value charge in LLA of RM68.28 million compared to RM224.86 million in 2015.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
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12. Review of Group Performance (continued)

Segment Performance Analysis

(a) Palm Upstream

Profit from Palm Upstream segment rose by 14.9% mainly attributable to lower fair value charge in LLA of RM68.28 million in 2016 compared to RM224.86 million in 2015. Excluding LLA effect, the segment's profit reduced by 12.4% to RM609.69 million from RM696.04 million last year.

Lower contribution from the upstream operations mainly attributed to decrease in FFB production from 4.63 million mt to 3.91 million mt in 2016 despite higher average CPO price realized of RM2,560 per mt compared to RM2,210 per mt realised in 2015. OER achieved was lower at 20.68% compared to 20.91% achieved in the previous year. The result was further impacted by impairment on four palm oil mills amounting to RM11.81 million due to rationalization exercise carried out.

(b) Sugar

Sugar segment's profit dropped to 58.7% compared to last year mainly attributable to higher raw sugar material cost and weakening of Ringgit Malaysia but were compensated by strong volume for domestic sales by 24%.

(c) Palm Downstream

Palm Downstream segment incurred a loss of RM52.85 million compared to RM27.86 million profit posted last year mainly due to provision for impairment of its trade receivables of RM33.00 million and of its assets in foreign subsidiary of RM20.66 million. The closure of a palm oil refinery in Sabah had also resulted in an impairment of RM17.80 million to the segment.

This was further compounded by lower margin of RBDPKO from kernel crushing and refining activities and start-up losses due to a new refining plant for packed product business but was partly mitigated by increased contribution from US fatty acid business following the weakening of Ringgit Malaysia and higher average commodity price.

(d) TMLO

The TMLO segment improved with a profit of RM13.28 million compared to RM30.01 million losses in 2015 mainly attributable to weak margins and higher foreign exchange loss suffered in trading activities last year amounted to RM62.96 million compared to RM3.09 million recorded in 2016.

The increase in segment's profit was partly offset with the lower contribution from IT services as significant project such as implementation on GST has been completed last year and lower handling throughput by Group's bulking operation in tandem with lower CPO production volumes.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
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13. Review of Group Performance (continued)

Segment Performance Analysis (continued)

(e) Others

Profit from other businesses declined to 35.9% due to lower margin in rubber business but compensated with the increased margin in R&D segment coupled with lower foreign exchange loss incurred in fertiliser business.

(f) Discontinued operations

There was a reversal of impairment of property, plant and equipment amounting to RM133.30 million included in discontinued operations last year following the disposal of TRT ETGO on 3 November 2015.

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

	Quarter ended		%
	31 December 2016	30 September 2016	+ / (-)
		Restated	
Revenue	<u>5,195,663</u>	<u>4,191,840</u>	23.9
Palm Upstream	313,153	136,549	>100
Sugar	20,924	38,472	(45.6)
Palm Downstream	(46,088)	(18,138)	<100
TMLO	(14,847)	(22,836)	35.0
Others	<u>(2,535)</u>	<u>19,083</u>	<100
Segment results	270,607	153,130	76.7
Reconciliation	<u>(50,981)</u>	<u>(150,104)</u>	66.0
Profit before taxation	219,626	3,026	>100
Zakat	(16,658)	(304)	<100
Tax expense	<u>(114,103)</u>	<u>(23,230)</u>	<100
Profit/(Loss) from continuing operations	88,865	(20,508)	>100
Loss from discontinued operations	<u>(144)</u>	<u>(830)</u>	82.6
Profit/(Loss) for the financial period	<u>88,721</u>	<u>(21,338)</u>	>100
Profit/(Loss) attributable to:			
Owners of the Company	110,597	(73,606)	>100
Non-controlling interests	<u>(21,876)</u>	<u>52,268</u>	<100
Profit/(Loss) for the financial period	<u>88,721</u>	<u>(21,338)</u>	>100



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)

Amounts in RM thousand unless otherwise stated

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

Overall

Group revenue for the quarter ended 31 December 2016 was 23.9% higher against preceding quarter. The Group posted a profit before tax of RM219.63 million compared to RM3.03 million in the preceding quarter as a result of fair value gain in LLA of RM139.00 million compared to fair value charge of RM105.32 million in previous quarter. Impact of the change in accounting policy was also higher at RM56.99 million compared to RM25.96 million in preceding quarter due to higher replanting expenses was capitalized in current quarter under Palm Upstream segment.

In addition, part of the total stock losses amounted of RM36.82 million included in share of losses from jointly controlled entity in preceding quarter was reversed and accounted for as prior year adjustments after taken into consideration the results from the forensic report carried out by professional auditor.

The results of the Group were impacted by the impairment recorded in Palm Upstream and Palm Downstream segments in current quarter.

(a) Palm Upstream

The segment reported an increase in profit to RM313.15 million compared to RM136.55 million mainly contributed by higher fair value gain of RM139.00 million on LLA in current quarter compared to RM105.32 million fair value charge in preceding quarter. The change in accounting policy gave a positive impact of RM56.99 million to current quarter compared to RM25.96 million restated in preceding quarter.

Excluding both effect, the segment's profit declined to RM117.16 million compared to RM215.91 million in preceding quarter. Lower profit was due to the drop in CPO production of 5.9% in tandem with lower FFB production of 0.93 million mt in current quarter compared to 1.12 million mt in preceding quarter despite higher average CPO price of RM2,835 per mt in current quarter compared to RM2,479 per mt in preceding quarter. OER achieved was also lower at 20.73% in current quarter compared to 20.96% achieved in preceding quarter. Impairment loss recognised in current quarter further dragged down the result of the segment.

(b) Sugar

Profit from Sugar segment decreased by 45.6% to RM20.92 million due to higher raw sugar material cost but partly compensated by higher demand of refined sugar from domestic market by 13%.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)

Amounts in RM thousand unless otherwise stated

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

(c) Palm Downstream

Palm Downstream segment incurred higher loss of RM46.09 million in current quarter compared to RM18.14 million in preceding quarter. The segment was dragged down by impairment loss recorded in current quarter for trade receivables, foreign subsidiary's asset and closure of a local palm oil refinery amounting to RM71.50 million.

The impact of the impairment loss was partially mitigated by higher margin in CPKO from kernel crushing business associated with the increase in average CPKO price recorded in current quarter.

(d) TMLO

The TMLO segment recorded a lower loss of RM14.85 million compared to RM22.84 million losses posted in preceding quarter on the back of positive adjustment on yearly rental income from bulking activities.

(e) Others

The results of other business declined to RM2.54 million loss compared to a profit of RM19.08 million in preceding quarter mainly attributable to realised forex losses and higher fair value losses in derivatives for rubber business and lower margin in R&D business.

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

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



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)

Amounts in RM thousand unless otherwise stated

15. Operating Profit after LLA

	Year to date ended 31 December	
	2016	2015 Restated
Included in operating profit after LLA are:		
Depreciation of property, plant and equipment	625,410	623,946
Property, plant and equipment written off	3,701	37,561
Depreciation of investment properties	11,912	11,770
Amortisation of intangible assets	33,122	47,188
Amortisation of prepaid lease payments	4,006	3,581
Impairment of property, plant and equipment	84,853	10,856
Reversal of impairment on property, plant and equipment	-	(165,801)
Impairment of intangible assets	11,817	40,243
Impairment of receivables	32,981	1,814
Impairment in amount due from jointly controlled entity	13,893	-
Gain on liquidation of subsidiaries	(26,124)	-
Gain on disposal of property, plant and equipment	(1,021)	(470)
Net unrealised foreign exchange (gain)/loss	<u>(4,820)</u>	<u>34,320</u>

16. Taxation

	Quarter Ended 31 December		Year to date Ended 31 December	
	2016	2015	2016	2015
Malaysian income tax				
Current financial period/year	(42,534)	(28,156)	(117,031)	(181,115)
Prior financial period/year	21,671	13,420	21,742	13,075
	<u>(20,863)</u>	<u>(14,736)</u>	<u>(95,289)</u>	<u>(168,040)</u>
Foreign income tax				
Current financial period/year	(3,268)	(7,269)	(9,522)	(7,949)
Deferred tax	<u>(89,972)</u>	<u>13,249</u>	<u>(77,682)</u>	<u>38,273</u>
	<u>(114,103)</u>	<u>(8,756)</u>	<u>(182,493)</u>	<u>(137,716)</u>

The effective tax rate of 74% for the financial year ended 31 December 2016 is higher than the Malaysian income tax rate of 24% due to certain expenses which are not allowable, deferred tax assets not recognised on losses in certain subsidiaries and joint ventures and derecognition of deferred tax asset which can no longer be utilised.



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QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
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17. Borrowings

The total unsecured borrowings are as follows:

	As at 31 December 2016		Total
	Secured	Unsecured	
<u>Long-term borrowings</u>			
Loan due to a significant shareholder	-	1,480,417	1,480,417
Term loans	190,336	7,834	198,170
Short term trade financing	-	-	-
Finance lease liabilities	823	-	823
	<u>191,159</u>	<u>1,488,251</u>	<u>1,679,410</u>
 <u>Short-term borrowings</u>			
Loan due to a significant shareholder	-	208,588	208,588
Term loans	33,397	401,565	434,962
Short term trade financing	13,006	3,171,489	3,184,495
Finance lease liabilities	1,186	414	1,600
	<u>47,589</u>	<u>3,782,056</u>	<u>3,829,645</u>
Total borrowings	<u><u>238,748</u></u>	<u><u>5,270,307</u></u>	<u><u>5,509,055</u></u>

Borrowings in RM equivalent analysed by currencies in which the borrowings are denominated are as follows:

Ringgit Malaysia	4,538,494
United States Dollar	904,213
Thai Baht	9,006
Great Britain Pound	54,253
Singapore Dollar	3,089
Total borrowings	<u><u>5,509,055</u></u>

As at 31 December 2016, certain short term trade financing is secured over certain property, plant and equipment, fixed deposits, benefits of an insurance covering finished goods, and guaranteed by some of the directors and/or shareholders of certain subsidiary companies. Certain term loans are secured over leasehold lands, debenture and certain bank balances of the Group.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
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18. Derivative Financial Instruments

FGVH uses forward foreign exchange contracts and commodity contracts to manage its exposure to various financial risks. The outstanding contractual/notional amounts and fair values of these derivatives as at 31 December 2016 are as follows:

	Contractual/ Notional Amount	Fair Value	
		Assets	Liabilities
Foreign currency forwards	796,636	5,142	24,298
Palm oil futures	379,114	5,409	197
	<u>1,175,750</u>	<u>10,551</u>	<u>24,495</u>

19. Fair Value Changes of Financial Instruments

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the last financial year ended 31 December 2015. The maturity periods of the above derivatives are less than one year. The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016.

31 December 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Financial assets at fair value through profit or loss:				
- Derivatives	5,409	5,142	-	10,551
- Available-for-sale financial assets	65,323	-	87,627	152,950
- Trading securities	<u>58,322</u>	<u>-</u>	<u>-</u>	<u>58,322</u>
Total assets	<u>129,054</u>	<u>5,142</u>	<u>87,627</u>	<u>221,823</u>
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
- LLA liability	-	-	4,407,564	4,407,564
- Derivatives	<u>197</u>	<u>24,298</u>	<u>-</u>	<u>24,495</u>
Total liabilities	<u>197</u>	<u>24,298</u>	<u>4,407,564</u>	<u>4,432,059</u>



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Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)

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19. Fair Value Changes of Financial Instruments (continued)

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

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

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 available-for-sale financial assets.

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

	Financial year <u>2016</u>	Financial year <u>2015</u>
<u>LLA liability</u>		
1 January	4,627,195	4,680,829
Fair value changes charged to profit or loss	68,275	224,861
Repayment during the financial year	<u>(287,906)</u>	<u>(278,495)</u>
31 December	<u><u>4,407,564</u></u>	<u><u>4,627,195</u></u>
<u>Available for sale financial assets</u>		
1 January	251,351	218,839
Addition	5,489	9,613
Disposal	(161,529)	-
Fair value (losses)/gains transferred to available-for-sale reserves	<u>(7,684)</u>	<u>22,899</u>
31 December	<u><u>87,627</u></u>	<u><u>251,351</u></u>

Fair value changes for the LLA liability has been measured based on assumptions made on discount rate, crude palm oil prices, fresh fruit bunches prices, palm kernel prices, average yield of fresh fruit bunches, lease term of planted oil palm and rubber and estate replanting fixed cost. Any changes on assumptions used will cause a material variation of the liability.



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20. Realised and Unrealised Profits or Losses

The breakdown of realised and unrealised retained earnings of FGVH is as follows:

	As at 31 December 2016	As at 31 December 2015 Restated
Total retained earnings of the Company and its subsidiaries:		
- realised	5,229,061	4,844,833
- unrealised	(912,482)	(652,613)
	<u>4,316,579</u>	<u>4,192,220</u>
Total share of retained earnings from jointly controlled entities:		
- realised	32,375	196,889
- unrealised	9,227	(36,880)
	<u>41,602</u>	<u>160,009</u>
Total share of retained earnings from associates:		
- realised	189,282	172,012
- unrealised	(6,767)	(6,560)
	<u>182,515</u>	<u>165,452</u>
Less: consolidation adjustments	<u>(2,885,260)</u>	<u>(2,811,416)</u>
Total retained earnings of FGVH	<u>1,655,436</u>	<u>1,706,265</u>

The unrealised profits are determined in accordance with the Guidance on Special Matter No. 1 (GSM1) issued by the Malaysian Institute of Accountants. In arriving at the unrealised profits, we have also included the following which are deemed in the GSM1 as unrealised:

- (a) Credits or charges relating to the recognition of deferred tax,
- (b) Cumulative net gains (but not net losses) from the remeasurement of assets or liabilities at fair value through profit or loss,
- (c) Provision of liabilities in respect of present obligations where resources are only consumed upon settlement of the obligation, and
- (d) Translation gains or losses of monetary items denominated in a currency other than the functional currency.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
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21. Earnings Per Share

	Quarter ended 31 December		Year to date ended 31 December	
	2016	2015 Restated	2016	2015 Restated
Basic earnings per share are computed as follows:				
Profit for the financial year attributable to owners of the Company (RM'000)	<u>110,597</u>	<u>140,703</u>	<u>29,608</u>	<u>188,790</u>
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)	<u>3.0</u>	<u>3.9</u>	<u>0.8</u>	<u>5.2</u>

22. Status of Corporate Proposals

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

23. Significant events

- (a) On 3 February 2016, on behalf of the Board of Directors of FGV, CIMB Investment Bank Berhad ("CIMB") announced that FGV had established a long term incentive plan ("LTIP") in the form of employee share grant scheme.

Pursuant to the LTIP, FGV shall award the grant of up to 10% of the issued and paid-up ordinary share capital of FGV (excluding treasury shares, if any) at any point of time during the duration of the LTIP, to the employees of FGVH and its subsidiaries (excluding subsidiaries which are dormant) ("Group") and Executive Directors of FGV who fulfil the eligibility criteria as Eligible Employees.

The LTIP is served to attract, retain, motivate and reward Selected Eligible Employees for their contribution to the Group through the conditional awards of ordinary shares of RM1.00 each in FGV shares ("Grants") without any consideration payable by the Selected Employees, subject to the certain vesting conditions.

The LTIP shall be implemented and administered by a committee to be established ("LTIP Committee"), comprising, among others, directors and senior management of the Group appointed by the Board.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

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Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
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23. Significant events (continued)

- (b) On 26 February 2016, Felda Global Ventures Downstream Sdn Bhd ("FGVD"), a wholly-owned subsidiary of FGV, entered into two (2) conditional sale and purchase agreements ("SPA") for the transfer of 81,566,106 issued and paid-up ordinary shares of Zhong Ling Nutri-Oil Holdings Limited ("Zhong Ling"), representing approximately 55% of the issued and paid-up share capital of the Zhong Ling from Zhong Hai Investment Holdings Limited ("Zhong Hai") and the other vendors for a total purchase consideration of RM976.25 million.

On 4 March 2016, FGVD and the Vendors, by way of an exchange letters ("Extension Letters"), mutually agreed to extend the period to satisfy the condition precedent of the SPA from 4 March 2016 to 18 March 2016, or any other date as may be mutually agreed upon by parties.

On 18 March 2016, the Board of Directors announced that vide extension letters from Vendors and Zhong Hai, Parties have mutually agreed to further extend the CP Completion Date of SPA to a day not later than 8 April 2016, or such other date as may be mutually agreed upon in writing. Contracts for Services for Key Personnel and Shareholders' Agreement have been executed on the same day.

On 8 April 2016, the Board of Directors of FGV announced that as the conditions precedent set out in SPA could not be fulfilled within the CP Completion Date nor has the same been waived, the Purchaser has issued termination notices, both dated 8 April 2016 to the Vendors and Zhong Hai to terminate SPA in accordance with the relevant provision of SPA.

The Purchaser will not be pursuing or taking any legal action pursuant to the above mentioned termination and would also not have any financial impact on FGV.

- (c) On 30 March 2016, the Board of Directors of FGV announced that two (2) dormant indirect subsidiaries of FGV, namely Felda Plantations Sdn Bhd and Felda Iffcoallana Malaysia Sdn Bhd have been placed under members' voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965.

A liquidator has been appointed for the subsidiaries and the members' voluntary winding-up of the subsidiaries will not have any material impact on the net assets and earnings per share of FGV for the financial year ending 31 December 2016.

- (d) On 3 May 2016, the Board of Directors of FGV announced that FGV and FELDA (FELDA Group) withdraws the Roundtable Sustainable Palm Oil ("RSPO") – Principles and Criteria ("P&C") certificates of 58 complexes located throughout Malaysia. FELDA Group remains a member of RSPO and continues its commitment to RSPO-P&C. This exercise does not affect FELDA Group's RSPO Supply Chain Certification System ("SCCS") certificate of its kernel crushing plants and downstream refineries.

FELDA Group is currently addressing all sustainability issues along the supply chain. This exercise allows a more inclusive certification between commercially managed plantations by FGV and FELDA smallholders.



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Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
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23. Significant events (continued)

- (e) On 23 November 2016, Group President/Chief Executive Officer of FGVH had mentioned there are indeed some unusual stock losses which management has detected in Felda Iffco Gida Sanayi, Turkey, a subsidiary of Felda Iffco Sdn Bhd ("FISB Group"), a jointly controlled entity.

Subsequently, FISB Group had appointed KPMG Turkey ("KPMG") to commence a forensic investigation to investigate the fraud losses. The report on factual finding performed by KPMG to identify and quantify the losses had been finalised in December 2016 and Forensic report completed in January 2017.

Stock losses of TL71.96 million (RM91.32 million) and overstatements of receivables of TL11.48 million (RM14.56 million) had been identified by the Group due to the manipulation of financial statements perpetrated by management of Felda Iffco Gida Sanayi from the beginning financial year 2011 to 2016, which were considered as deliberate misrepresentation of facts and fraud. Accordingly, the impact of errors relating to the fraud perpetrated in prior financial years of RM36.8 million had been adjusted retrospectively in prior year's financial statements.

- (f) On 8 December 2016, the Board has approved on the proposed divestment of the 70% equity interest in FGV Cambridge Nanosystems Limited ("FGV CNS"), an indirect wholly-owned subsidiary of FGVH.

As at 31 December 2016, FGV CNS has been classified as asset held for sale in the statements of financial position as the criteria under FRS 5 "Non-current assets held for sale" has been met.

24. Material events after reporting period

There were no material events after the reporting period.



FELDA GLOBAL VENTURES HOLDINGS BERHAD ('FGVH')

QUARTERLY REPORT (CONTINUED)

Explanatory Notes on the Quarterly Report – 31 December 2016 (continued)
Amounts in RM thousand unless otherwise stated

25. Prospects

With the challenging 2016 over, the average Malaysian CPO price for the month of January 2017 rose to RM3,268 per metric tonne, representing a 23% increase from the average price for the year 2016 of RM2,653 per metric tonne. The uptrend CPO price is expected to be sustained in the near short term on the back of tight supply. However, the expected industry wide recovery in the fresh fruit bunches production will soften the CPO prices in the later part of the year. The global economic condition continues to be influenced by Brexit and uncertainties in the new administration's policy in the US which would contribute to the financial volatility and movement in the Ringgit currency vs US Dollar. The Group will remain committed to improving its' FFB yield and shall continue monitoring operational cost and improve efficiency of its' operations.

Barring unforeseen circumstances, the Board expects performance of the Group for the financial year ending 31 December 2017 to be satisfactory.

By Order of the Board

Koo Shuang Yen
Abd Rashid Atan
Company Secretary

28 February 2017