



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

**QUARTERLY REPORT**

**Condensed Consolidated Financial Statements  
For The Financial Period Ended 30 June 2016**



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

**QUARTERLY REPORT**

**On consolidated results for the second quarter ended 30 June 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 30 June			Year to date ended 30 June		
		2016 RM'000	2015 RM'000	% + / (-)	2016 RM'000	2015 RM'000	% + / (-)
<u>Continuing operations</u>							
Revenue		4,139,601	4,190,477	(1.2)	7,895,050	6,900,368	14.4
Cost of sales		<u>(3,707,818)</u>	<u>(3,634,806)</u>	(2.0)	<u>(7,185,147)</u>	<u>(5,962,816)</u>	(20.5)
<b>Gross profit</b>		431,783	555,671	(22.3)	709,903	937,552	(24.3)
Other operating income		56,221	33,612		96,067	85,038	
Selling and distribution costs		(90,899)	(83,089)		(171,026)	(160,355)	
Administrative expenses		(202,838)	(230,419)		(437,403)	(422,691)	
Other operating expenses		-	-		(37,063)	(25,098)	
Commodity gains/(losses) - net		<u>18,137</u>	<u>(5,802)</u>		<u>41,823</u>	<u>5,278</u>	
<b>Operating profit</b>	15	212,404	269,973	(21.3)	202,301	419,724	(51.8)
Fair value changes in Land Lease Agreement ('LLA') liability		<u>(12,244)</u>	<u>(50,311)</u>		<u>(101,960)</u>	<u>(123,821)</u>	
<b>Operating profit after LLA</b>		200,160	219,662	(8.9)	100,341	295,903	(66.1)
Finance income		5,301	7,881		7,160	18,393	
Finance costs		(59,880)	(36,766)		(107,365)	(92,888)	
Share of results from associates		16,501	8,536		20,978	11,620	
Share of results from joint ventures		<u>(53,920)</u>	<u>(8,763)</u>		<u>17,069</u>	<u>31,007</u>	
<b>Profit before zakat and taxation</b>		108,162	190,550	(43.2)	38,183	264,035	(85.5)
Zakat		(436)	(284)		(803)	(892)	
Taxation	16	<u>(42,183)</u>	<u>(65,557)</u>		<u>(30,917)</u>	<u>(84,883)</u>	
<b>Profit from continuing operations</b>		65,543	124,709		6,463	178,260	
<u>Discontinued operations</u>							
Loss from discontinued operations		<u>(890)</u>	<u>(21,763)</u>		<u>(1,791)</u>	<u>(45,577)</u>	
<b>Profit for the financial period</b>		64,653	102,946	(37.2)	4,672	132,683	(96.5)
<b>Other comprehensive income/(loss)</b>							
Share of other comprehensive (loss)/income of joint ventures		(2,040)	4,177		(9,511)	(28,154)	
Actuarial loss on defined benefit plan		-	(880)		-	(160)	
Fair value changes in available-for-sale financial assets		2,117	(241)		3,620	(222)	
Currency translation differences		15,908	15,119		(65,714)	42,430	
Other comprehensive income/(loss) for the financial period, net of tax		<u>15,985</u>	<u>18,175</u>		<u>(71,605)</u>	<u>13,894</u>	
<b>Total comprehensive income/(loss) for the financial period</b>		<u>80,638</u>	<u>121,121</u>	(33.4)	<u>(66,933)</u>	<u>146,577</u>	<100



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

**QUARTERLY REPORT (CONTINUED)**

**On consolidated results for the second quarter ended 30 June 2016 (continued)**

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

	Note	Quarter ended 30 June			Year to date ended 30 June		
		2016 RM'000	2015 RM'000	% + / (-)	2016 RM'000	2015 RM'000	% + / (-)
<b>Profit attributable to:</b>							
-Owners of the Company		62,209	46,088	35.0	(3,330)	49,663	<100
-Non-controlling interests		<u>2,444</u>	<u>56,858</u>	(95.7)	<u>8,002</u>	<u>83,020</u>	(90.4)
<b>Profit for the financial period</b>		<u>64,653</u>	<u>102,946</u>	(37.2)	<u>4,672</u>	<u>132,683</u>	(96.5)
<b>Total comprehensive income/(loss) attributable to:</b>							
- Owners of the Company		78,823	65,545	20.3	(73,205)	63,133	<100
- Non-controlling interests		<u>1,815</u>	<u>55,576</u>	(96.7)	<u>6,272</u>	<u>83,444</u>	(92.5)
<b>Total comprehensive income/(loss) for the financial period</b>		<u>80,638</u>	<u>121,121</u>	(33.4)	<u>(66,933)</u>	<u>146,577</u>	<100
Earnings per share for profit attributable to the owners of the Company:							
Basic (sen)	21	1.7	1.3		(0.1)	1.4	

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 second quarter ended 30 June 2016 (continued)**

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

	Note	Unaudited As at 30 June 2016	Audited As at 31 December 2015
<b><u>Non-current assets</u></b>			
Property, plant and equipment		6,870,440	6,532,749
Investment properties		132,263	137,334
Intangible assets		1,662,831	1,544,022
Interests in associates		258,046	239,640
Interests in joint ventures		700,323	698,166
Amount due from a joint venture		34,807	34,807
Biological assets		3,076,227	2,848,414
Prepaid lease payments		78,673	78,210
Deposit and other receivables		108,730	459,325
Deferred tax assets		1,263,864	1,282,189
Available-for-sale financial assets		318,612	314,861
		<u>14,504,816</u>	<u>14,169,717</u>
<b><u>Current assets</u></b>			
Inventories		1,694,539	2,078,372
Biological assets		63,827	57,494
Receivables		1,903,098	1,894,271
Amount due from a significant shareholder		159,589	101,555
Amount due from joint ventures		239,683	212,502
Amount due from an associate		-	85
Amounts due from related companies		188,706	102,636
Tax recoverable		137,029	184,442
Financial assets at fair value through profit or loss		57,566	65,905
Derivative financial assets	18	40,341	1,388
Deposits, cash and bank balances		<u>2,622,832</u>	<u>2,503,035</u>
		7,107,210	7,201,685
Assets held for sale		<u>15,673</u>	<u>16,420</u>
		<u>7,122,883</u>	<u>7,218,105</u>
<b>Total assets</b>		<u>21,627,699</u>	<u>21,387,822</u>
<b><u>Equity</u></b>			
Share capital		3,648,152	3,648,152
Share premium		3,371,685	3,371,685
Reserves		<u>(719,157)</u>	<u>(572,990)</u>
<b>Equity attributable to owners of the Company</b>		6,300,680	6,446,847
Non-controlling interests		<u>2,490,589</u>	<u>2,538,622</u>
<b>Total equity</b>		<u>8,791,269</u>	<u>8,985,469</u>



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

**QUARTERLY REPORT (CONTINUED)**

**On consolidated results for the second quarter ended 30 June 2016 (continued)**

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

	Note	Unaudited As at 30 June 2016	Audited As at 31 December 2015
<b><u>Non-current liabilities</u></b>			
Borrowings	17	110,829	407,549
Loan due to a significant shareholder	17	1,582,559	1,684,702
LLA liability		4,281,625	4,312,277
Provision for asset retirement		32,036	32,229
Provision for defined benefit plan		45,306	46,034
Deferred tax liabilities		760,958	724,619
		<u>6,813,313</u>	<u>7,207,410</u>
<b><u>Current liabilities</u></b>			
Payables		1,294,862	1,281,648
Loan due to a significant shareholder	17	208,588	208,588
Amount due to a significant shareholder		189,505	140,113
Amount due to associates		282	-
Amount due to joint ventures		-	31
Amounts due to related companies		4,471	98,524
Borrowings	17	3,995,567	3,142,870
Derivative financial liabilities	18	1,285	1,858
Provision for asset retirement		645	687
LLA liability		326,527	314,918
Current tax liabilities		1,385	5,706
		<u>6,023,117</u>	<u>5,194,943</u>
<b>Total liabilities</b>		<u>12,836,430</u>	<u>12,402,353</u>
<b>Total equity and liabilities</b>		<u>21,627,699</u>	<u>21,387,822</u>
		<b>As at 30 June 2016</b>	<b>As at 31 December 2015</b>
Net assets per share attributable to owners of the Company		<u>1.73</u>	<u>1.77</u>

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to this quarterly report and the audited financial statements for the financial year ended 31 December 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>Foreign exchange reserve</u>	<u>Re-organisation reserve</u>	<u>Available-for-sale-reserve</u>	<u>Capital redemption reserve</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
<b>Year to date ended 30 June 2016</b>										
At 1 January 2016	3,648,152	3,371,685	193,521	(2,088,969)	8,885	10,052	1,303,521	6,446,847	2,538,622	8,985,469
(Loss)/Profit for the financial period	-	-	-	-	-	-	(3,330)	(3,330)	8,002	4,672
<u>Items that will be subsequently reclassified to profit and loss</u>										
- currency translation differences	-	-	(64,005)	-	-	-	-	(64,005)	(1,709)	(65,714)
- available-for-sale fair value changes	-	-	-	-	3,641	-	-	3,641	(21)	3,620
- share of other comprehensive loss of joint ventures	-	-	(9,511)	-	-	-	-	(9,511)	-	(9,511)
	-	-	(73,516)	-	3,641	-	-	(69,875)	(1,730)	(71,605)
Total comprehensive (loss)/income for the financial period	-	-	(73,516)	-	3,641	-	(3,330)	(73,205)	6,272	(66,933)
Dividend paid for the financial year ended 31 December 2015 (final)	-	-	-	-	-	-	(72,962)	(72,962)	-	(72,962)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(54,305)	(54,305)
Total transaction with owners							(72,962)	(72,962)	(54,305)	(127,267)
At 30 June 2016	<u>3,648,152</u>	<u>3,371,685</u>	<u>120,005</u>	<u>(2,088,969)</u>	<u>12,526</u>	<u>10,052</u>	<u>1,227,229</u>	<u>6,300,680</u>	<u>2,490,589</u>	<u>8,791,269</u>

\* 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 Changes in Equity (continued)**  
**Amounts in RM thousand unless otherwise stated**

	<u>Note</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Foreign exchange reserve</u>	<u>Re-organisation reserve</u>	<u>Available-for-sale-reserve</u>	<u>Capital redemption reserve</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Tot equi</u>
<b>Period ended 30 June 2015</b>											
At 1 January 2015		3,648,152	3,371,685	(12,865)	(2,088,969)	32,456	10,052	1,415,722	6,376,233	2,447,532	8,823,765
Profit for the financial period		-	-	-	-	-	-	49,663	49,663	83,020	132,683
Other comprehensive income/(loss) for the financial period, net of tax:											
<u>Items that will not be reclassified to profit and loss</u>											
- Actuarial loss on defined benefit plan		-	-	-	-	-	-	(160)	(160)	-	(160)
<u>Items that will be subsequently reclassified to profit and loss</u>											
- currency translation differences		-	-	41,707	-	-	-	-	41,707	723	42,430
- available-for-sale fair value changes		-	-	-	-	77	-	-	77	(299)	(222)
- share of other comprehensive income/(loss) of joint ventures		-	-	1,138	-	(29,292)	-	-	(28,154)	-	(28,154)
		-	-	42,845	-	(29,215)	-	-	13,630	424	14,054
Total comprehensive income/(loss) for the financial period		-	-	42,845	-	(29,215)	-	49,503	63,133	83,444	146,577
Accretion of interest in subsidiaries		-	-	-	-	-	-	-	-	20,637	20,637
Dividend payable for the financial year ended 31 December 2014 (final)		-	-	-	-	-	-	(145,926)	(145,926)	-	(145,926)
Dividend paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	(48,224)	(48,224)
Total transaction with owners								(145,926)	(145,926)	(27,587)	(173,513)
At 30 June 2015		3,648,152*	3,371,685	29,980	(2,088,969)	3,241	10,052	1,319,299	6,293,440	2,503,389	8,796,829

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 June 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	
		30 June	
		2016	2015
		RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit for the financial period</b>		4,672	132,683
Adjustments for non-cash items		411,816	454,769
<b>Operating profit before working capital changes</b>		416,488	587,452
Changes in working capital		158,299	(1,161,608)
<b>Cash generated/(used in) from operations</b>		574,787	(574,156)
Interest received		7,160	9,136
Taxation paid		(13,177)	(74,120)
Zakat paid		(803)	(892)
Retirement benefits paid		(491)	(817)
<b>Net cash generated from/(used in) from operating activities</b>		567,476	(640,849)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(229,514)	(447,750)
Additions of biological assets		(27,034)	(22,647)
Purchase of intangible asset		(7,905)	(13,890)
Purchase of investment property		(1,371)	-
Purchase of prepaid lease payments		(4,682)	-
Net cash outflow from acquisition of a subsidiary		(278,618)	(92,897)
Deposits for acquisition of subsidiaries		-	(65,500)
Payment for asset retirement obligation		-	(213)
Proceeds from disposal of property, plant and equipment		1,016	12,050
Proceeds from disposal of fair value through profit or loss		-	1,065
Additions in available- for sale financial assets		-	(1,597)
Dividend received from associates		2,844	270
Dividend received from available-for-sale financial assets		1,461	15,000
<b>Net cash used in investing activities</b>		(543,803)	(616,109)



**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	
		30 June	
		2016	2015
		RM'000	RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdown of borrowings		4,803,221	2,119,999
Repayment of borrowings		(4,248,834)	(1,719,218)
Repayment of LLA liability		(121,003)	(130,299)
Repayment of loan due to a significant shareholder		(102,143)	(153,412)
Dividend paid to shareholders		(72,962)	(145,926)
Dividend paid to non-controlling interest		(54,305)	(48,224)
Finance costs paid		(101,658)	(58,258)
Decrease in fixed deposits pledged for bank guarantee		128,843	-
<b>Net cash generated/(used in) from financing activities</b>		<b>231,159</b>	<b>(135,338)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>254,832</b>	<b>(1,392,296)</b>
Effect of foreign exchange rate changes		(6,192)	17,342
Cash and cash equivalents at beginning of the financial period		2,008,539	3,673,415
<b>Cash and cash equivalents at end of the financial period</b>		<b>2,257,179</b>	<b>2,298,461</b>
Deposits, cash and bank balances		2,622,832	2,298,461
Less: Fixed deposits pledged		(365,653)	-
Less: Cash and cash equivalents in assets held for sale		-	(33,066)
Cash and cash equivalents at end of the period		<b>2,257,179</b>	<b>2,265,395</b>

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 – 30 June 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's 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 FRSs and IC Interpretations with effect from 1 January 2016.

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 annual period beginning on 1 January 2018. In adopting the new framework, the Group will be applying MFRS 1 "First-time adoption of MFRS".

##### (b) 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 FRSs 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 impact on the current or any prior year and are not likely to affect future periods.



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

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 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. Dividend**

The final single tier dividend of 2.0 sen per share for the financial year ended 31 December 2015 amounting to RM72.96 million was paid on 30 June 2016.



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

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 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 period ended 30 June 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 first 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.



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

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 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 period is as follows:

	<b>Palm Upstream</b>	<b>Palm Downstream</b>	<b>Sugar</b>	<b>Trading, marketing, logistics and others</b>	<b>Others</b>	<b>Reconciliation</b>	<b>Total</b>	<b>Discontinued operations</b>	<b>Total</b>
<b>Year to date ended 30 June 2016</b>									
Total segment revenue	3,810,006	1,909,537	1,586,740	3,511,525	882,966	(3,805,724)	7,895,050	-	7,895,050
Less : Inter-segment revenue	(2,892,807)	(38,555)	(398,413)	(199,588)	(276,361)	3,805,724	-	-	-
Revenue from external customers	<u>917,199</u>	<u>1,870,982</u>	<u>1,188,327</u>	<u>3,311,937</u>	<u>606,605</u>	<u>-</u>	<u>7,895,050</u>	<u>-</u>	<u>7,895,050</u>
Finance income	6,443	3,031	1,652	2,708	2,382	(9,056)	7,160	-	7,160
Finance costs	(37,468)	(4,519)	(5,715)	(4,889)	(3,634)	(51,140)	(107,365)	(1,423)	(108,788)
Depreciation and amortization	(115,656)	(43,586)	(24,059)	(47,476)	(18,040)	(8,165)	(256,982)	(104)	(257,086)
Fair value changes in LLA liability	(101,960)	-	-	-	-	-	(101,960)	-	(101,960)
Share of results of joint ventures	1,300	10,920	-	4,839	10	-	17,069	-	17,069
Share of results of associates	467	-	-	18,188	-	2,323	20,978	-	20,978
Profit/(Loss) before zakat and taxation for the financial period	<u>46,103</u>	<u>6,922</u>	<u>105,647</u>	<u>55,411</u>	<u>7,875</u>	<u>(183,775)</u>	<u>38,183</u>	<u>(1,791)</u>	<u>36,392</u>



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

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 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 period is as follows: (continued)

	<b>Palm Upstream</b>	<b>Palm Downstream</b>	<b>Sugar</b>	<b>Trading, marketing, logistics and others</b>	<b>Others</b>	<b>Reconciliation</b>	<b>Total</b>	<b>Discontinued operations</b>	<b>Total</b>
<b>Year to date ended 30 June 2015, as reinstated</b>									
Total segment revenue	4,612,131	1,694,982	1,120,659	2,811,866	873,540	(4,212,810)	6,900,368	507,808	7,408,176
Less : Inter-segment revenue	(3,594,893)	(139,536)	(23,852)	(200,344)	(254,185)	4,212,810	-	-	-
Revenue from external customers	<u>1,017,238</u>	<u>1,555,446</u>	<u>1,096,807</u>	<u>2,611,522</u>	<u>619,355</u>	<u>-</u>	<u>6,900,368</u>	<u>507,808</u>	<u>7,408,176</u>
Finance income	6,094	922	9,685	-	2,800	(1,108)	18,393	-	18,393
Finance costs	(20,446)	(11,055)	(2,569)	(514)	(3,294)	(55,010)	(92,888)	(2,700)	(95,588)
Depreciation and amortization	(107,875)	(31,710)	(19,323)	(37,441)	(14,359)	(3,805)	(214,513)	(8,043)	(222,556)
Fair value changes in LLA liability	(123,821)	-	-	-	-	-	(123,821)	-	(123,821)
Share of results of joint ventures	(12,056)	37,586	-	1,557	3,920	-	31,007	-	31,007
Share of results of associates	378	-	-	9,021	-	2,221	11,620	-	11,620
Profit/(Loss) before zakat and taxation for the financial period	<u>76,266</u>	<u>(7,184)</u>	<u>205,775</u>	<u>48,272</u>	<u>25,616</u>	<u>(84,710)</u>	<u>264,035</u>	<u>(45,577)</u>	<u>218,458</u>



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

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 2016 (continued)**  
**Amounts in RM thousand unless otherwise stated**

**8. Capital Commitments**

Authorised capital expenditure not provided for are as follows:

	<b>As at 30 June 2016</b>	<b>As at 31 December 2015</b>
Property, plant and equipment:		
- contracted	503,789	640,522
- not contracted	1,166,806	1,242,182
	<u>1,670,595</u>	<u>1,882,704</u>
Biological assets:		
- contracted	61,863	65,377
- not contracted	26,111	32,384
	<u>87,974</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 – 30 June 2016 (continued)**  
**Amounts in RM thousand unless otherwise stated**

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

(I) Related party transactions for the financial period ended 30 June 2016 and 30 June 2015 are as follows:

a) Sales of goods and services

	Year to date ended 30 June	
	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)	-	240,201
Sales of CPO by FGVPM to FISB Group	706,870	698,961
Sales of CPKO, RBDPKO and PFAD by FKPSB to FISB Group and FPG	616,318	397,241
Sales of processed Palm Oil ("PPO") by FELMA to FISB Group	-	17,321
Sales of CPO by FGVPM to MAPAK	162,551	151,205
(ii) Transaction with FELDA Group		
Sales of fertilizer by FPMSB	171,762	180,582
IT services rendered by Prodata	14,167	28,343
Maintenance and consultancy services by FESSB	34,281	47,817
Security services rendered by Felda Security Services Sdn. Bhd. ("FSSSB")	12,369	14,346
Sales of seedlings and planting materials by FASSB	9,496	11,492



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

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 2016 (continued)**  
**Amounts in RM thousand unless otherwise stated**

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

(I) Related party transactions for the financial period ended 30 June 2016 and 30 June 2015 are as follows: (continued)

b) Purchase of goods and services

	Year to date ended 30 June	
	2016	2015
(i) Transactions with joint venture		
Purchase of CPO by FELMA form FISB Group	-	61,698
(ii) Transaction with FELDA Group		
LLA liability paid by FGVP	121,003	130,299
Interest expense charged by FELDA	46,178	49,094
Purchase of latex and cup lump by FRISB	39,367	39,884
Purchase of FFB by FPISB and FGVP	1,206,283	1,259,634
Building rental charged by FELDA	17,950	12,766
c) <u>Transactions with Government related entities</u>		
Transactions between subsidiaries and other government agencies		
Cooking oil subsidy received from Malaysia Palm Oil Board ('MPOB')	60,799	52,498
CESS payment to Malaysia Palm Oil Board ('MPOB')	14,075	15,662



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

### QUARTERLY REPORT (CONTINUED)

#### Explanatory Notes on the Quarterly Report – 30 June 2016 (continued) Amounts in RM thousand unless otherwise stated

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

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

#### 11. Contingent Liabilities and Material Litigation

- (i) On 3 September 2010, FPISB and FELDA were sued by 514 settlers of Felda Serting 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.
- (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. Trial of this case is now completed and both parties to submit written submission on or before 11 March 2016. Temerloh High Court has heard part of clarification on 12 July 2016 and 15 July 2016 and 15 and 16 August 2016. The matter is fixed for further clarification on 6 September 2016.
- (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 fixed this case to be heard as follows: This case will be heard together with case Mempaga.
  - a) 10 to 12 August 2016 at Temerloh High Court;
  - b) 17 to 19 August 2016 at Kuantan High Court;
  - c) 25 to 26 August 2016 at Temerloh High Court;
  - d) 1 to 2 September 2016 at Kuantan High Court;
  - e) 5 to 9 September 2016 at Temerloh High Court;
  - f) 19 to 23 September 2016 at Kuantan High Court; and
  - g) 26 to 30 September 2016 at Temerloh High Court.



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

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 2016 (continued)**  
**Amounts in RM thousand unless otherwise stated**

**11. Contingent Liabilities and Material Litigation (continued)**

- (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 is fixed for clarification on 19 September 2016 at Kuantan High Court.
- (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 Court has fixed this matter for decision on 29 September 2016.
- (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. This matter is now fixed for decision on 26 September 2016.
- (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 fixed this case to be heard as follows: This case will be heard together with case Jengka B.
  - a) 10 to 12 August 2016 at Temerloh High Court;
  - b) 17 to 19 August 2016 at Kuantan High Court;
  - c) 25 to 26 August 2016 at Temerloh High Court;
  - d) 1 to 2 September 2016 at Kuantan High Court;
  - e) 5 to 9 September 2016 at Temerloh High Court;
  - f) 19 to 23 September 2016 at Kuantan High Court; and
  - g) 26 to 30 September 2016 at Temerloh High Court.

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 – 30 June 2016 (continued)**

**Amounts in RM thousand unless otherwise stated**

**12. Review of Group Performance**

	Year to date ended		%
	30 June		
	2016	2015	+ / (-)
Revenue	7,895,050	6,900,368	14.4
Palm Upstream	46,103	76,266	(39.5)
Sugar	105,647	205,775	(48.7)
Palm Downstream	6,922	(7,184)	>100
Trading, marketing, logistics and others ("TMLO")	55,411	48,272	14.8
Others	7,875	25,616	(69.3)
Segment results	221,958	348,745	(36.4)
Reconciliation	(183,775)	(84,710)	<100
Profit before taxation ("PBT")	38,183	264,035	(85.5)
Zakat	(803)	(892)	10.0
Tax expense	(30,917)	(84,883)	63.6
Profit from continuing operations	6,463	178,260	(96.4)
Loss from discontinued operations	(1,791)	(45,577)	96.1
Net profit for the financial period	4,672	132,683	(96.5)
 (Loss)/Profit attributable to:			
Owners of the Company	(3,330)	49,663	<100
Non-controlling interests	8,002	83,020	(90.4)
Profit after tax and non-controlling interests	4,672	132,683	(96.5)

**Overall**

Group revenue for the half-year ended 30 June 2016 improved 14.4% to RM7.90 billion from RM6.90 billion reported last year. The Group posted a lower profit before taxation of RM38.18 million in 2016 compared to RM264.04 million registered last year largely due to lower CPO production and higher raw sugar costs.

**Segment Performance Analysis**

**(a) Palm Upstream**

Palm Upstream segment registered a lower profit of RM46.10 million in 2016 mainly attributable to 18% drop in CPO production to 1.14 million mt in tandem with the 14% decrease in FFB production despite the higher average CPO price realized of RM2,446 per MT against RM2,263 per MT realised last year. OER achieved was lower at 20.47% compared to 20.54% achieved in the previous year.

The decrease in profit was compensated by lower fair value charge in LLA of RM101.96 million in 2016 compared to RM123.82 million in 2015. Excluding the LLA effect, the segment's profit declined to RM148.06 million from RM200.09 million last year.



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

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 2016 (continued)**

**Amounts in RM thousand unless otherwise stated**

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

**(b) Sugar**

The segment reported a decrease in profit by 48.7% mainly attributable to increase in raw sugar costs but mitigated by higher sales volume for export and domestic segment by 25% and 14% respectively.

**(c) Palm Downstream**

Palm Downstream segment registered an improvement with a profit of RM6.92 million compared to RM7.18 million losses recorded in 2015 mainly due to higher margin achieved in the US fatty acid business.

The improved result was however offset against the lower margin in RBDPKO and lower CPKO sales volume from kernel crushing activities and negative margin achieved from China's bulk palm oil trading.

**(d) TMLO**

The TMLO segment recorded 14.8% increase in profit compared to the previous year mainly due to improved results and foreign exchange gain recognised from trading segment. The increase was partly set off by lower handling throughput by Group's bulking operation owing to lower CPO production volumes and decrease in construction income as most of the project has been completed this year.

**(e) Others**

Other businesses recorded a reduction in profit from RM25.62 million last year to RM7.88 million on the back of negative margin achieved in rubber business associated with the decrease in sales price.

**(f) Discontinued operations**

The improvement reported in the discontinued operations was due to the result of TRT ETGO which was disposed on 3 November 2015 was no longer included in current year's result.



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

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 2016 (continued)**  
**Amounts in RM thousand unless otherwise stated**

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

	Quarter ended		%
	30 June 2016	31 March 2016	
Revenue	4,139,601	3,755,449	10.2
Palm Upstream	149,005	(102,902)	<100
Sugar	39,149	66,498	(41.1)
Palm Downstream	5,121	1,801	>100
TMLO	35,034	20,377	71.9
Others	23,543	(15,668)	>100
Segment results	251,852	(29,894)	>100
Reconciliation	(143,690)	(40,085)	<100
Profit/(Loss) before taxation	108,162	(69,979)	>100
Zakat	(436)	(367)	(18.8)
Tax expense	(42,183)	11,266	<100
Profit/(Loss) from continuing operations	65,543	(59,080)	>100
Loss from discontinued operations	(890)	(901)	1.2
Profit/(Loss) for the financial period	64,653	(59,981)	>100
Profit/(Loss) attributable to:			
Owners of the Company	62,209	(65,539)	>100
Non-controlling interests	2,444	5,558	(56.0)
Profit/(Loss) for the financial period	64,653	(59,981)	>100

**Overall**

Group revenue for the quarter ended 30 June 2016 increased by 10.2% against preceding quarter. The Group posted profit before tax of RM108.16 million compared to RM69.98 million losses suffered in the preceding quarter largely due to higher contribution from all business segments except for Sugar.

Decrease in fair value charge on LLA of RM12.24 million compared to RM89.72 million charged in preceding quarter also helped to improve the Group's result.



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

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 2016 (continued)**

**Amounts in RM thousand unless otherwise stated**

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

**(a) Palm Upstream**

The segment registered a significant improvement with a profit of RM149.01 million for the current quarter compared to loss of RM102.90 million in preceding quarter. This was mainly attributable to 36% increase in CPO production associated with the FFB production which rose 38% to 1.08 million mt in current quarter compared to 0.78 million mt in preceding quarter. The OER achieved was lower at 20.40% compared to 20.56% achieved in preceding quarter. Average CPO price realised in current quarter was RM2,570 per MT compared to RM2,303 per MT in preceding quarter.

In addition, lower fair value charge of RM12.24 million on LLA was reported in current quarter compared to RM89.72 million charged in preceding quarter. Excluding the LLA effect, the segment's profit was RM161.25 million compared to RM13.18 million loss in preceding quarter.

**(b) Sugar**

Profit from Sugar segment declined by 41.1% to RM39.15 million from RM66.50 million in preceding quarter mainly due to higher production cost but compensated with higher sugar sales volume.

**(c) Palm Downstream**

Palm Downstream segment reported an increase in profit from RM1.80 million to RM5.12 million in current quarter mainly due to higher margin achieved in US fatty acid business but partly affected by the lower margin achieved in RBDPKO from kernel crushing activities.

**(d) TMLO**

The TMLO segment's result improved 71.9% from RM20.38 million to RM35.03 million in current quarter on the back of higher income from transportation in tandem with increase in CPO production as well as increase in income from IT services.

**(e) Others**

The other business increased significantly to RM23.54 million from RM15.67 million losses in preceding quarter mainly attributable to higher sales volume posted in fertiliser business coupled with higher margin in R&D business.



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

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 2016 (continued)**  
**Amounts in RM thousand unless otherwise stated**

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

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

**15. Operating Profit after LLA**

	<b>Year to date ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
Included in operating profit after LLA are:		
Depreciation of property, plant and equipment	224,569	198,565
Property, plant and equipment written off	1,237	2,263
Depreciation of investment properties	6,093	5,992
Amortisation of intangible assets	21,797	12,141
Amortisation of prepaid lease payments	2,103	3,415
Accelerated depreciation of biological assets	2,442	2,443
Reversal in property, plant and equipment	-	(2,956)
Gain on disposal of investment in joint venture	-	(11,841)
Net unrealised foreign exchange (gain)/loss	<u>(857)</u>	<u>1,087</u>

**16. Taxation**

	<b>Quarter Ended 30 June</b>		<b>Year to date Ended 30 June</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Malaysian income tax</b>				
Current financial period	(53,691)	(48,089)	(56,269)	(79,660)
Prior financial period	-	139	-	-
	<u>(53,691)</u>	<u>(47,950)</u>	<u>(56,269)</u>	<u>(79,660)</u>
<b>Foreign income tax</b>				
Current financial period	874	(5,268)	(1,983)	(4,408)
<b>Deferred tax</b>	<u>10,634</u>	<u>(12,339)</u>	<u>27,335</u>	<u>(815)</u>
	<u>(42,183)</u>	<u>(65,557)</u>	<u>(30,917)</u>	<u>(84,883)</u>

The effective tax rate of 83% for the financial period ended 30 June 2016 is higher than the Malaysian income tax rate of 24% due to certain expenses which are not allowable and deferred tax assets not recognized on losses in certain subsidiaries.



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

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 2016 (continued)**  
**Amounts in RM thousand unless otherwise stated**

**17. Borrowings**

The total unsecured borrowings are as follows:

<u>Long-term borrowings</u>	<b>As at 30 June 2016</b>		<b>Total</b>
	<b>Secured</b>	<b>Unsecured</b>	
Loan due to a significant shareholder	-	1,582,559	1,582,559
Term loans	1,141	10,825	11,966
Short term trade financing	-	97,821	97,821
Finance lease liabilities	1,042	-	1,042
	<u>2,183</u>	<u>1,691,205</u>	<u>1,693,388</u>
 <u>Short-term borrowings</u>			
Loan due to a significant shareholder	-	208,588	208,588
Term loans	30,864	566,199	597,063
Short term trade financing	161,339	3,235,927	3,397,266
Finance lease liabilities	677	561	1,238
	<u>192,880</u>	<u>4,011,275</u>	<u>4,204,155</u>
Total borrowings	<u>195,063</u>	<u>5,702,480</u>	<u>5,897,543</u>

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

Ringgit Malaysia	4,855,603
United States Dollar	968,574
Thai Baht	12,853
Great Britain Pound	57,654
Singapore Dollar	2,859
Total borrowings	<u>5,897,543</u>

As at 30 June 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 of the Group.



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

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 2016 (continued)**

**Amounts in RM thousand unless otherwise stated**

**18. Derivative Financial Instruments**

FGVH uses forward foreign exchange contracts and commodity contracts to manage its exposure to various financial risks. The outstanding contractual/notional amounts and fair values of these derivatives as at 30 June 2016 are as follows:

	Contractual/ Notional Amount	Fair Value	
		Assets	Liabilities
Foreign currency forwards	804,231	6,381	1,285
Palm oil futures	274,965	30,503	-
Sugar futures	78,302	3,457	-
	<u>1,157,498</u>	<u>40,341</u>	<u>1,285</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 30 June 2016 .

<u>30 June 2016</u>	<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	33,960	6,381	-	40,341
- Available-for-sale financial assets	76,370	-	242,242	318,612
- Trading securities	<u>57,566</u>	<u>-</u>	<u>-</u>	<u>57,566</u>
Total assets	<u>167,896</u>	<u>6,381</u>	<u>242,242</u>	<u>416,519</u>
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
- LLA liability	-	-	4,608,152	4,608,152
- Derivatives	<u>-</u>	<u>1,285</u>	<u>-</u>	<u>1,285</u>
Total liabilities	<u>-</u>	<u>1,285</u>	<u>4,608,152</u>	<u>4,609,437</u>



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

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 2016 (continued)**

**Amounts in RM thousand unless otherwise stated**

**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.

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

	6 months period ended <u>30 June 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	101,960	224,879
Repayment during the financial period/year	<u>(121,003)</u>	<u>(278,513)</u>
30 June /31 December	<u>4,608,152</u>	<u>4,627,195</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.



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

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 2016 (continued)**

**Amounts in RM thousand unless otherwise stated**

**20. Realised and Unrealised Profits or Losses**

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

	<b>As at 30 June 2016</b>	<b>As at 30 June 2015</b>
Total retained earnings of the Company and its subsidiaries:		
- realised	3,963,080	3,888,717
- unrealised	(281,508)	(298,003)
	<u>3,681,572</u>	<u>3,590,714</u>
Total share of retained earnings from jointly controlled entities:		
- realised	72,920	179,094
- unrealised	24,835	(27,201)
	<u>97,755</u>	<u>151,893</u>
Total share of retained earnings from associates:		
- realised	177,334	159,596
- unrealised	(474)	(6,560)
	<u>176,860</u>	<u>153,036</u>
Less: consolidation adjustments	(2,728,958)	(2,576,344)
Total retained earnings of FGVH	<u><u>1,227,229</u></u>	<u><u>1,319,299</u></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 – 30 June 2016 (continued)**  
**Amounts in RM thousand unless otherwise stated**

**21. Earnings Per Share**

	Quarter ended 30 June		Year to date ended 30 June	
	2016	2015	2016	2015
Basic earnings per share are computed as follows:				
Profit/(Loss) for the financial period attributable to owners of the Company (RM'000)	62,209	46,088	(3,330)	49,663
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>1.7</u>	<u>1.3</u>	<u>(0.1)</u>	<u>1.4</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')**

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 2016 (continued)**

**Amounts in RM thousand unless otherwise stated**

**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.



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

**QUARTERLY REPORT (CONTINUED)**

**Explanatory Notes on the Quarterly Report – 30 June 2016 (continued)**  
**Amounts in RM thousand unless otherwise stated**

**24. Material events after reporting period**

There were no material events after the reporting period.

**25. Prospects**

The global economy continues to remain challenging going into the second quarter of the year. This was further compounded by initial uncertainty of Brexit, though markets seem to have adjusted and stabilized on this factor. As for the palm industry, direction of CPO prices moving forward will be determined by the predicted stronger Fresh Fruit Bunches (FFB) output in the coming months due to seasonal trend, the supply of global edible oil especially soy bean oil, crude oil prices, Ringgit currency movement versus US dollar and also implementation of the biodiesel mandate. The recovery in FFB production however is not expected to result in total production for 2016 exceeding that of 2015. This could therefore help to improve CPO prices further towards the end of the year and thus help to offset the lower volumes. The Group remain committed to its' replanting programme and will continue to undertake cost rationalization measures in this challenging operating condition which is also impacted by the implementation of the new minimum wage effective July 2016.

Barring unforeseen circumstances, the Board expects performance of the Group for the financial year ending 31 December 2016 to be in line with industry.

By Order of the Board

Koo Shuang Yen  
Abd Rashid Atan  
Company Secretary

29 August 2016