

FELDA GLOBAL VENTURES HOLDINGS BERHAD

# CONSOLIDATE OPTIMISE FOCUS

ANNUAL INTEGRATED REPORT 2016



CONSOLIDATE  
TO STREAMLINE OPERATIONS AND  
REDUCE COMPLEXITIES

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OPTIMISE  
TO CREATE GREATER EFFICIENCY AND  
MAXIMISE RETURNS

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FOCUS  
TO ENHANCE VALUE IN OUR CORE  
BUSINESSES

# INSIDE THIS REPORT

# 9<sup>th</sup>

Annual  
General Meeting

**Venue**

Banquet Hall 1,  
Level B2, Menara Felda,  
Platinum Park, No. 11,  
Persiaran KLCC,  
50088 Kuala Lumpur,  
Malaysia

**Date**

25 May 2017

**Time**

11:00 a.m.



This icon refers readers to  
information elsewhere in  
this report.

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# ABOUT THIS REPORT

We apply a progressive approach to integrated thinking and integrated reporting. The leadership of the Group develops and directs the strategy and manages the business in an integrated way, taking cognisance of the capital resources required and the interests of all our Stakeholders.

This is demonstrated throughout our Annual Integrated Report (AIR) for the year ended 31 December 2016.

In preparing our report, we were guided by the International Integrated Reporting Council (IIRC) Framework, published by the IIRC in December 2013. Our management reporting processes and our suite of reporting publications are aligned with the reporting requirements of the Malaysian Code on Corporate Governance 2012 (MCCG 2012), Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Sustainability Guidelines and the Global Reporting Initiative (GRI). We have a Reporting Committee (RC) in place, chaired by the Group Chief Financial Officer (CFO), who interacts directly with the Group President/Chief Executive Officer (GP/CEO).

The AIR is our primary report to Stakeholders. The scope of this report includes the Group's main business units and key functions as shown on pages 30-57. All significant items are reported on a like-for-like basis, with no major restatements.

Given the integrated basis upon which we manage our business, the interests and concerns of our key Stakeholders, and how we respond to them, are discussed throughout our report.

## DETERMINING MATERIALITY

Our AIR aims to provide a balanced, accurate and accessible assessment of our strategy, performance and prospects in relation to material financial, economic, social, environmental and governance issues. The material issues and developments that are comprehensively dealt with in the report were determined by considering the following:

- Set quantitative and qualitative criteria factors
- Matters that are critical in relation to achieving our strategic objectives and the sustainability of our integrated value chain
- Matters covered in reports submitted to the Board of Directors for discussion or approval
- Key risks identified by our risk management process
- The interest of our key Stakeholders

## ASSURANCE AND APPROVAL

Our Board has approved the RC whose terms include ensuring that the contents of the AIR adhere to the IIRC Framework, in addition to the final approval of the AIR.

In keeping with our assurance and approval objectives, PricewaterhouseCoopers (PwC) continues to provide external assurance on our financial statements while also providing limited assurance on our sustainability reporting. For the year under review, PwC additionally provided assurance on our Statement of Risk Management and Internal Control (SORMIC).

## FEEDBACK

Through our reporting process we seek to move beyond compliance and enter into an inclusive and meaningful dialogue with our Stakeholders, with the aim of informing our strategy and building trust. We value feedback and welcome questions and comments on our reporting. To give feedback on our reports, please contact our Investor Relations unit at 03-2859 0000 or email us at [fgy.investors@feldaglobal.com](mailto:fgy.investors@feldaglobal.com).

## FORWARD LOOKING STATEMENTS

Certain statements in this document are forward looking. Typically, they contain words such as "anticipates", "estimates", "expects", "projects", "believes", "intends", "plans", "may", "will" and "should", or similar expressions. Such statements relate to the plans, objectives, goals, strategies, future operations and performance of Felda Global Ventures Holdings Berhad (FGV or the Company). They are not guarantees of future operating, financial or other results and involve certain risks, uncertainties and assumptions. Actual results and outcomes may therefore differ materially from those expressed or implied. We make no express or implied representation or warranty that the results anticipated by such forward-looking statements will be achieved. These statements represent one of many possible scenarios and should not be viewed as the most likely or standard scenario. We are not obligated to update the historical information or forward-looking statements in this document.

# FGV AT A GLANCE

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## Vision

To be the Leading Globally Integrated Agri-business that Deliver Values to Customers & Smallholders

## Mission

### To be a global leader by:

- Creating value through our human capital
- Championing our locally invested culture
- Building an integrated value chain advantage
- Cultivating diversification in commodities and geography

## PLANTATION SECTOR

### Palm Upstream



Total Landbank

**440,622 Hectares**

*in Malaysia and Indonesia  
(Inclusive of rubber)*

Supported by 72 mills producing 2.66 million\* MT of Crude Palm Oil

\*Including external crops

### Palm Downstream

**35%**

domestic market share in the cooking oil segment, through our flagship brand, SAJI

**11**

refineries globally inclusive of joint ventures

### Research & Development and Agri-Services

Producer of award-winning planting material

**Yangambi**

with

**43%**

market share

**1<sup>st</sup> Seed Producer** from Malaysia to export oil palm planting material to Indonesia

# FGV AT A GLANCE

## LOGISTICS & OTHERS SECTOR

### Logistics



Vegetable oil terminal with capacity of over

**900,000 MT**

451 lorry tankers and cargoes,  
15 transport hubs and 2 warehouses

## SUGAR SECTOR

### Sugar



**Malaysia's Leading Refined Sugar Producer**

**60%** of domestic market share

Annual production capacity of

**1.25 Million MT**

### Market Capitalisation



**RM5.65**

Billion

As at 31 December 2016

We operate in  
11 countries including Indonesia,  
Pakistan, China & the USA

with **19,557\***

Total Employees



\*Including MSM Group

### Total Assets

**RM21.03**

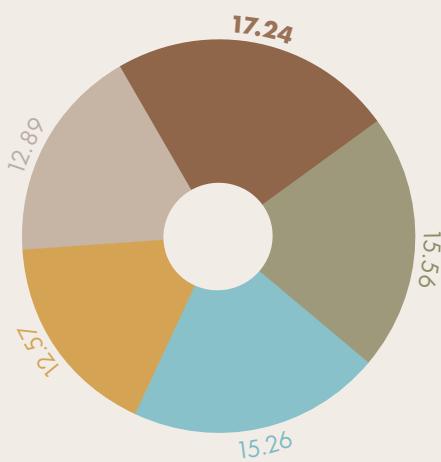
Billion

As at 31 December 2016

# 5-YEAR FINANCIAL REVIEW

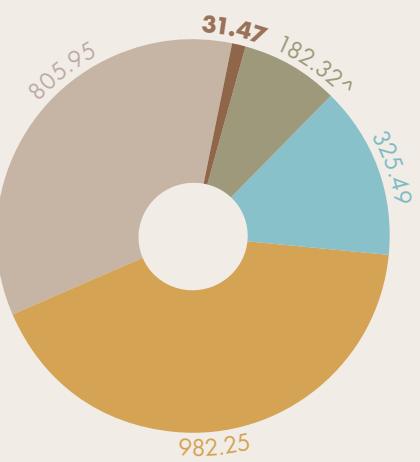
## Revenue

(RM' Billion)



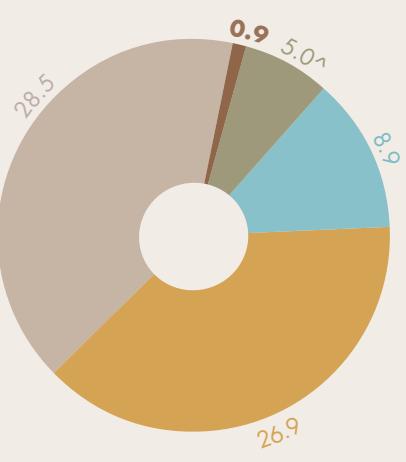
## Profit after Tax and Minority Interests

(RM' Million)



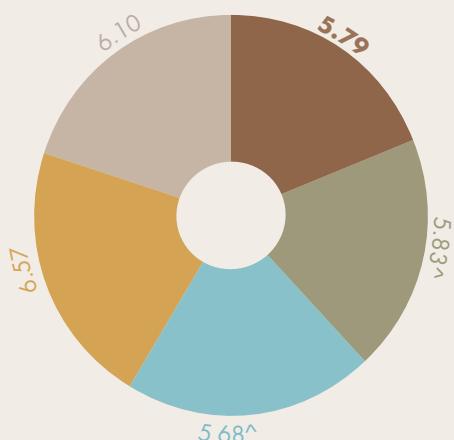
## Earnings per Share

(Sen)



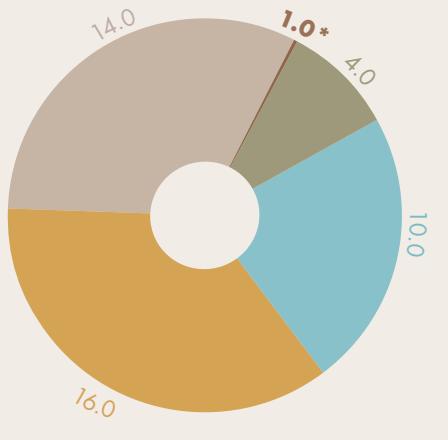
## Shareholders' Funds

(RM' Billion)



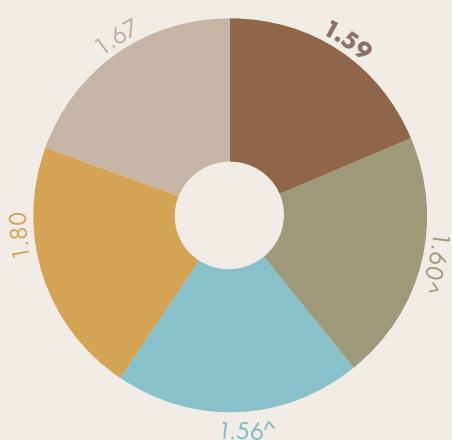
## Total Dividend per Share

(Sen)



## Net Assets per Share

(RM)



<sup>^</sup> Restated

\* Subject to Shareholders' approval at the forthcoming AGM

2016

2015

2014

2013

2012

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### **Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad**

Chairman,  
Non-Independent Non-Executive Director

### **Datuk Dr. Omar Salim**

Non-Independent Non-Executive Director

### **Dato' Yahaya Abd Jabar**

Senior Independent Non-Executive Director

### **Datuk Noor Ehsanuddin Mohd Harun Narrashid**

Independent Non-Executive Director

### **Tan Sri Dr. Sulaiman Mahbob**

Independent Non-Executive Director

### **Dato' Mohd Zafer Mohd Hashim**

Independent Non-Executive Director

### **Dato' Mohamed Suffian Awang**

Independent Non-Executive Director

### **Dato' Zakaria Arshad**

Group President/Chief Executive Officer  
Non-Independent Executive Director  
(Appointed on 1 April 2016)

### **Dato' Siti Zauyah Md Desa**

Non-Independent Non-Executive Director  
(Appointed on 7 April 2016)

### **Dato' Mohd Emir Mavani Abdullah**

Group President/Chief Executive Officer  
Non-Independent Executive Director  
(Ceased office on 1 April 2016)

### **Datuk Nozirah Bahari**

Non-Independent Non-Executive Director  
(Resigned on 7 April 2016)

## COMPANY SECRETARIES

**Koo Shuang Yen**  
(MIA 7556)

**Abd Rashid Atan**  
(MIA 18390)

## AUDITORS

Messrs. PricewaterhouseCoopers  
Chartered Accountants

Level 10, 1 Sentral  
Jalan Rakyat

Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Malaysia

Tel : +603 2173 1188

Fax : +603 2173 1288

Website : [www.pwc.com/my](http://www.pwc.com/my)

## SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd

Level 6, Symphony House

Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya

Selangor Darul Ehsan

Malaysia

Tel (Help Desk) : +603 7849 0777

Fax : +603 7841 8151/8152

E-mail : [ssr.helpdesk@symphony.com.my](mailto:ssr.helpdesk@symphony.com.my)

## REGISTERED OFFICE

Level 45, Menara Felda

Platinum Park

No. 11, Persiaran KLCC

50088 Kuala Lumpur

Malaysia

Tel : +603 2859 0000

Fax : +603 2859 0016

## INVESTOR RELATIONS AND ENQUIRIES

Head of Investor Relations

Investor Relations and Enquiries

Felda Global Ventures Holdings Berhad

Level 45, Menara Felda, Platinum Park

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50088 Kuala Lumpur

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Tel : +603 2859 0000

Fax : +603 2859 0016

Website : [www.feldaglobal.com](http://www.feldaglobal.com)

E-mail : [fgv.investors@feldaglobal.com](mailto:fgv.investors@feldaglobal.com)

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Listed since 28 June 2012

Stock Code: 5222

# COMPANY PROFILE

<b>PLANTATION SECTOR</b> 	<ul style="list-style-type: none"> <li>• <b>Palm Upstream</b></li> </ul>	Operate Palm Upstream value chain from planting, estate management & milling operations.	 More information on pages 30-35
	<ul style="list-style-type: none"> <li>• <b>Palm Downstream</b></li> </ul>	Process CPO into refined palm oil and further add value through development of packed products. Palm Downstream also process palm kernel oil for oleochemical.	 More information on pages 36-39
	<ul style="list-style-type: none"> <li>• <b>Research &amp; Development and Agri-Services</b></li> </ul>	Add value to FGV's palm products through agricultural research to develop disease resistant and high yielding oil palm planting materials.	 More information on pages 46-49
	<ul style="list-style-type: none"> <li>• <b>Trading</b></li> </ul>	Market & trade bulk CPO and refined palm oil as commodities.	 More information on pages 43-45
<b>LOGISTICS &amp; OTHERS SECTOR</b> 	<ul style="list-style-type: none"> <li>• <b>Logistics</b></li> </ul>	Provide logistical support to our palm operations in areas of transportation, storage & bulking and warehousing.	 More information on pages 43-45
	<ul style="list-style-type: none"> <li>• <b>Others</b> <ul style="list-style-type: none"> <li>- <b>Rubber</b></li> <li>- <b>Services</b></li> </ul> </li> </ul>	Other related companies including rubber, Information Technology (IT), engineering and hospitality.	 More information on pages 50-51
<b>SUGAR SECTOR</b> 	<ul style="list-style-type: none"> <li>• <b>Sugar</b></li> </ul>	Malaysia's leading refined sugar producer, involved primarily in the production of refined sugar products.	 More information on pages 40-42

In line with the Group's strategy to streamline the management process and increase accountability, we have implemented a new organisational structure that streamlines the existing six (6) business clusters into three (3) main sectors: the Plantation Sector, the Logistics & Others (LO) Sector and the Sugar Sector. Under this new structure, all palm-related business clusters—Upstream, Downstream, Research & Development and Agri-Services (RD&A), and FGV Trading Sdn Bhd (FGVT)—are grouped under the Plantation Sector. The Logistics and Rubber Clusters are grouped under the LO Sector while the Sugar Cluster operates as a standalone Sector. The new structure is aimed at improving operational and management focus, and enhancing clarity and reporting accountability. It will also drive greater synergies by grouping like businesses under a fully integrated value chain. The new organisational structure is effective as at 2 February 2017.

Under the Plantation Sector, the Palm Upstream Cluster will continue to be our major revenue contributor and a core business of FGV. As the world's third largest oil palm estate operator with a total landbank of 440,622 Ha, we are committed to advancing a greener future through best practices to meet world standards and by innovating green initiatives throughout our upstream operations.

Our Palm Downstream Cluster is an important component of the Group's operation, covers refining, processing and marketing activities related to the conversion of Crude Palm Oil (CPO) and Palm Kernel (PK) into value-added products.

# COMPANY PROFILE

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FGV's RD&A Cluster serves as our oil palm Research and Development (R&D) outfit. It has pioneered cultivation of high-yielding and disease-tolerant oil palm planting and support materials. Our award-winning Yangambi oil palm planting material, commanding a 43% market share in Malaysia, is one of RD&A's innovative products. The Cluster's key objective is to generate cutting-edge agri-business technologies to enhance operational performance and commercial utilisation across all facets of FGV.

The Group has also included FGVT into the Plantation Sector to fortify the Sector's aspiration to accelerate internally produced edible oils and fats transactions to existing and new markets.

The LO Sector ensures integrated supply chain support across all of FGV's core business. The Sector's task is to connect and control the flow of assets across FGV's business, driving Group-wide efficiencies. Going further into completing the supply and value chain landscape, we are embarking on end-to-end logistics as a high value Multimodal Transport Operator (MTO) and exploring an asset-light approach to maximise our bottom line wherever possible. Edible oil storage and warehousing facilities complement the Group's logistic activities, locally and globally. These activities will provide the impetus to enhance the performance and improvement of FGV's core activities.

The Sugar Sector comprises its listed subsidiary MSM Malaysia Holdings Berhad (MSM Holdings) making FGV the leading refined sugar producer in Malaysia. FGV commands 60% of the local refined sugar market with an annual production capacity of 1.25 million MT.

MSM Holdings continues to expand and optimise the businesses of its two (2) operating subsidiaries - MSM Prai Berhad and MSM Perlis Sdn Bhd, with an upcoming refinery in Tanjung Langsat under MSM Sugar Refinery (Johor) Sdn Bhd that is expected to commence operations in 2018.

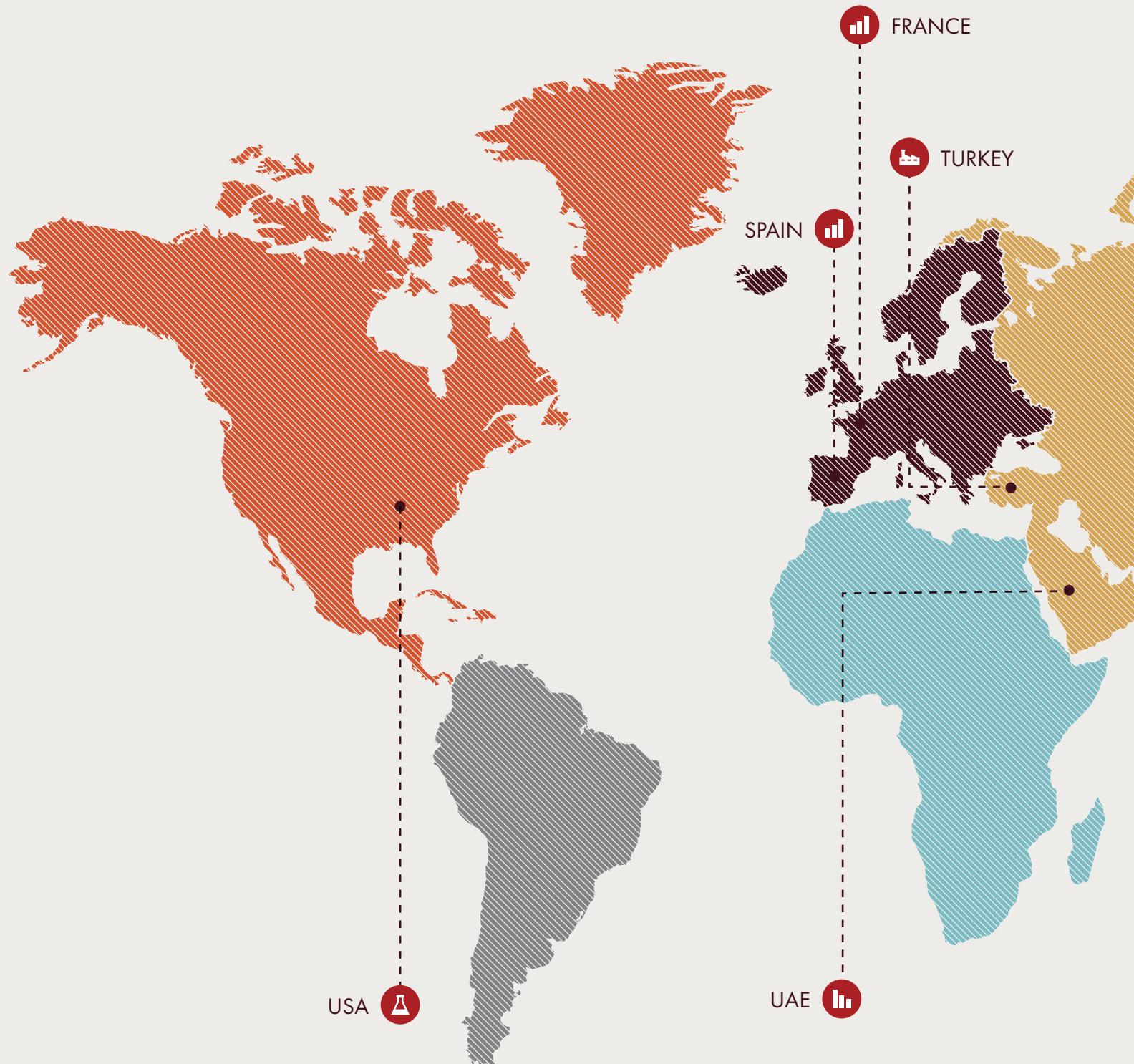
A Sustainability and Environment Department (SED) has been established under our Corporate Centre to pursue the Group's commitment to create a sustainable business that is financially successful while contributing towards the total well-being of people and the planet. This includes the strategies that will address Economic, Environmental and Social (EES) impacts and pursue opportunities to achieve business excellence.

The Group's progression towards becoming one of the leading globally integrated agri-businesses by year 2020 will open up global possibilities and potential. With world class technology and the passion of our employees, we will meet the needs of a green and sustainable planet.

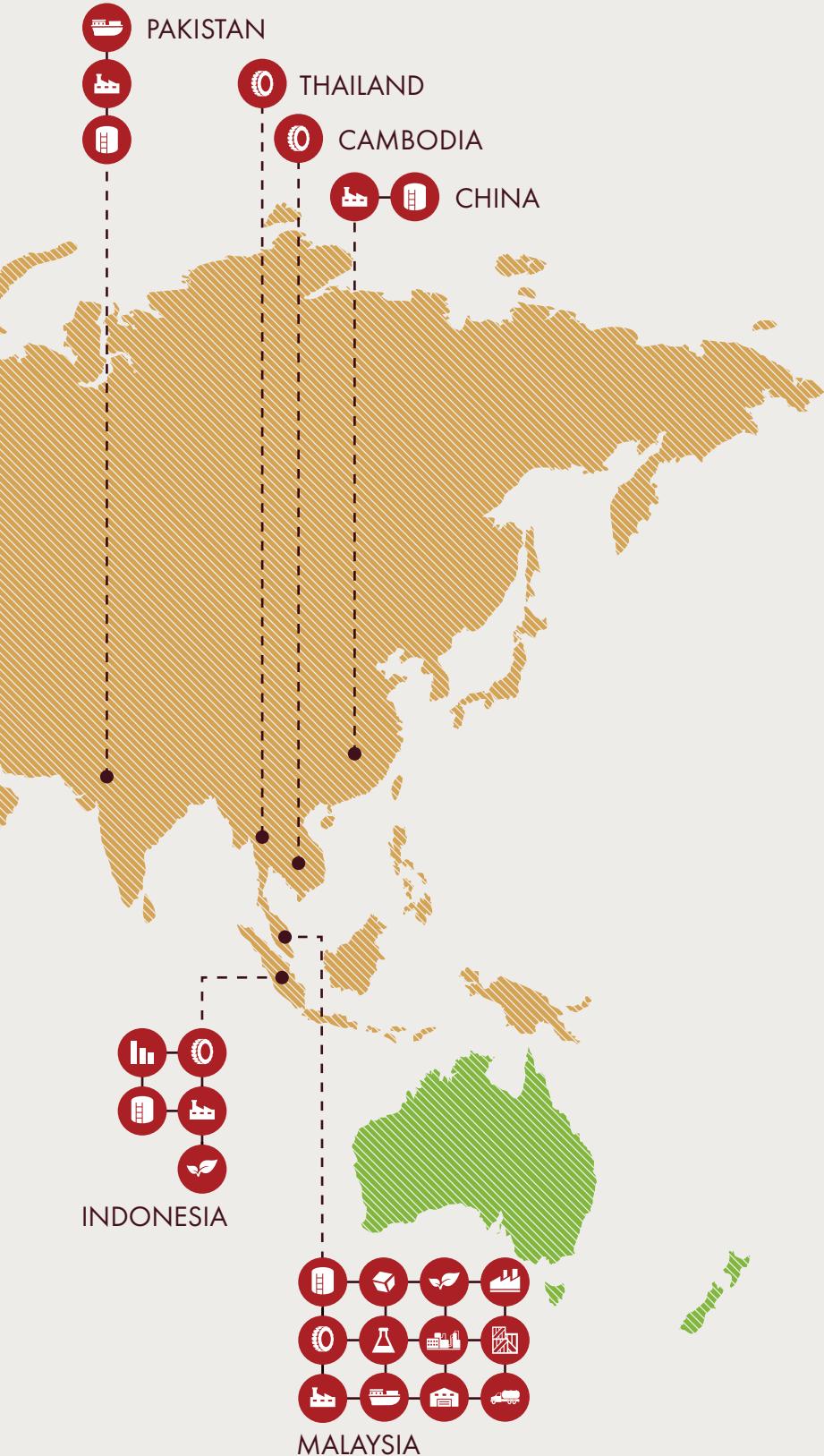


An aerial view of FGV's Besout 6 estate in Perak, which is undergoing a replanting exercise.

# OUR GLOBAL PRESENCE



# OUR GLOBAL PRESENCE



COUNTRY	KEY ASSETS
<b>Malaysia</b>	<ul style="list-style-type: none"> <li>- 334,478 Ha of planted oil palm estates</li> <li>- 72 mills</li> <li>- 4 kernel crushing plants</li> <li>- 7 refineries (2 are JVs)</li> <li>- 12,734 Ha of planted rubber estates</li> <li>- 4 rubber processing facilities</li> <li>- 2 sugar refineries</li> <li>- 6 bulking installations</li> <li>- 15 transport hubs</li> <li>- 2 warehouses</li> <li>- 451 lorry tankers and cargoes</li> <li>- 1 jetty operation</li> <li>- 1 oleochemical plant*</li> <li>- Biodiesel plant</li> </ul>
<b>Indonesia</b>	<ul style="list-style-type: none"> <li>- 6,712 Ha of planted oil palm estates^#</li> <li>- 1 refinery*</li> <li>- 1 rubber processing facility</li> <li>- 1 bulking installation</li> <li>- 1 trading office</li> </ul>
<b>Cambodia</b>	- 1 rubber processing facility
<b>Thailand</b>	- 1 rubber processing facility
<b>China</b>	<ul style="list-style-type: none"> <li>- 1 refinery</li> <li>- 1 bulking installation</li> </ul>
<b>Pakistan</b>	<ul style="list-style-type: none"> <li>- 1 refinery*</li> <li>- 1 bulking installation</li> <li>- 1 jetty operation</li> </ul>
<b>UAE</b>	- 1 trading office
<b>Turkey</b>	- 1 refinery*
<b>France</b>	- 1 trading office*
<b>Spain</b>	- 1 trading office*
<b>USA</b>	- 1 oleochemical plant

Plantation

Refinery

Bulking Installation

Trading

Sugar Facility

Oleochemical

Jetty Operation

Rubber Facility

Mill

Kernel Crushing

Transport hub

Lorry Tanker & Cargo

Warehouse

\* Joint ventures

^ Excluding oil palm estates held under joint venture

# Inclusive of plasma

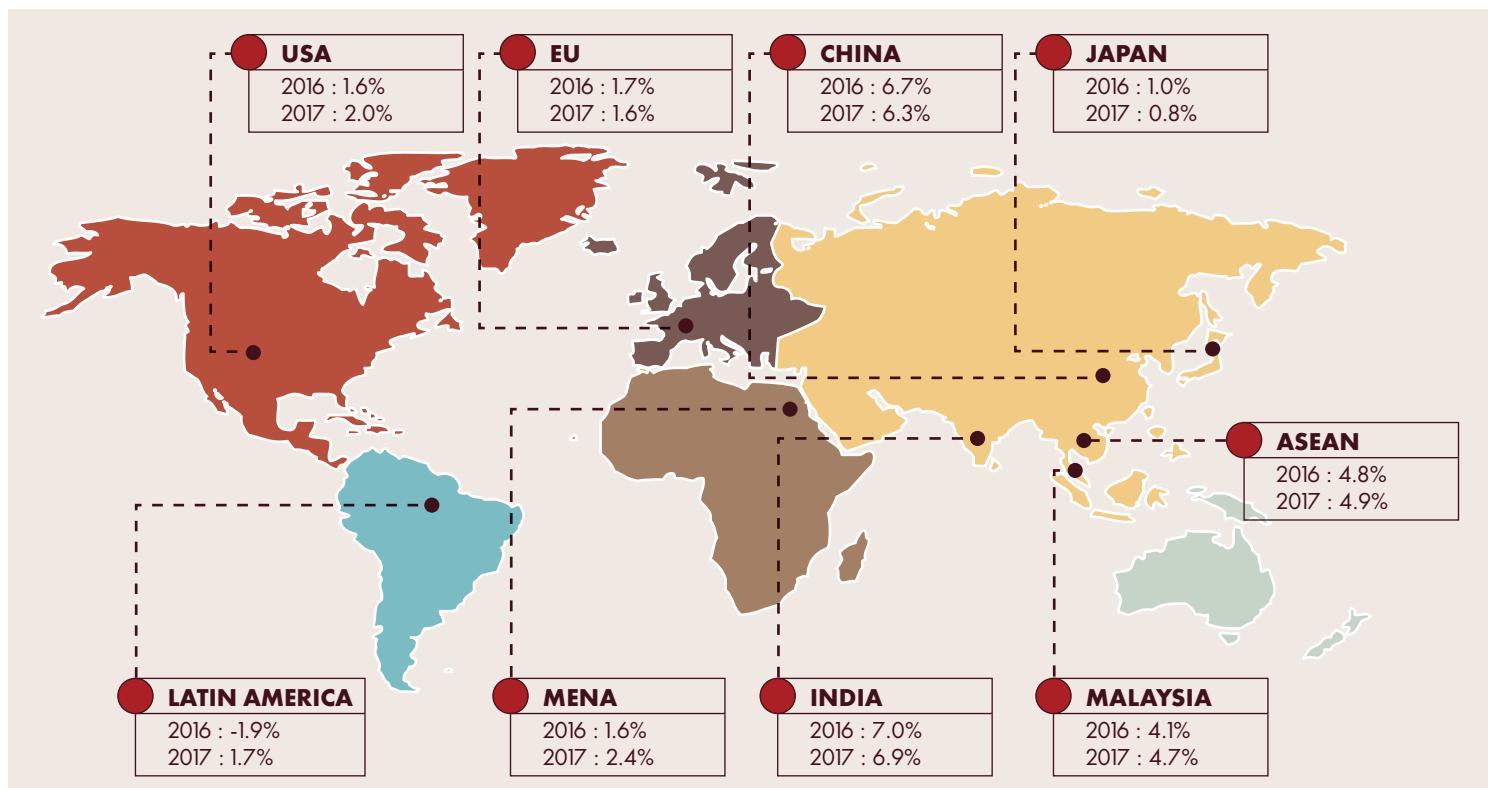
# MARKET LANDSCAPE

## MACROECONOMIC & INDUSTRY OUTLOOK IN 2017

### GLOBAL MACROECONOMIC CLIMATE



Global Gross Domestic Products (GDP) growth softened to 2.4% in 2016 before recovering to 2.8% in 2017; growth in Asia, and especially India, continues to be resilient.



#### USA & EUROPEAN UNION (EU)

- Greater risk of protectionist policies from the USA
- Brexit created high uncertainty for political & economic environments

#### MIDDLE EAST AND NORTH AFRICA (MENA)

- More private & public sector investment plans

#### CHINA

- Ongoing challenges while rebalancing economy from manufacturing to consumption services

#### FINANCIAL MARKET

- Forex volatility & interest movements
- Disconnect between rising bond and equity prices

Sources: OECD, BMI Research

# MARKET LANDSCAPE

## INDUSTRY OUTLOOK



In 2016, global palm oil output dropped by 3.0 million MT to 59 million MT compared to 2015. This was due to the impact from El Nino, labour shortage & poor age profiles. Global output is expected to increase by 10% or 64 million MT in 2017 subject to increase rainfalls and yield's rebounding.



Source: BMI Research

## LONG-TERM OUTLOOK (2020)



Greater Global Supply - Demand imbalance is expected for commodities resulting from growing population, emerging markets, declining arable land and climate change which will support price pressure upwards.

### Supply : Constraints on global supply further fuel upward price pressure

- Resources constraint - most prominently:
  - i. Water Management
  - ii. Land scarcity
  - iii. Labour
- Climate change
  - i. Resulting in productivity inefficiency in certain geographies
- Sustainability challenge
- Logistics and storage choke points

### Demand : Rising demand will continue to exert upward pressure on commodity price

- Growing population
- Rise of emerging markets & increasing food consumption per capita
- Dietary shift to protein and fat rich diet
- Technological advancement creating new use/demand for agro-commodities

Source: BMI Research, United Nations

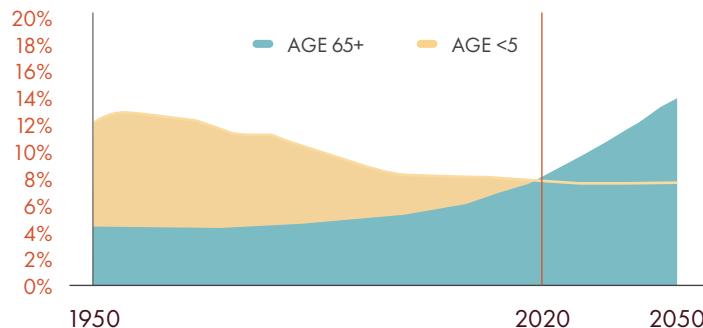
# MARKET LANDSCAPE

## GLOBAL DEMOGRAPHIC SHIFT & IMPACT ON FOOD DEMAND



By 2020, the world will have more elderly people than young children resulting in an impact on lifestyle, forcing healthier dietary requirements and lessening price sensitivity.

Young children and older people as a % of global population 1950-2050



- Europe remains as the 'oldest' region till 2050
- China & India - proportion of age 65+ will be significant due to population size
- 'Youngest' countries are :
  - South & Central Asia
  - Middle East (Kuwait, Yemen, Saudi Arabia)
  - Southeast Asia (Laos)

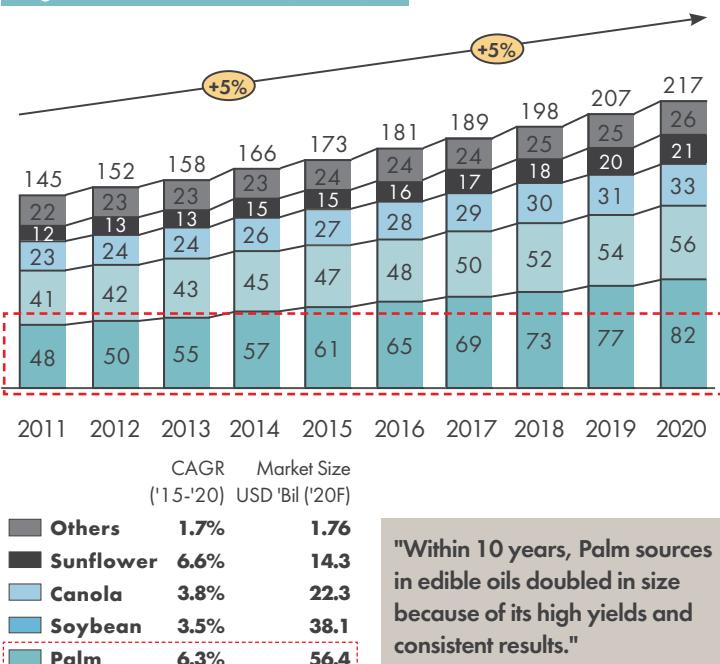
In 'older' countries, dietary needs will focus on healthier options & willingness to pay premiums, while 'younger' countries will demand cost competitive goods to cater for rapid growth, hence Fast Moving Consumer Goods (FMCG) strategy will have to align accordingly.

Source: World Economic Forum, United Nation

## PALM OIL - WILL REMAIN THE LARGEST AND FASTEST GROWING MARKET GLOBALLY



Vegetable oils & fats market (Mil MT)

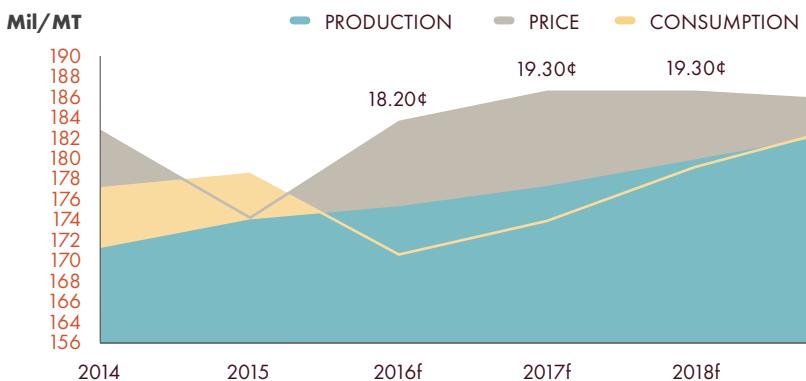


"Within 10 years, Palm sources in edible oils doubled in size because of its high yields and consistent results."

Market size (USD 'Bil) (111, 115, 119, 120, 115, 120, 126, 133, 140, 149)  
 Average price (\$/MT) (767, 761, 756, 726, 664, 664, 668, 672, 679, 684)

Source: Boston Consulting Group

## SUGAR OUTLOOK : DEMAND FOR REFINED SUGAR WILL CONTINUE TO OUTPACE PRODUCTION AND RAW SUGAR PRICE IS EXPECTED TO RISE IN TANDEM HENCE PUTTING PRESSURE ON REFINING MARGIN



Price  
Usd/lb

- In 2017/18, global sugar production will complete its recovery from the 2015/16 decline, helped by solid production incentives in Brazil as well as Asian output returning to its pre-2016 elevated levels.
- Long run prices to be a relatively supported due to recovery of market balance, depleting sugar inventories and stocks-to-use ratio.

Source: BMI Research

# OUR RELATIONSHIP WITH STAKEHOLDERS

## HOW WE ENGAGE WITH STAKEHOLDERS

We recognise that value is created through collaborative relationships which also require a reciprocal distribution of value to the same Stakeholders. Consequently, we take into account the legitimate concerns of key groups of Stakeholders who create values for us and to whom we distribute values in our Strategic Planning process.

Type of Stakeholder	Form of Engagement	When to Engage	Issues of Concern
<b>Employees</b>	<ul style="list-style-type: none"> <li>Management meetings with representatives of local and foreign employees</li> <li>Circulation of internal policies</li> <li>In-house human resources programmes and events</li> <li>Internal portal</li> <li>Awareness trainings</li> </ul>	<ul style="list-style-type: none"> <li>Regular meetings</li> <li>Townhalls</li> <li>On-ground visits</li> </ul>	Compensation, personal career development, retirement plan, fringe benefits, governing policies, general welfare
<b>Regulatory agencies and statutory bodies</b>	<ul style="list-style-type: none"> <li>Inspections by local authority (DOE, DOSH, etc.)</li> <li>Active engagement with agencies and embassies</li> <li>Stakeholder consultations</li> </ul>	<ul style="list-style-type: none"> <li>Annual</li> </ul>	Compliance, environmental emissions and discharges, security issues, labour practices and health issues
<b>NGOs</b>	<ul style="list-style-type: none"> <li>Meetings with NGOs</li> <li>Circulars/Notices</li> <li>Corporate Social Responsibility (CSR) programmes with Malaysian Nature Society (MNS) and various parties</li> </ul>	<ul style="list-style-type: none"> <li>Regular committee meetings</li> </ul>	Environmental and social issues in relation to the sustainability of oil palm, Free, Prior and Informed Consent (FPIC), deforestation, development on peat soil and biodiversity protection, climate change, environmental awareness
<b>FELDA settlers</b>	<ul style="list-style-type: none"> <li>Meetings with FELDA scheme managers</li> <li>RSPO pre-certification assessments</li> <li>Awareness trainings</li> </ul>	<ul style="list-style-type: none"> <li>Regular meetings through Joint Consultative Committee (JCC)</li> <li>FELDA activities</li> </ul>	Grading and prices of FFB, tackling diseases in oil palm, presence of foreign guest workers in the estates, RSPO certification, understanding environmental impacts from mill operations, compliance to SOPs, climate change and crop quality.
<b>Investors (Government &amp; State Government holdings, institutional investors, international investors, bank brokers, Shareholders)</b>	<ul style="list-style-type: none"> <li>Quarterly investor briefings</li> <li>Circulars/Notices</li> <li>Annual general meeting</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly analyst briefings</li> <li>Annual general meeting</li> </ul>	Group financial performance, global business strategy and governance
<b>Customers (Internal buyers &amp; external buyers, JV partners)</b>	<ul style="list-style-type: none"> <li>Field days/Open days</li> <li>Tradeshows/Roadshows</li> <li>Engagement meetings</li> <li>Surveys</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> </ul>	Pricing, quality support services inventory/supply commitment, sustainable licences and traceability licences
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Contract negotiations</li> <li>Vendor registrations</li> <li>Site visits/meetings</li> <li>Annual procurement</li> <li>Integrity assessment</li> </ul>	<ul style="list-style-type: none"> <li>Ad hoc</li> </ul>	Service delivery, project scope payment schedule, pricing of services and sustainable standards
<b>Government</b>	<ul style="list-style-type: none"> <li>FGV Group functions (conferences, exhibitions, press luncheons, etc)</li> </ul>	<ul style="list-style-type: none"> <li>Ad hoc</li> </ul>	<ul style="list-style-type: none"> <li>Improving FELDA communities in their constituency</li> <li>Palm oil and sugar related policy</li> </ul>
<b>JV Partners</b>	<ul style="list-style-type: none"> <li>Management meetings</li> </ul>	<ul style="list-style-type: none"> <li>Scheduled meetings</li> </ul>	Regulatory compliance and alignment in sustainability strategies

# OUR RELATIONSHIP WITH STAKEHOLDERS

## OUR MATERIAL SUSTAINABILITY ISSUES IDENTIFIED THROUGH A STRUCTURED PROCESS

### Our Approach

We aim to provide a balanced, accurate and accessible assessment of our strategy, performance and prospects in relation to those financial, economic, social, environmental and governance issues and risks that have a material impact on the long-term success of the business and that are important to key Stakeholders.

FGV follows a structured process to identify, understand and prioritise our material sustainability issues. In determining these issues, we consider the following:

- Issues that are critical in relation to achieving our strategic objectives and the sustainability of our operating model and integrated value chain
- Matters covered in reports submitted to the Board of Directors for discussion or approval
- The outcomes of our internal risk assessment process
- The priority interests of our key Stakeholders

We regularly review our material issues in the context of the rapidly changing business and societal context, the repositioned FGV Group, as well as Stakeholder feedback and emerging trends. We seek to collaborate to address challenges within our industry. We also seek to ensure that our reporting continues to reflect our response to the critical issues raised by our Stakeholders.

Our key Stakeholders are those who are impacted by our business and who play a role in our ability to deliver on our strategic objectives over the short, medium or long term.

We identify their sustainability interests through regular engagements. The priority issues for the Group are managed through a clear Stakeholder engagement approach with set objectives and an engagement plan. In 2016, we maintained healthy and effective external Stakeholder relationships with a particular focus on government and community relations. Informed by this analysis, we identified opportunities to leverage our relationships through a more integrated approach to Stakeholder engagement.



# RESOURCES WE USE TO CREATE VALUE

FGV seeks to operate and grow inclusively, responsibly and sustainably. The strategic decisions we make in allocating resources to run our business and advance our growth projects are based on integrated criteria (the six (6) capitals). These criteria take cognisance of the resources and the relationships we depend on to create sustainable value for our Shareholders and, in turn, our Stakeholders.

The table below outlines the resources we use to create value against the basis of the six (6) capitals. You will find icons beside the resources. These icons will be displayed in the Management Discussion & Analysis section of this book to highlight the connectedness of the resources against the strategies and operations of the business. It is intended to represent a holistic connection of the entire organisation to remain committed to creating lasting value in the short, mid and long-term.

Resources	Capital	What they mean for our business
	Human	Value-based employment proposition, combined with a unique employee experience, skills and leadership
	Social and Relationship	The relationships that the Group has with our customers, suppliers, business partners and other Stakeholders
	Natural	The environmental resources used throughout the Group's value chain in the production, manufacturing and distribution of our products
	Financial	Equity and funding structure of FGV
	Manufactured	The network of plant and equipment that enables us to operate our assets safely and reliably
	Intellectual	Our R&D, technology patents, copyrights, software, licences, procedures and protocols

# OUR BUSINESS MODEL INTEGRATES THE ENTIRE VALUE CHAIN

**353,924 Ha \***

\* Inclusive of rubber

OF PLANTED AREA  
IN MALAYSIA & INDONESIA



VEGETABLE OIL  
STORAGE WITH  
**> 900,000 MT** CAPACITY

451 LORRY TANKERS AND CARGOES,  
15 TRANSPORT HUBS AND 2 WAREHOUSES



# OUR BUSINESS MODEL INTEGRATES THE ENTIRE VALUE CHAIN

72 PALM OIL MILLS PRODUCING  
**2.66 MILLION MT CPO**



ANNUAL SUGAR PRODUCTION CAPACITY OF  
**1.25 MILLION MT**



# AWARDS & ACCOLADES

PALM UPSTREAM CLUSTER		
No.	Award	Mill
1.	Kilang Kelapa Sawit Lestari - JAS Sarawak	Sampadi
2.	Gold Class I - OSH Performance - MSOSH	Padang Piol
3.	Silver - OSH Performance - MSOSH	Kemahang
4.	Gold Class II - OSH Performance - MSOSH	Embara Budi
5.	Gold Class II - OSH Performance - MSOSH	Kota Gelanggi 1
6.	Gold Class II - OSH Performance - MSOSH	Belitung
7.	Pematuhan Kendiri - GSR - JAS Sabah	Kembara Sakti
8.	Gold Class II - OSH Performance - MSOSH	Umas
9.	Kilang Kelapa Sawit (Sabah/ Sarawak) Pencapaian OER Tertinggi (BTS Luar) - MPOB	Kalabakan
10.	Kilang Kelapa Sawit (Semenanjung) Pencapaian OER Tertinggi (BTS Luar) - MPOB	Aring 1



RESEARCH & DEVELOPMENT AND AGRI-SERVICES CLUSTER		
No.	Award	Company
1.	The Brand Laureate Best Brands Awards 2015 - 2016 - Oil Palm Germinated Seed (Marketing)	FASSB
2.	IKM Laboratory Excellence Award - Felda Analytical Laboratory Sabah	FASSB
3.	Konvensyen Team Excellence Wilayah Pantai Timur Gold Award 2016 - ICC/Kaizen	FASSB
4.	Annual Productivity & Innovation Conference And Exposition (APIC) 2016 Award - ICC/Kaizen	FASSB
5.	First Place in IChemE Global Awards for Food And Drink Category - Low FFA Project	FGV AT
6.	First Place in IChemE Malaysia Awards for Oil and Gas Awards 2016 - EP Project	FGV AT
7.	Second runner up in IChemE Global Awards for Team of The Year 2016 - Low FFA Project	FGV AT
8.	Second runner up IChemE Global Awards for Industrial Project of The Year 2016 - EP Project	FGV AT



## INVESTOR RELATIONS

1. MIA Leading Light Award 2016 integrated reporting in Malaysia
2. MIA Recognition Award 2016 pioneering integrated reporting in Malaysia

# AWARDS & ACCOLADES

## RISK MANAGEMENT

1. BCM Continuity Awareness Award 2016

## SUGAR CLUSTER

1. Industry Excellence Awards - Consumer Products in Nacra 2016

## HUMAN RESOURCE

1. World HRD Congress, Mumbai, India
  - Best HR Strategy in Line with Business
  - Award for Talent Management
  - Award for Managing Health at Work
  - 100 Most Influential Global HR Professionals
2. Global HR Excellence Awards - CHRO of the Year - Mohd Najid Yahya, FGV CHRO
3. Human Resources Asia Awards 2016 - Award In-House Recruitment Team of the Year

## TOTAL QUALITY MANAGEMENT (TQM)

1. Palm Downstream Cluster has implemented a Quality Management System complying with ISO 9001:2015 Quality Management Systems-Requirements For FELDA Vegetable Oil Products Sdn Bhd, FELDA Kernel Products Sdn Bhd, Delima Oil Products Sdn Bhd & FGV Biotechnologies Sdn Bhd
2. Trading, Marketing, Logistics & Other Cluster has implemented a Quality Management System complying with ISO 9001:2015 Quality Management Systems-Requirements For FGV Trading Sdn Bhd, FELDA Transport Services Sdn Bhd & FELDA-Johore Bulkers Group of Companies
3. FGV Rubber Cluster has implemented a Quality Management System complying with ISO 9001:2015 Quality Management Systems-Requirements For FELDA Rubber Industries Sdn Bhd & FGV Green Rubber Sdn Bhd



## MOMENTS OF THE YEAR



Launch of MSM Holdings new trade office in Dubai on 22 February 2016



Palm Lauric Oils Conference 2016 (POC) at Shangri-La Hotel, Kuala Lumpur on 8 March 2016



OHSAS 18001:2007 and MS 1722:2011 certificate awards ceremony at Dewan Perdana Felda on 16 March 2016



Special prayers ceremony for Dato' Zakaria Arshad at Menara Felda on 1 April 2016



Dato' Zakaria Arshad's teh tarik session with media & investor community at Casa Heliconia on 16 May 2016



FGV launches Malaysia's first Ganoderma tolerant oil palm planting material on 19 May 2016



Dato' Zakaria Arshad and Senior Management's Plantation visit to Felda Besout on 23 May 2016



FGV Annual General Meeting at Menara Felda on 1 June 2016



Kumpulan Felda Aidilfitri get together session with Prime Minister at Menara Felda on 21 July 2016

## MOMENTS OF THE YEAR



Perdana network session at Corus Hotel on 16 August 2016



'Pengurusan Kebun Secara Lestari' Programme at Felda Palong on 21 August 2016



Officer-in-charge programme for FGVP and APL estate assistant managers at PPTR Tekam on 26 September 2016



Rehabilitation Programme of Riparian Area and Buffer Zone, FGV estate in Penampang, Sabah on 6 October 2016



Non-deal roadshow in Singapore on 18 October 2016



Memorandum of Understanding with Sabah Forestry Department on 8 November 2016



Memorandum of Business Exploration with Menteri Besar Incorporated (Perak) on 9 November 2016



Launch of Rafflesia Conservation & Interpretive Centre on 15 November 2016



Palm Estate Worker Issues Workshop on 20 December 2016



## CHAIRMAN'S **STATEMENT**

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### **Dear Valued Shareholders,**

The publication of our first integrated report last year was a statement by FGV reiterating our commitment to best practices in the areas of disclosure, governance and sustainable development for the Company.



Annual General Meeting, 1 June 2016.

### Core Business - Efficiencies and Replanting



The next few years will see us aggressively optimising our assets and making difficult decisions to enhance organisational efficiency.

### Harnessing Human Capital



Emphasis on developing skills and capabilities, good governance and integrity.

### Strategic Plan (SP20)



SP20 aims to secure the long-term sustainability of the Group by focusing on four (4) key areas namely: our core business, human capital, stronger governance and sustainable growth.

The report placed greater emphasis on managing and disclosing non-financial performance benchmarks alongside financial indicators. It underscored the importance of our business strategies, which embed sustainability, towards improving our core business, our human capital, enhancing governance and creating Shareholder value.

In this year's report, which discloses our activities for the financial year ended 31 December 2016, we have taken another step forward towards further improving our integrated reporting framework. One key development in this area is FGV's formulation of a Group-wide Sustainability Policy, which has been embedded into our SP20. At FGV, sustainability is understood beyond environmental and social considerations; it additionally refers to the long-term financial sustainability of FGV as a commercial enterprise, i.e. in terms of our

profitability, value creation for our Shareholders and as a catalyst of growth.

We have seen over the last 12 months that the relationship between external forces are becoming more complex and that Stakeholders now have higher expectations, thereby making it more challenging to create value for our Shareholders. While FGV remains resilient in the face of these challenges, we believe that we can better serve our Stakeholders by adapting to the changing environment. In 2016, we made an important decision in regards to our organisation's overall strategy in light of these factors.

Our SP20 is the result of a Group-wide consultative process which included our Key Senior Management, led by our GP/CEO, Dato' Zakaria Arshad, and reviewed by our Board. The SP20 is aimed at achieving more

realistic goals within the current business environment; it is focused on securing the long-term sustainable growth of the Company by focusing on core business efficiencies, managing volatilities, harnessing human capital and enhancing integrity. The Board and I have endorsed this new Strategic Plan which, within the current economic environment, provides the best way forward to achieve our goal of becoming a best-in-class agribusiness.

This plan leverages on the strength of our fundamentals and demands operational excellence to ensure we continue to be an industry leader. Our people will remain at the heart of our organisation as they are the key enablers of our business. We aim to further hone their competitive edge through structured skills development programmes that are aimed to enhance the capabilities and leadership qualities of our human capital.

## CHAIRMAN'S STATEMENT



Our award-winning Yangambi seedlings have 43% market share nationwide.

In regards to our financial performance for 2016, results were affected by a combination of factors including lower CPO production, higher raw sugar costs, impairment losses and losses suffered by our jointly controlled entity. These factors collectively resulted in the Group's total Profit Before Zakat and Taxation (PBZT) moderating to RM263.07 million, which represents a year-on-year (YoY) decline of 42% from a PBZT of RM452.55 million. Nevertheless, revenue continued to grow during the same period, improving 11% to RM17.24 billion in 2016 from RM15.56 billion. Based on this performance, the Board has recommended the payment of a final dividend of 1 sen per share.

The Group was able to improve its cost structure and reduce our indirect and administrative costs by RM131.37 million under a new cost initiative. Results were further supported by a lower fair value charge on our Land Lease Agreement (LLA), which totalled RM68.28 million in 2016 compared to RM224.86 million in 2015, and a change in accounting policy for bearer plants.

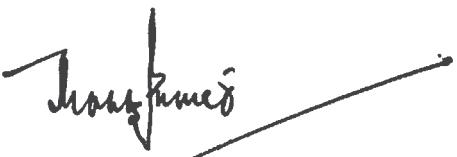
Moving forward, we believe there are several silver linings in the short term. Among these is the recovery of CPO prices above the RM3,000 per MT mark towards the end of 2016. We are cautiously optimistic that CPO prices should stabilise in 2017. Existing production trends also suggest that the harvest will improve in 2017 and we will focus our efforts on maximising production to capitalise on this phenomenon.

We remain wary of the volatility in the foreign exchange market as an unstable Ringgit will continue to affect costs in our business which depend on the import and export of goods, and on the purchase of raw materials from overseas. We have reviewed the situation and have put in place several key initiatives to mitigate the impact and will look to hedge our position in the coming months.

Our new organisational structure was introduced in early 2017. The structure streamlined our previous organisational chart to three (3) Sectors, namely Plantation, LO and Sugar. Through this new structure, we look to realise synergies through operations under an integrated palm upstream, processing and downstream business segments.

Spearheading the transformation of our Group is the recently appointed GP/CEO, Dato' Zakaria Arshad. Since taking up the post on 1 April 2016, Dato' Zakaria Arshad has already shown that he is not only a true settler's son, but also a canny transformative agent with the resolve to take decisive action. My Board Members and I look forward to a number of productive years ahead with him at the helm of the Group.

Finally, I would like to extend my gratitude to my fellow Board Members for their counsel during the course of the year, and also to FGV employees without whom we could not have accomplished all that we have today. Special thanks to our other Stakeholders, especially our Shareholders and Felda communities, who have supported us through these challenging years. Thank you and we hope to continue having you on our side in the years to come.



**Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad**  
Chairman



DATO' ZAKARIA ARSHAD

## GROUP PRESIDENT/ CHIEF EXECUTIVE OFFICER'S **MESSAGE**

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### To Our Valued Stakeholders,

FGV recorded total revenue of RM17.24 billion for the financial year ended 31 December 2016, 11% higher compared to RM15.56 billion in the previous year. Meanwhile, total PBZT for the financial year came in at RM263.07 million against RM452.55 million in 2015.

# GROUP PRESIDENT/ CHIEF EXECUTIVE OFFICER'S MESSAGE

The following is an overview of our key results and their contributing factors.

## Group Revenue: +11% YoY

- Higher average CPO price by 15.8% (2016: RM2,560 per MT; 2015: RM2,210 per MT)
- Sugar Sector revenue increased by 15.2% (2016: RM2.66 billion; 2015: RM2.31 billion)
- Higher average price of Crude Palm Kernel Oil (CPKO) and Refined, Bleached and Deodorised Palm Kernel Oil (RBDPKO) by 66.6% and 50% respectively

## Group PBZT: -42% YoY

- Higher CPO production cost (ex-mill) price by 18% (2016: RM1,595 per MT; 2015: RM1,353 per MT) due to lower utilisation factor
- In 2015, the lowest raw sugar price recorded was US Dollar (USD) 0.13 per pound (lb) and it reaches almost USD0.25 per lb in 2016, a significant increase of 92%. It is suspected that the raw sugar price will hike further in 2017 due to the world sugar deficit
- Impairment loss and provision of Mutual Separation Scheme (MSS) due to the closure of four (4) palm oil mills and the closure of a palm oil refinery in Sabah of RM52 million
- Impairment on receivables and assets of RM90 million at Palm downstream Statement
- Significant loss in share of results from a Joint Venture (JV) company amounting to RM23.61 million (2015: profit of RM22.60 million) mainly due to misappropriations at its subsidiary

 More information about the financial statements is available on page 145

The Group's financial performance was partly assisted by the decrease in the fair value charge of our LLA of RM68.28 million compared to RM224.86 million in 2015 and change of accounting policy for bearer plants.

In summary, our financial performance in 2016 was affected by four (4) key challenges namely the lower CPO production, higher raw sugar costs, impairment losses incurred in Palm Upstream and Palm Downstream segments and losses suffered by jointly controlled entity. More detailed information on the individual performance of our business clusters is available in the segmental analysis found on pages 30-51 of this report.

## OPERATING IN A CHALLENGING ENVIRONMENT

We realised early in the year that 2016 was going to be challenging for FGV. It was therefore my immediate priority upon my appointment as GP/CEO last April to put in place a Transition Plan with five (5) priorities to manage our business and financial position in 2016.

The outcomes of the initiatives are detailed in the table below:

Priorities	2016 Outcomes
<b>Focus on Core Business</b>	<ul style="list-style-type: none"> <li>• Produced 3.91 million MT of FFB from internal estates</li> <li>• Processed 12.88 million MT of FFB to produce 2.66 million MT of CPO at an average production cost of RM1,595/MT</li> <li>• Replanted 16,320 Ha of our plantations in line with our 2016 target</li> <li>• Restructured our estates into seven (7) zones from two (2) zones to enhance management and supervision of plantation activities</li> <li>• Concluded a collaboration arrangement to export planting materials to Indonesia at a projected volume of 1 million germinated seeds annually</li> </ul>
<b>Cost Management</b>	<ul style="list-style-type: none"> <li>• Achieved administrative cost savings of RM131.37 million</li> <li>• Increased fertiliser application by RM51.0 million and yet managed to reduce palm estate cost by RM36.80 million without compromising Good Agricultural Practice (GAP)</li> </ul>
<b>No Mergers &amp; Acquisitions (M&amp;A)</b>	<ul style="list-style-type: none"> <li>• Signed Mutual Termination Agreement with Eagle High Plantation in December 2016. The deal has been taken up by FIC Properties Sdn Bhd, a wholly-owned subsidiary of Federal Land Development Authority (FELDA)</li> </ul>
<b>Product and Market Development</b>	<ul style="list-style-type: none"> <li>• Introduced new Ganoderma tolerant planting materials, namely the Yangambi GT-1, Palma Gro and Palma Shield</li> <li>• Expanded cooking oils market to the Philippines and Indochina</li> <li>• Commenced the export of specialty fats to China and Russia</li> </ul>
<b>Governance and Sustainability</b>	<ul style="list-style-type: none"> <li>• Implemented policies on Gifts and Entertainment, Assets and Personal Interest Declaration, and Sustainability</li> <li>• Received ISO:14001 Safety and Health Certification and ISO:9001 Quality Certification in 2016</li> <li>• Completed the internal audit of 16 mills and their supply base in preparation for RSPO certification audit</li> <li>• FGV's application for a separate RSPO membership was approved</li> </ul>

# GROUP PRESIDENT/ CHIEF EXECUTIVE OFFICER'S MESSAGE

## MOVING FORWARD INTO 2017

In 2017, we expect our plantation yield and the Group's overall performance to moderately recover. Greater operational efficiency is expected from our activities from the foundations laid in 2016 and the implementation of our Strategic Plans for the year. We have identified nine (9) priorities for 2017 in line with the aims of our new SP20.

 More information about the SP20 is available on pages 52-53

Priorities	Expected 2017 Outcomes
<b>Core Business</b>	<ul style="list-style-type: none"> <li>FFB production to increase to 4.5 million MT representing a 15% increase from 2016</li> <li>Reduce average CPO ex-mill production cost by 9% to RM1,450/MT</li> <li>Replant 15,000 Ha to reduce the proportion of old age palms to 37%, focusing on our estates in Sabah</li> <li>Planting Inspectorate to report directly to GP/CEO to provide independent advice, feedback and report on a regular basis</li> <li>Increase in-field mechanisation to improve yield &amp; productivity, expand irrigation to dry areas and continues fertiliser application as per agronomic recommendation</li> </ul>
<b>Strengthen Financial Position</b>	<ul style="list-style-type: none"> <li>Increase our cash reserves to RM2.0 billion from RM1.8 billion through prudent working capital and cash flow management</li> <li>Better manage the Group's liquidity and forex through the formation of a Treasury Management Committee (TMC)</li> </ul>
<b>Trading and Downstream</b>	<ul style="list-style-type: none"> <li>Tighten trading activities to contain commodity risks through: <ul style="list-style-type: none"> <li>Focusing on internally produced oil</li> <li>Reducing paper trading except for hedging purposes</li> </ul> </li> <li>Review terms of oil supply with key customers</li> <li>Develop new business models for key destination markets such as India, China and MENA</li> <li>Establish a downstream R&amp;D facility to accelerate the development of food-based products</li> </ul>
<b>Sugar Business</b>	<ul style="list-style-type: none"> <li>Ensure the construction of the Johor sugar refinery is on track</li> <li>Expand to new export markets</li> </ul>

Priorities	Expected 2017 Outcomes
<b>Rationalisation</b>	<ul style="list-style-type: none"> <li>Rationalise assets including four (4) palm oil mills, two (2) rubber processing plants and a palm oil refinery to increase utilisation factor and reduce processing cost</li> <li>Divest and liquidate identified non-core and non-performing businesses in 2017</li> </ul>
<b>Growth in Adjacent Field</b>	<ul style="list-style-type: none"> <li>Optimise our logistics assets and capabilities to generate more external business</li> <li>Grow our logistics-related assets in Pakistan to capitalise on our leadership position</li> </ul>
<b>Governance and Sustainability</b>	<ul style="list-style-type: none"> <li>Strengthen terms with JV companies to enhance participation, supervision and governance</li> <li>Establish more stringent criteria for future collaborations</li> <li>Strengthen engagement with smallholders and external suppliers to achieve RSPO full supply chain certification</li> <li>Ethical treatment of our foreign guest workers</li> </ul>
<b>People</b>	<ul style="list-style-type: none"> <li>Consolidate our business into three (3) main sectors: Plantation, LO and Sugar to: <ul style="list-style-type: none"> <li>Improve focus, clarity and reporting accountability</li> <li>Create synergies by operating within a fully integrated palm value chain</li> </ul> </li> <li>Rationalise and right-size our workforce towards optimising productivity</li> </ul>
<b>Corporate Social Responsibility (CSR)</b>	<ul style="list-style-type: none"> <li>Organise CSR programmes to nurture future generations on their well-being and life skills</li> </ul>

## ACKNOWLEDGEMENTS

It gives me great honour and privilege to pen this address in my inaugural year as FGV's GP/CEO. I would like to thank the members of the Board for their invaluable advice and guidance throughout the year, as well as my colleagues and fellow staff members who are responsible for all our achievements. It has been a challenging time for FGV and there will be more obstacles ahead, but I believe that with perseverance and teamwork, we shall overcome these difficult times in reaching the lofty ambitions we have set for ourselves.

To our Shareholders, and especially to our Felda communities, we express a great debt of gratitude for your continued support. Our present situation is not ideal at present, but we are a company of great potential. The initiatives and actions that we have taken today to unlock that potential will yield fruit soon and I believe we are well on our way towards that goal.

Finally, our appreciation goes out to our other Stakeholders - from our regulators and media partners, to our suppliers and our partners from around the world. I would like to take this opportunity to remind ourselves that we are building something great together, and it is my hope that we will continue to build our relationships for the mutual benefit of all.

Thank you, and I look forward to exciting times ahead for all of us.



**Dato' Zakaria Arshad**

Group President/Chief Executive Officer  
29 March 2017

## CLUSTER PERFORMANCE: PALM UPSTREAM

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FGV is on track to achieve our ideal tree age profile of 12-13 years by 2020 through our replanting programme.

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FGV's Palm Upstream Cluster is involved in managing oil palm plantations and milling operations. The Cluster produces CPO and PK for our downstream operations as well supplying to global market.

# CLUSTER PERFORMANCE: PALM UPSTREAM

The Cluster recorded a PBZT of RM360.96 million in 2016 as compared to RM358.51 million in 2015. This was mainly due 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 was down by 26% to RM429.24 million from RM583.37 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 realised of RM2,560 per MT compared to RM2,210 per MT realised in 2015. Oil Extraction Rate (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 (4) palm oil mills amounting to RM19.81 million due to rationalisation exercise carried out and additional of amortisation of bearer plant of RM16.70 million following the acquisition of Yapidmas during the financial year.

## EXTREME WEATHER DISRUPTS PRODUCTION

The prolonged drought due to El Nino in 2016 has severely impacted the FFB production in Malaysia. Malaysia Palm Oil Board (MPOB) recorded a CPO production decrease of 13% YoY to 17.3 million MT. All three (3) regions in Malaysia reported lower CPO production, with Peninsular Malaysia recorded the highest drop of 15.7%, followed by Sabah (-15.3%) and Sarawak (-3.2%).

The extreme weather caused by El Nino also disrupted our FFB production in 2016, which registered a 15% drop to 3.91 million MT from 4.63 million in 2015. In tandem with the weak FFB supply nationwide, CPO production for 2016 fell 14% to 2.66 million MT compared to the previous year's of 3.10 million MT.



*Our mills produce more than 2.5 million MT of CPO annually.*

Our OER decreased marginally to an average of 20.68% (2015: 20.91%) due to malformed bunches developed as a result of prolonged droughts.

The lower yield from our plantations was also due in part to the execution of FGV's aggressive replanting programme. While we achieved our 2016 replanting target of 16,320 Ha, the exercise also meant lower FFB harvested. However, we believe that this is an important strategic trade-off as the replanting programme will help us reach our targeted age profile by 2020. Replanting also helps to improve FFB evacuation infrastructure including facilitating the mechanisation of our processes to ensure greater efficiency of plantation activities going forward.

## OPERATIONAL REVIEW

### Strengthening Our Core

During the year under review, the Cluster focused on operational optimisation and implemented cost saving initiatives to cushion the impact of low FFB production on its profits. The Cluster has restructured the plantations from two (2) zones to seven (7) zones to further strengthen estate operations and enhance field supervision.

The Cluster did not undertake any M&A activities in 2016. Instead, the Cluster focused on rationalising its portfolio of assets to improve efficiency and profitability. Four (4) mills were identified for rationalisation in 2017. In addition, we have ceased operation of FNI Biofuel Sdn Bhd, a pellet plant which was non-performing. We are also in the midst of divesting our interests in a JV company, Sahabat Renewable Fuel Ventures Sdn Bhd.

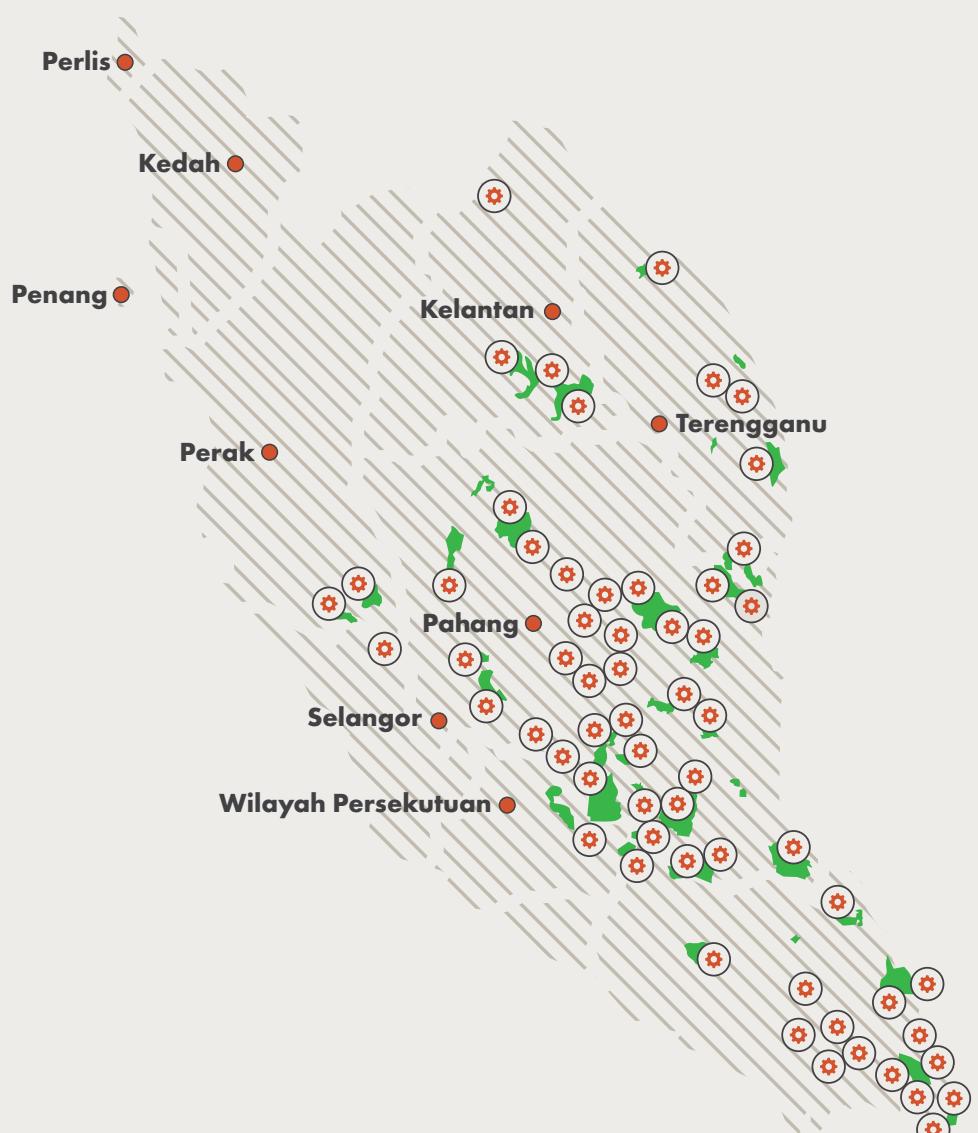
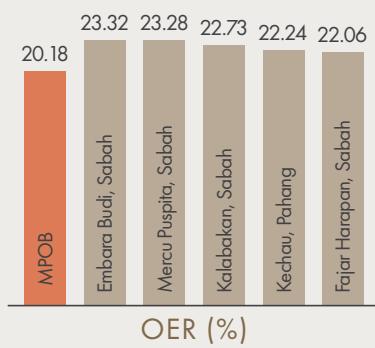
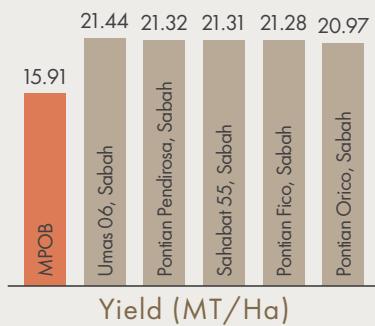
On 24 October 2016, we successfully commissioned a biomass power plant in Jengka, Pahang belonging to FTJ Bio Power Sdn Bhd. The power plant generates electricity from empty fruit bunches and started supplying power to the national power grid during 2016.

We continue to rely on technology such as Unmanned Aerial Vehicles (UAV) to provide more accurate geographic information for estate design and planning purposes. In 2016, we completed UAV mapping of approximately 222,846 Ha.

# CLUSTER PERFORMANCE: PALM UPSTREAM

FGV has 341,190 Ha of oil palm planted area in Malaysia and Indonesia, producing 3.91 million MT FFB in 2016.

## Top 5 Performing Estates and Mills for 2016



95%

Malaysia

Total Landbank: 418,044 Ha  
 - Leased: 362,747 Ha  
 - Owned: 55,297 Ha

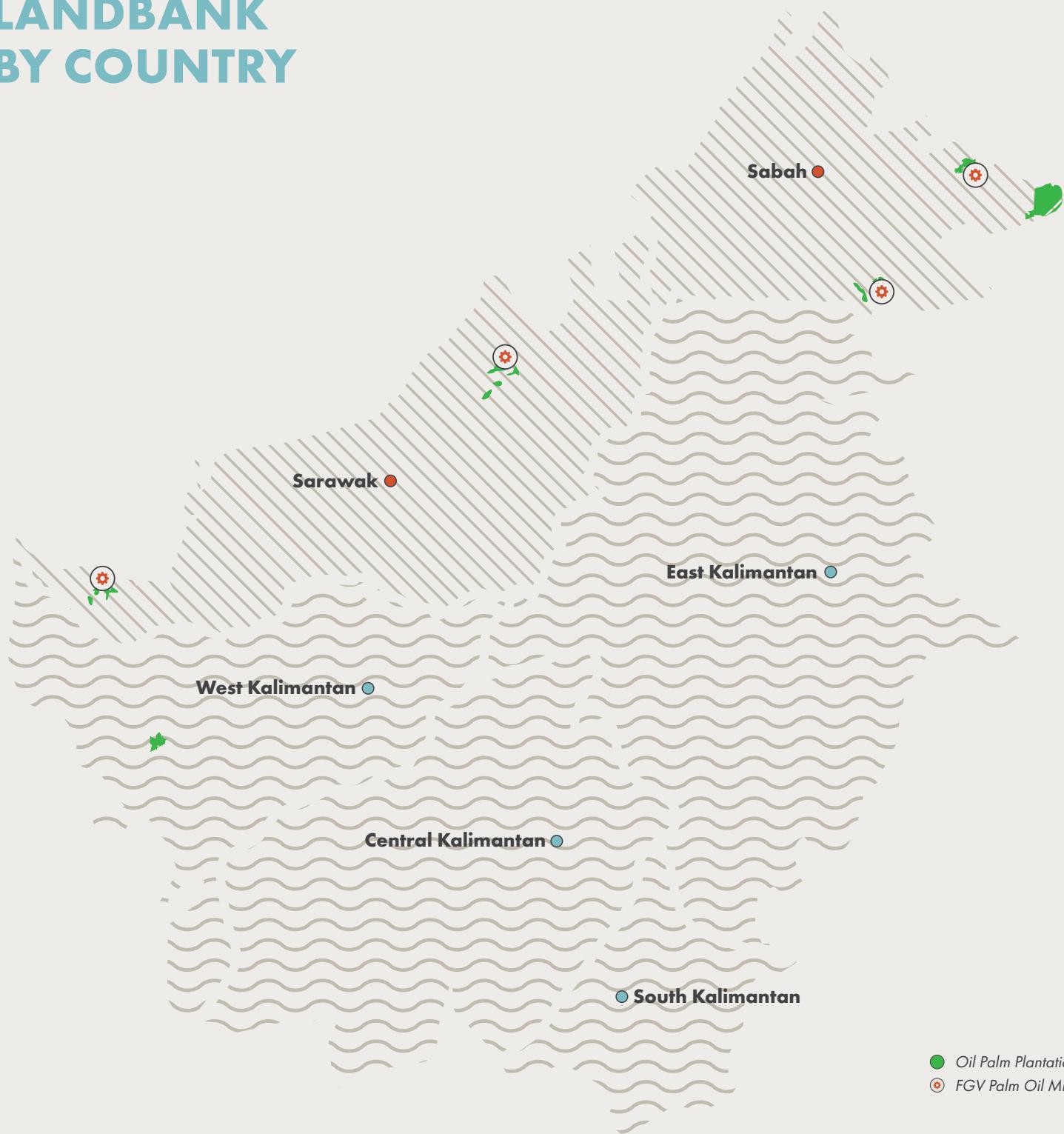
5%

Indonesia

Total Landbank (Owned): 22,578 Ha\*

\* Excluding 42,000 Ha of landbank held under joint-venture

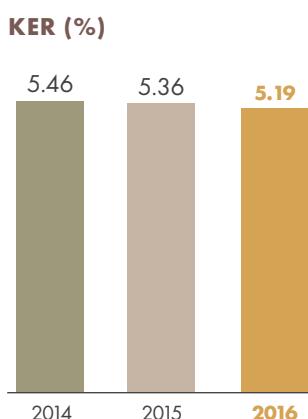
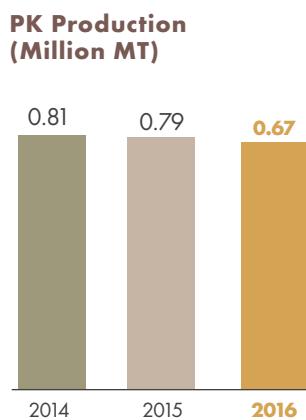
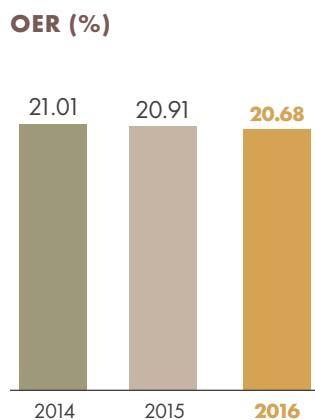
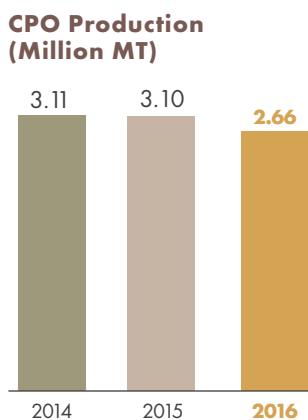
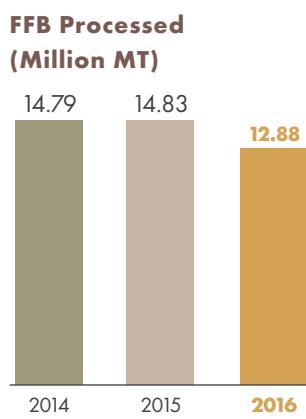
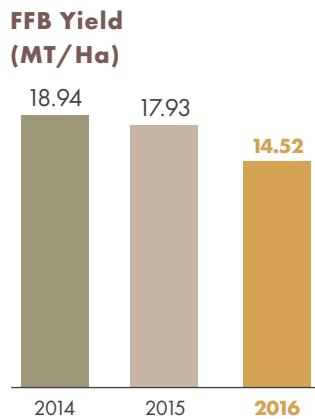
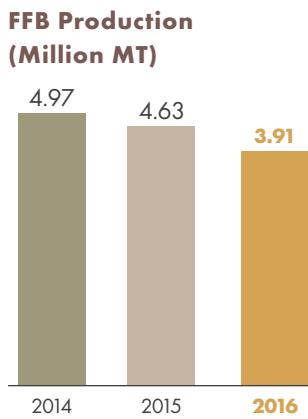
## LANDBANK BY COUNTRY



# CLUSTER PERFORMANCE:

## PALM UPSTREAM

### Operational Statistics



*Notes:*

1. 2014 includes 2 months production of APL (November to December 2014)
2. 2016 includes 10 months production of Yapidmas (March to December 2016)

# CLUSTER PERFORMANCE: PALM UPSTREAM

## MOVING FORWARD

We will continue to pursue our replanting programme to improve our age profile with high yielding planting materials. Our replanting target for 2017 is 15,000 Ha and this shall further reduce the proportion of old trees to 37% from 40%. This is a key initiative that will ensure sustainable growth for our Group as stipulated in our SP20. We aim to increase our FFB production to 6.25 million MT by 2020 from 3.91 million MT in 2016.

As the effects of the El Nino drought are tapering off, we anticipate 2017 will be a year with moderate recovery, with about 10-15% increase in FFB production compared to 2016. CPO price for first half of 2017 is expected to be supportive in the range of RM2,600 - RM3,000 per MT as palm oil supplies remain tight. For second half of 2017, CPO price is forecasted to be in the range of RM2,400 - RM2,600 per MT in anticipation of production recovery.

The Cluster continues to be our single largest revenue contributor and will always remain as a core business for FGV. However, volatility in the external environment and availability of resources have required that we adapt our strategy to better align our Cluster with our strategic vision. The table below provides an overview of the SP20's targets for the Cluster.

To further streamline our operations and enhance value across the palm value chain, the Cluster will be grouped under the Plantation Sector, together with the Palm Downstream Cluster, RD&A Cluster as well as the FGVT businesses. With these clusters under the same Sector, we believe this will improve the synergy and enhance decision making process throughout the palm value chain.

## PALM UPSTREAM CLUSTER



**Aspiration:** To be a respectable agribusiness player focusing on operational excellence

CHALLENGES	STRATEGIES	2020 TARGETS
<p>Unfavourable age profile requires aggressive replanting activities in the next few years.</p> <p>Labour shortage, logistic shortfall, escalating labour and fertiliser cost.</p> <p>Harmonisation between plantations and mills to obtain best oil yield.</p> <p>Estate management and supervision.</p> <p>Operational and structural issues in newly acquired assets.</p>	<p><b>Operational improvements</b> through GAP, production efficiency and strong plantation management.</p> <p>Robust <b>replanting execution</b> and management to achieve timely desired age profiles.</p> <p>Rehabilitation of sub-optimal assets and rationalisation of non-performing assets.</p> <p>Value adding through <b>new usage and commercialisation</b> of by-products such as green chemicals and palm kernel cake.</p> <p><b>Mechanisation and automation</b> to improve efficiency and overcome labour problems.</p>	<p>FFB Yield: 20.50 MT/Ha</p> <p>FFB Volume: 6.25 million/MT</p> <p>FFB Processed: 18.15 million MT</p> <p>CPO Volume: 3.99 million MT</p> <p>OER: 21.98%</p> <p>Age Profile: 12-13 years old</p>

## KEY RISKS TO THE CLUSTER

The Cluster faces a number of challenges ranging from weather phenomena and planting conditions to other issues related to the milling process. A discussion of the key risks affecting our business is published in our SORMIC.

More information about the key risks is available on pages 136-137

## CLUSTER PERFORMANCE: PALM DOWNSTREAM



DOP is expanding with various FMCG products.

Our Palm Downstream Cluster is an important component of the Group's operations and is responsible for all refining and processing activities related to the conversion of CPO and PK into value-added products.

# CLUSTER PERFORMANCE: PALM DOWNSTREAM



Our products warehouse is HACCP compliance.

The Cluster incurred a higher loss of RM104.68 million compared to RM62.51 million loss in 2015. This was mainly due to provision for impairment of its assets in foreign subsidiary of RM55.61 million and of its trade receivables of RM34.90 million. The closure of a palm oil refinery in Sabah had also resulted in an impairment of RM18.63 million to the Cluster. Included in the Cluster's result last year was an impairment of RM40.24 million relating to intangible assets of its foreign subsidiary.

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. In addition, lower share of results was recorded from its JV compared to last year due to fraud relating to stock losses and overstatements of receivables amounting to RM16.12 million. In 2015, included in the share of results were gain on disposal of its quoted investment and subsidiary amounting to RM29.0 million and RM12.0 million respectively.

The lower result was partly mitigated by increase in contribution from US fatty acid business following the weakening of Ringgit and higher average commodity price.

## VOLATILE COMMODITY PRICING AFFECTS PERFORMANCE

The Cluster encountered margin pressures in both its overseas and local units due to the volatility of raw material prices. Supply of input stock such as CPO and PK was disrupted by a poor nationwide harvest due to the El Nino weather phenomenon that destabilised pricing. This resulted in a higher cost of production

and lower profit margins, particularly for products constrained by a price ceiling such as the price of domestic cooking oil.

## OPERATIONAL REVIEW

### Oleochemicals Remain Resilient



FGV oleochemicals unit Twin Rivers Technologies Holdings, Inc (TRT-US) delivered a resilient performance in 2016 despite volatile commodity prices and lower volumes shipped during the year. Both revenue and Profit Before Tax (PBT) met internal benchmarks despite increased competition in key product lines including the Oleic (Tallow), LauricFrac (Coconut) and Refined Glycerin markets.

Mitigating the challenging environment were lower production costs due to cheaper natural gas as well as TRT-US' efforts in building effective commercial relationships and gaining entry into higher margin market segments. Profits were also helped by several yield improvement initiatives, water and sewer conservation measures and negotiated logistics cost. TRT-US successfully increased its glycerin customer base in 2016 after receiving the Safe Quality Food (SQF) certification in 2016. TRT-US also received Roundtable on Sustainable Palm Oil (RSPO) certification in the same year thus contributing to our overall Group thrust to become more sustainable.

Oleochemicals are key products under our overall business strategy to offset volatility in commodity prices. We plan to explore other markets for expansion to further diversify our oleochemicals portfolio.

# CLUSTER PERFORMANCE: PALM DOWNSTREAM

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## Fast Moving Consumer Goods (FMCG) and Retail Segments Open New Markets, but Face Increased Competition

Our FMCG unit, Delima Oil Products Sdn Bhd (DOP), recorded higher sales volumes in most segments.

Meanwhile, DOP managed to increase in exports in several markets in 2016 including Iraq, China, EU, Canada and the US. In line with our Group's strategy to optimise our existing assets, DOP increased its plant utilisation factor in 2016 and is in the process of upgrading its processing facilities. DOP successfully launched three (3) new edible products into the market in 2016, namely Saji Krimer Bandung, Saji Krimer Coklat and Saji Tepung Serbaguna.

In regards to our presence in China, FGV China Oils Ltd (FGVCO) expanded its presence in the sales and trading, and bulking businesses in 2016. FGVCO also received its custodian tank status and licence from China Recycle Resources Exchange (CRRE), a subsidiary under China Co Op group. This licence allows us to offer storage services to customers importing palm oil and soy oil into China.

## Focused on Quality

We received ISO 9001:2015 certification for four (4) business units in 2016, namely DOP, Felda Vegetable Oil Products, Felda Kernel Products and FGV Biotechnologies. The ISO 9001:2015 specifies requirements for a quality management system (QMS) in demonstrating its ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements.

It also ensures that the QMS enhances customer satisfaction through the effective application of the system, including processes for improvement and the assurance of conformity to customer and applicable statutory and regulatory requirements. The certification ensures that our certified business units have the appropriate mechanisms in place to ensure that they are focused on quality and excellence in performance.

Additionally, all products produced by DOP are certified Halal. Halal certification provides assurance to all Muslim consumers that the product fulfils Syariah law, which is mandatory for Muslims. For non-Muslims, Halal certification provides a guarantee of the quality of the product as Halal-certified products must meet the *Halalan Thoyyiban* (Halal and wholesome) standard.

As a Halal-certified entity, we comply with Halal-Good Manufacturing Practice (Halal-GMP) and Halal-Hazard Analysis Critical Control Point (Halal-HACCP) requirements. Products certified Halal by Jabatan Kemajuan Islam Malaysia (JAKIM) are safe for consumption or use, nutritious and quality assured. Malaysia's Halal Logo is recognised and accepted worldwide.

## MOVING FORWARD

The Cluster is an essential enabler of the Group's future success by diversifying our source of income and marketable destinations. The Group intends to further develop key synergies between the Upstream, Downstream and Logistics Clusters to fully occupy the palm and palm-derivative value chain.

The Cluster will remain on a growth-oriented trajectory focused on organic growth in 2017. Key areas of focus going forward include:

- Producing high-margin consumer goods such as premium shortening in the FMCG sector
- Further developing the pack segment business in China for sunflower, corn and peanut oil
- Producing Kosher and specialised products in the oleo sector
- Growing our biodiesel capabilities for both retail (B10) and industrial (B7) use
- Developing our Palm Kernel Cake (PKC) animal feed project
- Growing storage/bulking business in China by obtaining a Dalian Commodity Exchange (DCE) tender tank licence to develop our DCE overseas tender tank programme

While the Group has put a halt on M&A for the foreseeable future, the Cluster has identified potential areas of inorganic growth for future expansion. These targeted areas, in oleo-derivatives and specialty chemicals, are focused on opening new markets and on increasing our capacities in related, adjacent fields.

Meanwhile, an announcement by the Ministry of Domestic Trade, Co-operatives and Consumerism to introduce greater liberalisation into the cooking oil market will partially mitigate this issue going forward. Under the new policy, the Cooking Oil Stabilisation Scheme has been amended such that selected packaging cooking oil sizes will be sold at market price to retailers beginning November 2016.

The Government also announced in June 2016 that it would raise the biodiesel mandate for the transport sector from B7 (7% biodiesel mix) to B10 (10% biodiesel mix), and introduces the use of B7 in the industrial sector. While the implementation of this programme has been pushed back from its initial launch date of 1 Dec 2016, we remain confident that the programme will eventually be implemented.

# CLUSTER PERFORMANCE: PALM DOWNSTREAM

Our priority in 2017 is to maintain optimal product margins as the global slowdown in economic activity will likely result in lower sales volumes for our products. This problem will be further compounded by the projected lower harvest of palm kernel, an essential input for our businesses, in both Malaysia and Indonesia in 2017.

While we see pockets of opportunity in our FMCG venture, particularly in terms of exports to the region, we expect sales in our home market of Malaysia to become more muted owing to inflationary pressure. Demand for retail products from Asia Pacific (APAC) countries is expected to grow 4.6% in 2017, with particular emphasis on edible oil and fats, and ready-to-cook products.

In regards to oleochemicals production, greater competition from other companies in the region, especially Indonesia, will put pressure on our sales volumes and pose a direct threat to our US entity TRT-US. We expect to see an over-supply of both crude and refined glycerine as the continued depression of crude oil prices has resulted in drastic reductions of demand for oilfield and other oil production-related chemicals.

On the biodiesel front, we expect to see demand for Palm Oil Methyl Ester (PME) to increase by 20% in the event that the government implements its

June decision to allow the use of B7 for the industrial sector. The export market remains challenging in view of low crude prices against high CPO prices. However, we do see growing opportunities for biodiesel in the niche market arising from the implementation of Greenhouse Gas (GHG) policies by the EU and the emerging markets such as India, which is projected to have an annual requirement of 6.75 billion litres of biodiesel by 2022.

The Cluster remains a priority under SP20. FGV's downstream footprint is relatively small when compared against competitors, and has significant potential for further growth particularly in the FMCG and oleochemicals markets. The SP20 outlines a number of strategies and 2020 targets for the Cluster in response to the global challenges. The table below provides an overview of the strategy.

The Cluster will be grouped as a department under the Plantation Sector following a Group reorganisation in 2017. The Cluster will be operated alongside the Palm Upstream, RD&A and FGVT businesses in order to take full advantage of the entire palm value chain. The grouping of FGV's palm-related businesses together enables greater segmental reporting, improved decision making and will result in greater cost savings moving forward.

## PALM DOWNSTREAM CLUSTER

**Aspiration:** Top 20 FMCG in APAC for packed foods, optimise oleochemicals position and venture into high-value innovative palm-based products



CHALLENGES	STRATEGIES	2020 TARGETS
<p>Managing performance of distributors, agents &amp; partners.</p> <p>Identifying destination market strategy in light of tight margin and localised issues especially regional scene.</p> <p>Excess processing capacity in refineries and biodiesel plants due to unfavourable market conditions.</p> <p>Challenging margin from basic oleochemicals and the need to move further to oleo-derivative market space.</p> <p>Fast resolution of recent sub-optimal investments and partnership.</p>	<p>To become a <b>FMCG regional leader</b> in key destination markets.</p> <p>Develop <b>effective distributorship plan and policy</b> in areas of marketing and product reach.</p> <p>Move further up the value chain towards <b>oleo-derivatives and bio-chemicals</b> to capture premium markets.</p> <p>Build <b>integrated operations</b> in identified markets through collaboration with bulk oils, storage and trading.</p> <p><b>Consolidate &amp; rationalise</b> excess refining / biodiesel capacity and sub-optimal investments to contain potential financial exposures.</p>	<p>FMCG Volume: 0.54 million MT</p> <p>Oleo Volume : 0.35 million MT</p>

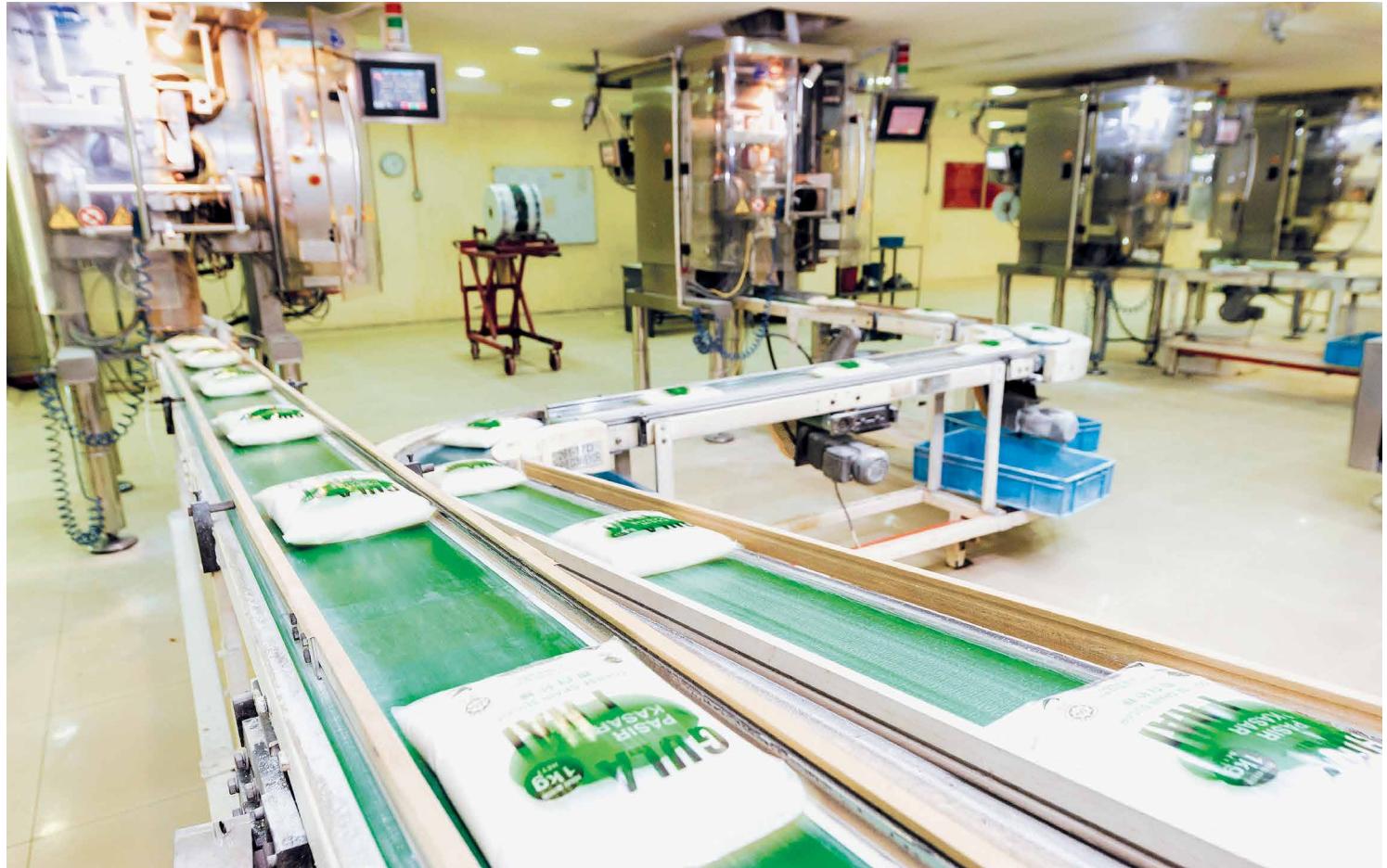
## KEY RISKS TO THE CLUSTER

The Cluster faces a number of challenges ranging from the volatile price of feedstock to disruptions in trade agreements. A discussion of the key risks affecting our business is published in our SORMIC.

 More information about the key risks is available on pages 136-137

## CLUSTER PERFORMANCE: SUGAR

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MSM Holdings is the largest standalone sugar refiner in Malaysia with approximately 60% domestic market share.

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The Sugar Cluster operates mainly through the Group's wholly-owned subsidiary FGV Sugar Sdn Bhd and its 51%-owned MSM Holdings. Through MSM Holdings, FGV is the leading refined sugar producer in Malaysia with approximately 60% domestic market share.

# CLUSTER PERFORMANCE: SUGAR

The Cluster continues to demonstrate the effectiveness of its marketing and distribution strategy after growing sales volume in the domestic segment by 24% during the year. Revenue accordingly increased 15% to RM2.66 billion compared to RM2.31 billion in the previous year. This was mainly due to an increase in sales volume from the Group's domestic segment and an improved average refined sugar selling price. However, the weakening of Ringgit against USD and a rise in raw sugar prices exerted significant pressure on margins, which subsequently compressed the Cluster's profit margins. In 2016, the Cluster reported a PBZT of RM151.81 million against RM363.05 million in the previous year.

## HIGHER SALES BUT WEAKER RINGGIT AFFECTS SUGAR PERFORMANCE

Raw sugar prices have risen steadily from USD0.15 per lb in December 2015 to USD0.20 per lb in July 2016, representing an increase of 30% within a seven-month period. The rise in raw sugar price had a substantial impact on our financial performance as the cost of raw sugar accounts for 80% of our total production cost.

At the same time, the Ringgit, which weakened 7-8% against the USD, further contributed to our raw sugar cost and raised overall operating expenses. On average, we spent over USD450.0 million on the purchase of raw sugar for the year. However, we managed to mitigate the impact from exchange rate volatility by locking all raw sugar USD requirements for 2016 below RM4.15 via our strategic hedging mechanism.

The Cluster was also affected by the price cap placed on the selling price of domestic refined sugar in Malaysia. Fluctuations in costs and market volatility were subsequently absorbed by our refiners and affected margins in 2016. We welcome the government's decision to withdraw the refined sugar Approved Permit (AP) for industrial customers in 2016. The decision has translated into higher demand for refined sugar for industrial customers at prices that better reflect the market.

## OPERATIONAL REVIEW

### Managing Our Foreign Exchange (FOREX) Exposure

Our key priority in 2016 was managing the cost of purchasing raw sugar and volatility of the forex markets. To enhance our capabilities in this area, we established MSM Trading International DMCC office in Dubai to monitor the raw sugar market and to make competitive purchases using strategic hedging mechanisms. It also helps us to penetrate the APAC market by giving us a presence in the MENA region, which represents a huge potential market for us.



MSM Holdings is the country's largest sugar refinery with an annual production capacity of 1.25 million MT.

## MOVING FORWARD

One of our key strategic intents is to grow our regional market presence to provide greater balance to our portfolio of interests. Our plan is to develop local trading and distribution capabilities in South East Asia to create an outlet for our sugar products, and also to increase our access to the regional market. Preliminary works and feasibility studies are presently ongoing to determine how we can best make our entrance into these market.

Work on our integrated sugar refinery in Tanjung Langsat, Johor is according to schedule with the ground breaking ceremony executed in March 2016. The refinery is on track for completion by the first quarter of 2018, and will add a further 1 million MT to our refining capacity by 2020. The additional capacity will not only ensure the stable supply of sugar in Malaysia but also give us ample room to grow our export market. Our existing refineries in Prai and Perlis will be refurbished when the Johor refinery is up and running.

Raw sugar prices are expected to remain high until the end of the second quarter of 2017 with producers slightly bearish about output for the production season. Producers in Thailand are particularly pessimistic about their production volume for the 2016-2017 season which started in December 2016. Thai producers are estimating a production volume of 91.1 million MT, which is 3.0 million MT lower than the amount produced in the 2015-2016 season.

# CLUSTER PERFORMANCE: SUGAR



In 2016, the Cluster produced its highest production output.

We remain concerned about the weakness of the Ringgit with no clear catalysts for its recovery in 2017. Collectively, these factors will result in another challenging year, particularly if the ceiling price of wholesale sugar in Malaysia remains at the status quo. While we expect revenue to remain strong, profitability will either stay flat or decline further due to greater margin compressions.

The fundamentals of the Cluster remain strong and our business is well-positioned to weather another challenging year. Meanwhile, we will continue working towards attaining greater operational excellence in line with the Group's overall strategy, and have implemented cost savings initiatives as well as other process-based improvements. This is also reflected in our factory and equipment maintenance regime and our talent management policies. We have kept close watch on our capex spend and thoroughly reviewed all projects in the pipeline to determine their necessity.

MSM Holdings is the largest standalone sugar refiner in Malaysia with approximately 60% domestic market share and has a superior reputation in the ASEAN region for the quality of its products and services. We aspire to turn MSM Holdings into a top 10 global sugar player by 2020 with an annual refining capacity of 2.45 million MT and trading volume of 1.30 million MT.

## SUGAR CLUSTER

**Aspiration:** To be top 10 global sugar player



### CHALLENGES

- Volatility of raw sugar prices and forex movement.
- Saturated local market with limited expansion opportunity.
- High entry barriers in other countries to protect local players.
- Ensuring Johor plant progresses within stipulated time and budget.
- 100% dependent on importation of raw sugar.

### STRATEGIES

- Enhance **regional market presence** to balance the saturated local market.
- Strengthen **trading policies and capabilities** to ensure performance on the back of raw sugar price volatility and adverse forex movements.
- Intensify efforts to produce **special grade refined sugar**.
- Expedite commencement of new plant** in Johor and rationalise overcapacity and uneconomic assets.

### 2020 TARGETS

- Refined Sugar Volume: 2.45 million MT
- Trading Volume: 1.30 million MT

## KEY RISKS TO THE CLUSTER

The Cluster faces a number of challenges ranging from volatile exchange rates to local regulations governing the sale of sugar. A discussion of the key risks affecting our business is published in our SORMIC.

More information about the key risks is available on pages 136-137

## CLUSTER PERFORMANCE: TRADING & MARKETING, LOGISTICS AND OTHERS (TMLO)



*We operate the largest vegetable oil storage and handling facilities in the world.*

The TMLO Cluster, established in 2014, contributed the Group's largest external business revenue by recording total revenue of RM7.55 billion for the financial year under review. The business activities include our Trading & Marketing arm, Transport & Logistics, Storage & Handling and Other non-core businesses such as Information & Communications Technology (ICT), Engineering, Properties and Travelling & Hospitality services.

# CLUSTER PERFORMANCE: TRADING & MARKETING, LOGISTICS AND OTHERS (TMLO)

Our Transport & Logistics segment is presently one of the leading multi-modal transport operator (MTO) in Malaysia while our Storage & Handling segment operates the world's largest edible oil storage and handling facilities with main base in Pasir Gudang, Johor. The storage facilities are also responsible for managing about 40% of Malaysia's total palm oil exports.

The Cluster performance was however affected by the Trading unit, which suffered losses due to trading positioning. The Cluster reduced its losses by 53.1% to RM15.21 million losses in 2016.

## CHALLENGING 2016 FOR TMLO

The Cluster's performance was also affected by lower contribution from IT services as significant project such as implementation on Good and Services Tax (GST) has been completed last year and lower handling throughput by Group's bulking operation in tandem with lower CPO production volumes.

The Transport segment carried volume declined to 4.39 million MT in FY 2016 from 5.16 million MT in the previous period. Local economic activity, a direct catalyst of business opportunities for the Sector, was also slower resulting from lesser government spending following a global weakening economic climate. Meanwhile, the performance of our Trading & Marketing arm was stunned by the unpredictable market conditions including commodity price fluctuations as well as volatile foreign exchange movements. However, even with the lower volume available in 2016, our Trading & Marketing arm managed to become the biggest exporter of palm oil to Pakistan and succeeded to in trading other oils such as Coconut Oil (CNO).

## OPERATIONAL REVIEW

We achieved a slightly lower Storage & Handling throughput in 2016, although the impact of the lower total volume handled was offset by a higher volume of premium products handled, thus shielding our Storage & Handling revenue from any sharp decline.

Revenue from Transport & Logistics activities declined due to lower volume of liquid products carried and dry cargoes handled, mainly attributable to lower CPO production by the Group. Hence, profitability also was affected following lower revenue and impact from fluctuating fuel cost.

Revenue generated from the other Non-Core business decreased slightly as a result of the general economic slowdown.

## Restructuring for Greater Efficiency

In May 2016, the other Non-Core business segments in the Group - IT, Engineering, Properties and Travel - were assigned to the Cluster. The Cluster was then divided into two (2) sub-clusters comprising the Core Business (Trading & Marketing, Transport & Logistics and Storage & Handling segments) and the Non-Core (others) business. The restructuring of the businesses within the TMLO Cluster is aimed at streamlining the operations and enabling greater oversight of their performance. This is in line with the Group's strategic goals to grow its adjacent field businesses, especially the external business, by sweating our assets.



FJB's terminal located in Pasir Gudang, Johor.

# CLUSTER PERFORMANCE: TRADING & MARKETING, LOGISTICS AND OTHERS (TMLO)

## Diversifying Our Portfolio

The Cluster managed to increase its external business income to comprise about 40% of total revenue from 30% in 2015 following a rigorous programme to increase its market position and maximise its assets utilisation, such as expansion in traditional markets, and increasing lorries and storage tanks utilisation rate. Our eventual goal for the cluster is to rebalance the ratio of internal and external businesses to 50:50 from about 60:40 at present. To that end, we entered into a number of new business arrangements with external partners in 2016 to further diversify our mix of business, e.g. through a service contract for three (3) years signed in December 2016 with Lhoist (Malaysia) Sdn Bhd, the Malaysian arm of Lhoist S.A., a Belgian multinational company and the world's leading producer of limestone and lime.

## MOVING FORWARD

The Cluster is a relatively new addition to the Group and further investments are required before it can contribute meaningfully to the Group. We have earmarked a number of key initiatives for 2017 that will take us closer towards our goal of becoming a global leader in the areas of trading, logistics and storage, and a market leader in commercial services.

In 2017, we aim to expedite our mineral logistics business in Perak and other external business opportunities to reduce our reliance on internal sources of business and to make greater use of our existing transport assets. The Cluster

will be leveraging on its service contract agreement with Lhoist S.A to expand its logistics network. Finally, we will commence the construction of our first warehouse for our external business in Tanjung Langsat, Johor. The new warehouse will cater to the oil & gas players as well as from other industries.

We expect a slight recovery in CPO price and production volume in early 2017. However, the external trends such as forex and general macroeconomic conditions will continue to be key determinants of our performance for the year. The year 2017 will be another challenging year, thus justifying our business plan to expand our income source from external business and reduce our reliance on internal Group business.

The Cluster maintains our key 'choke-point' assets that are designed to optimise our value chain operations by providing supporting services. These assets are essential in ensuring the smooth operations of the Group's core plantation business. Although the Cluster was only established slightly more than two (2) years ago, we have already identified some of the challenges faced by the Cluster. The table below provides an overview of our SP20 targets for the Cluster.

As part of the Group's reorganisation, the Cluster will be renamed the Logistics and Others (LO) Sector. The Trading & Marketing segment of TMLO will be grouped under the Plantation Sector, while the LO Sector will welcome the existing Rubber Cluster as part of its business. The aim of the reorganisation is to introduce greater cost efficiency and enhanced focus to the Sector in executing its supporting role.

## TRADING & MARKETING, LOGISTICS AND OTHERS (TMLO) CLUSTER

**Aspiration:** Global leader in trading, logistics & storage and market leader in commercial service business ("the others")



CHALLENGES	STRATEGIES	2020 TARGETS
<p>Obtaining positive trading margin within challenging business environment and disparity market.</p> <p>Few non-performing assets and investment requiring fast resolution.</p> <p>Saturated internal business requiring us to develop external business aggressively.</p> <p>Competition from other MTO players and other terminals (bulking).</p> <p>Stagnant throughput from major customers.</p>	<p>Strengthen <b>trading strategy, capability and monitoring mechanism</b> so that our strength is optimised.</p> <p><b>Expand storage capacity</b> locally and globally through collaboration with trading and palm downstream cluster (e.g. FMCG).</p> <p>Nurture <b>logistics, engineering and IT business</b> as new growth engine in adjacent areas. Spin-off high potential assets to unlock value.</p> <p><b>Restructure and unlock</b> values of non-performing assets and investments.</p> <p>Hospitality &amp; property businesses to focus on <b>operational excellence</b>.</p>	<p>Trading Volume: 5.60 million MT</p> <p>Transport Volume: 6.10 million MT</p> <p>Bulking Volume: 8.50 million MT</p>

## KEY RISKS TO THE CLUSTER

The Cluster faces a number of challenges ranging from volumes of cargo available and other business-specific risks. A discussion of the key risks affecting our business is published in our SORMIC.

 More information about the key risks is available on pages 136-137

## CLUSTER PERFORMANCE: RESEARCH & DEVELOPMENT AND AGRI-SERVICES (RD&A)



FGV has the largest oil palm research centre in Southeast Asia.

The RD&A Cluster was established in 2014 to enhance the performance of the Group's core businesses. With over 40 years in the industry, the Cluster runs the largest oil palm research centre in Southeast Asia, and is a leading innovator of new technologies in the oil palm industry.

These innovations are subsequently put to use throughout the Group thereby improving yields of agricultural activities. The Cluster aims at increasing yield and efficiency, reducing production costs, ensuring environmental sustainability and enhancing profits over time. One of the key focus areas of the Cluster is the development of new oil palm varieties through conventional breeding. Of particular note is the award-winning Yangambi ML161 variety, which commands 43% market share locally.

The Cluster reported slightly lower revenue of RM439.04 million, but a substantially higher PBZT of RM56.76 million, compared to the RM14.03 million posted in 2015.

# CLUSTER PERFORMANCE: RESEARCH & DEVELOPMENT AND AGRI-SERVICES (RD&A)



*Our seeds are handpicked to ensure quality and standard.*

## STRONG RESULTS IN CHALLENGING CONDITIONS

The combination of aggressive promotional activities, stringent cost cutting exercises and the successful take up of new targeted products saw the Cluster put in a positive set of results despite challenging conditions. The Cluster's financial performance is typically affected by two (2) factors:

- The volatility in the demand for planting materials: Planters delayed their replanting programmes because of the dry weather in 2016 which reduced demand for planting material.
- Foreign exchange rates: Fertilisers manufactured by the Cluster make use of inputs denominated in USD.

Despite the delays in planting, the Cluster's flagship company, Felda Agricultural Services Sdn Bhd (FASSB), managed to maintain its

market share of the Malaysian seed market at 43%, and achieved its sales target volume through aggressive promotional sales and marketing campaigns, and the full-scale deployment of its sales force. High demand for rat bait also led to a significant increase in revenue for the RD&A Cluster.

The Cluster's fertilisers division, FPM Sdn Bhd (FPM), also managed to record substantially higher PBZT of RM32.07 million compared to RM6.29 million in 2015, despite lower sales volume of 638,389 MT in 2016 compared to 731,993 MT in the previous year. Furthermore, fertiliser sales for new accounts grew to 92,652 MT in 2016 from 59,190 MT in 2015 as FPM penetrated new customer segments and markets during the year.

As for the RD&A sub-cluster, our research unit managed to achieve all its stipulated targets through efficient utilisation of research funds despite challenging conditions.

Introduced Felda Yangambi GT1 (GT1) and Palma Shield in 2016 to combat Ganoderma, an incurable palm disease.

## OPERATIONAL REVIEW



### Driving Innovation in Agribusiness

FASSB successfully introduced the Felda Yangambi GT1 (GT1) and Palma Shield in 2016. Both products were developed by FGV R&D Sdn Bhd (FGVRD) to combat Ganoderma, an incurable palm disease. GT1 is the world's first palm planting material that is tolerant towards Ganoderma attacks while Palma Shield is a biocontrol agent providing protection against Ganoderma Basal Stem Rot (BSR). The combination of GT1 and Palma Shield applications in Ganoderma-endemic areas allows for better management of the disease thereby reducing plant loss from the disease. We are optimistic that the GT1-Palma Shield package will be a core product for the Cluster going forward.

# CLUSTER PERFORMANCE: RESEARCH & DEVELOPMENT AND AGRI-SERVICES (RD&A)

RM3.0 million  
in savings after  
implementing an  
aggressive cost  
saving programme.



Mechanisation equipment such as Tekam Twister, a subsoiler for fertiliser manuring improves productivity significantly.

## Expanding Our Horizons

FASSB successfully registered and launched its award-winning Felda Yangambi ML161 oil palm germinated seed in Indonesia. With this launch, we expect to sell 1 million seeds in Indonesia in the coming year and become the first Malaysian company to successfully export oil palm seeds to Indonesia. The expansion of our footprint is in line with our Group's overall strategy to develop itself into a best-in-class global agribusiness by 2020.

Other achievements in the year came from three (3) key initiatives namely the completion of targeted irrigation activities for 2016, the launch of a new organic fertiliser in a greenfield market and the successful implementation of an Innovation and Creative Cycle (ICC) project to increase oil palm seed germination rates by 7%.

In the area of applied technology, FGV Applied Technologies Sdn Bhd (FGVAT) completed a number of projects involving the construction of pilot plants for larger scale trials such as the pilot plant to produce animal feed from Palm Kernel Expeller (PKE) and also for enzymatic oil extraction. Meanwhile, it also completed a number of projects under its Food Technology Unit, and these projects are now ready for commercialisation.

Finally, the Cluster also realised RM3.0 million in savings after implementing an aggressive cost saving programme.

## MOVING FORWARD

The Cluster has already identified a number of initiatives for 2017 that will sustain the momentum from 2016. These initiatives outline the goals for the Cluster under the SP20 to improve collaboration with the other Clusters and nurture new innovations. These initiatives include:

- Increasing irrigation activities for oil palm estates
- Further strengthening overseas markets for oil palm seed
- Enhancing the commercialisation of R&D products, e.g. GTI and Palma Shield
- Increasing sales of fertilisers in both dealers' and retail markets
- Expanding our advisory and laboratory services
- Expanding the market for rat bait into paddy plantations and urban areas
- Implementing our pilot Coconut Upstream Project (Buko Pilot Project)
- Developing a process to produce epoxy propanol and glycerol carbonate using glycerol as feedstock to increase the value of glycerol, a by-product of biodiesel production

# CLUSTER PERFORMANCE: RESEARCH & DEVELOPMENT AND AGRI-SERVICES (RD&A)

We expect the seed market in Malaysia to remain flat in 2017 at about 50 million seeds due to the delayed El Nino transition. However, we are confident that we will be able to protect our market share. Nevertheless, the potential overseas seed sales to regional markets such as Indonesia, the Philippines and Thailand amounting to more than 1 million seeds will offset any decline foreseen in the domestic market. Conversely, we expect the sales of rat bait to continue to grow by between 5% and 10% in 2017.

Compound fertiliser use by plantations reduced drastically in 2016, and is expected to remain at the same level in 2017. The Cluster's increased sales of fertiliser were made mainly in the open market and we will continue to target this segment in 2017.

The SP20 aims to further enhance the stature of the Cluster, an already internationally recognised research house in the palm oil business, in line with our goal to become a best-in-class agribusiness. The primary focus is to broaden the Cluster's recognition overseas to enhance the Group's standing as a premier palm oil research institution. Our vision for the RD&A Cluster under the SP20 is outlined in the table below.

The Cluster will be grouped under the Plantation Sector following the Group's reorganisation in 2017. As a result of the reorganisation, RD&A will become a Cluster under the Plantation Sector and cease to be an independent Business Cluster.

## R&D AND AGRI-SERVICES CLUSTER



**Aspiration:** Globally recognised agri-services provider and premier private palm oil research institution

CHALLENGES	STRATEGIES	2020 TARGETS
<p>Managing applied research in collaboration with Upstream, Downstream and Sugar.</p> <p>Enhancing capabilities on plantation R&amp;D.</p> <p>Saturated and competitive local market for fertiliser.</p> <p>The need to have a robust strategy on R&amp;D funding.</p>	<p>Greater collaboration with <b>Palm Downstream &amp; Sugar Clusters</b> to develop high-value specialty products and green chemicals.</p> <p>Nurturing <b>new technologies, new crops and new products</b> that are synergistic to existing capabilities (e.g. coconut).</p> <p>Developing robust <b>R&amp;D policy and blueprint</b> to regulate the scoping of R&amp;D, appetites, funding, performance monitoring, etc.</p> <p><b>Maximisation of palm by-products usage to increase earnings.</b></p>	<p>Seed Volume: 30.0 million MT</p> <p>FFB Yield: 26.0 MT/Ha</p> <p>Fertiliser Volume: 0.73 million MT</p>

## KEY RISKS TO THE CLUSTER

The Cluster faces a number of challenges ranging from seasonal demand for planting materials and fertilisers, to weather risks that dissuade planting activity. A discussion of the key risks affecting our business is published in our SORMIC.

 More information about the key risks is available on pages 136-137

## CLUSTER PERFORMANCE: RUBBER



Our rubber processing plant at Felda Pasir Besar, Gemas, Negeri Sembilan.

FGV's rubber operations span four (4) countries—Malaysia, Thailand, Indonesia and Cambodia—with total production capacity of 185,800 MT. FGV's rubber holdings in Malaysia presently comprise approximately 12,000 Ha of rubber plantations, six (6) mid-stream rubber-processing facilities and a specialised processing facility for green rubber production.

In 2016, the Cluster achieved total revenue of RM705 million. However, as a result of the weak price of Natural Rubber (NR) and shortage of raw materials to be processed, the Cluster posted a Loss Before Zakat and Taxation (LBZT) of RM51.45 million.

### OPERATIONAL REVIEW

The Cluster continues to be affected by the scarcity of raw rubber. This is mainly due to conversion of cultivars from rubber to oil palm by local planters. For 2016, due to the shortage of raw material locally, our processing facilities were running below their capacity with only a 52% utilisation factor. In order to minimise the deficit, FGV Rubber Sdn Bhd (FGVR) imported 18,400 MT of raw rubber for its facilities.

In line with the Group's rationalisation programme, the Rubber Cluster rationalised two (2) of its processing facilities – Kilang Getah Jengka 21 and Kilang Getah Pasak – contributing to possible savings on fixed costs of approximately RM2.5 million annually. The Cluster's goal is to strategically optimise our production capacity by focusing on key production areas while paring down our under-performing assets.

# CLUSTER PERFORMANCE: RUBBER

## MOVING FORWARD

Procuring raw materials remains our main challenge in 2017. To continuously import raw materials from overseas may not be sustainable as there are several potential limitation factors to be taken into account such as distance of source, exchange rate, supply due to weather, government bureaucracy and quality, therefore we are looking to diversify our current products line-up. In addition to Standard Malaysian Rubber (SMR20), we will look into other possible downstream activities such as niche market products and specialised rubber products, i.e. rubber compounding.

We also plan to concurrently further enhance and promote Ekoprena & Pureprena, a form of epoxidised rubber or green rubber, an innovation from our collaboration with the Malaysian Rubber Board (MRB). There are also plans underway to enhance our trading unit to venture further into NR trading activities. We are also in the process of increasing the capacity of our rubber processing facility in Tbong Khmum Province, Cambodia from the current 12,000 MT to 48,000 MT annually. This is to take advantage of the abundant raw materials within the province and other neighbouring provinces.

In regards to the supply of NR, we expect NR production to trend downwards in 2017 as a result of the cease in tapping due to the low trend in NR price. The slowing world economy will also dissuade producers from investing in rubber supply thereby leading to further reduction in rubber surplus to 49,000 MT in 2017 from 93,000 MT in 2016.

The Malaysian average price for SMR20 was recorded at RM5,665 per MT in 2016, up by nearly 9% from the 2015 average. NR prices are expected to recover in 2017, but will still be well off their highest in 2012. The World Bank commodities price forecast in USD indicates that Malaysian rubber is expected to hit USD1.44 (RM5.90) per kg in 2017.

FGV's vision is to create a sustainable integrated rubber enterprise covering the entire length of the NR supply chain. The table below provides an overview of the challenges, strategies and targets for the Cluster.

Under FGV's new organisational structure, the Cluster will be dissolved and be transformed into a department under the LO Sector. The rubber business will be managed by a Head of Department as a unit reporting to the LO Sector's Chief Operating Officer resulting in savings from lower staff cost.

## RUBBER CLUSTER

**Aspiration:** Delivering sustainable business across rubber supply chain



CHALLENGES	STRATEGIES	2020 TARGETS
<p>Shortage of raw material resulting in low utilisation.</p> <p>Weak rubber price driven by crude oil movement.</p> <p>Competition from synthetic rubber and weak consumption growth.</p> <p>Upstream replanting requires fast completion and results.</p> <p>Suboptimal assets and investments call for fast resolution.</p>	<p>To <b>improve utilisation</b> through importation of raw rubber.</p> <p><b>Rationalisation</b> of low performing assets and investments.</p> <p><b>No further assets acquisition</b>, continuous review of structure &amp; "<b>scale down to long-term exit strategy</b>" in view of market challenges.</p> <p>Focus on <b>niche and premium</b> markets for Green Rubber products.</p> <p><b>Collaboration</b> with product manufacturers to establish stable offtakes at better pricing.</p>	<p>Rubber Production Volume: 0.27 million MT</p>

## KEY RISKS TO THE CLUSTER

The Cluster faces a number of challenges but the main concerns are the availability of raw material for our rubber processing facilities in Malaysia and the fluctuation of our sales margin attributed to NR market price volatility. A discussion on the key risks affecting the business is published in our SORMIC.

 More information about the key risks is available on pages 136-137

# STRATEGIC PLAN 2020 (SP20)

## Becoming Best in Class: 2017-2020

FGV is a forward-looking organisation focused on creating long-term value for our Stakeholders. From the very start, the Group's activities have been guided by a comprehensive Strategic Plan outlining our goals and ambitions by 2020. The Plan specifies discrete goals and milestones that must be met in order to achieve our targets.

OUR 2020 VISION		
Strategic Intent	Strategic Thrust	2020 Operation Targets
Best in Class Operation	Thriving for Operational Excellence 	 FFB Yield: <b>20.50 MT/Ha</b>  FFB Volume: <b>6.25 million MT</b>  FFB Processed: <b>18.15 million MT</b>  CPO Volume: <b>3.99 million MT</b>  OER: <b>21.98%</b>  Age Profile: <b>12 - 13 years old</b>
Commitment to Sustainability & Social Responsibility	Moving Down Value Chain 	
Leader in Good Corporate Governance and Ethical Values	Innovation & Sustainability 	
Strong Financial Management in Driving Growth	Growth in Adjacent Fields 	
	Expansion of Core Business 	

Since listing in 2012, the operating environment has changed substantially, reflecting developments in the global economy and the evolving views of Stakeholders. The relatively stable prices of commodities and trade agreements have been disrupted leading to uncertain pricing and supply chains, while Stakeholders' expectations have changed to focus on new priorities. As FGV works with a limited pool of resources, it became clear to Management under the leadership of GP/CEO, Dato' Zakaria Arshad and the Board of Directors in 2016 that a change in strategy was required for FGV to optimise shareholder value creation. The revised

strategy is intended to achieve more realistic business targets within the parameters of our resources and the challenging market environment.

The SP20 replaces FGV's Global Strategic Blueprint to define the Group's strategic intents, the strategic thrusts to get there and quantified targets by 2020. The SP20 is focused on taking operational excellence to greater heights while increasing efforts to produce high margin derivative products to mitigate the effect of volatile commodity prices.

A set of Key Enablers and Guardrails have been incorporated into the SP20 to enhance

operational capabilities, discipline and integrity within which the business must operate.

The Key Enablers are:

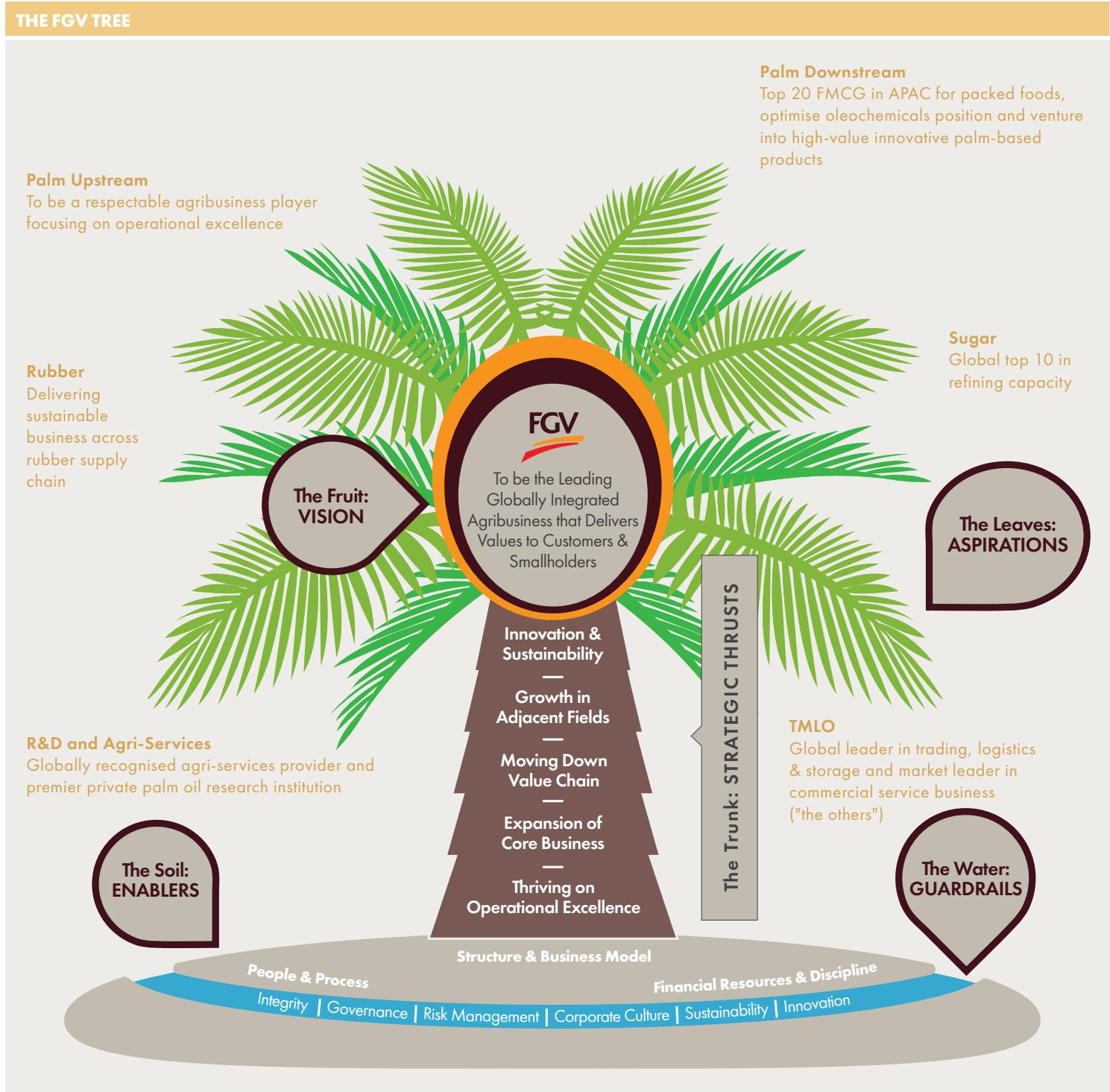
- The Group's Structure & Business Model
- Our People and Processes
- Our Financial Resources and Discipline

The Guardrails are:

- Integrity, Governance and Risk Management
- Corporate Culture
- Sustainability and Innovation

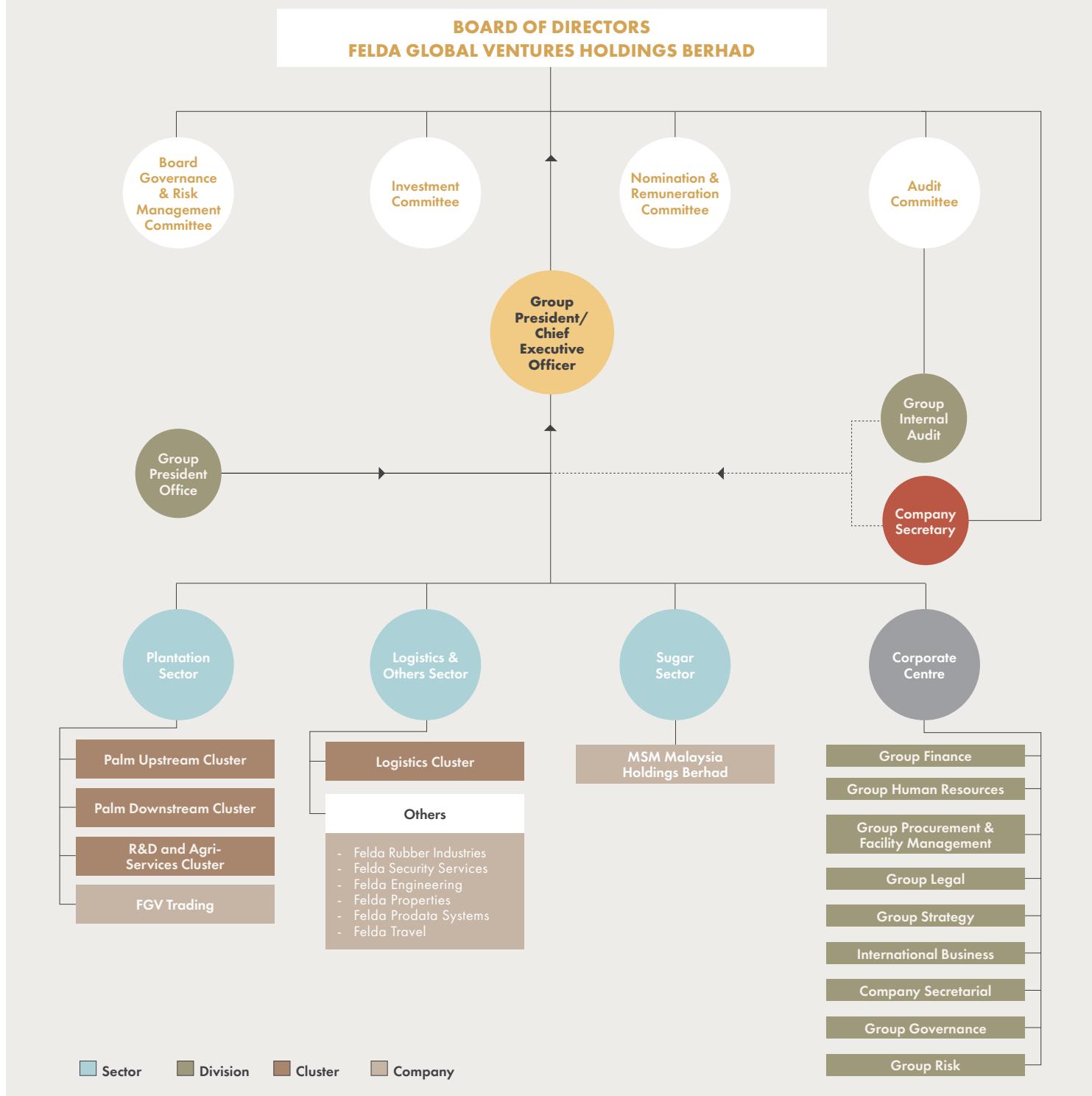
# STRATEGIC PLAN 2020 (SP20)

Below is the FGV Tree illustrating our SP20:



# DEVELOPING OUR PEOPLE

## OUR NEW ORGANISATION CHART



# DEVELOPING OUR PEOPLE

## DRIVING OPERATIONAL EFFICIENCY

As part of our efforts to streamline the management process and increase accountability, we have implemented a new organisational structure which groups the existing six (6) clusters into three (3) main Sectors: the Plantation Sector, the Logistics and Others (LO) Sector and Sugar Sector. Under this new structure, all palm-related business clusters—Upstream, Downstream, R&D and Agri-Services, and FGV Trading—will be grouped under the Plantation Sector, while the LO Sector comprises of Logistics Cluster and Others (Felda Rubber Industries, Felda Security Services, Felda Engineering, Felda Properties, Felda Prodata Systems and Felda Travel). Sugar Cluster will remain as a standalone sector. Rubber Cluster has been dissolved and transformed into a company under the LO Sector.

The new structure is aimed at improving operational and management focus, enhancing clarity and reporting accountability. It will also drive greater synergies by grouping like businesses under a fully integrated value chain. In the Plantation Sector, the fully-integrated palm value chain of upstream, processing and downstream will enable initiatives at each component to be assessed and synthesised by the Group. The new organisational structure was effective as at 2 February 2017.

## BUILDING CAPABILITIES

Group Human Resources (GHR) has taken the lead to transform our people by introducing, reviewing and enhancing our Human Resources (HR) policies and processes in order to bring our organisation to the next level. In our HR strategy, we formulate Strategic Plans and practical value-driven initiatives that capitalise on longer-term opportunities for our Group. During the year, GHR embarked on several initiatives focused on inculcating a high performance culture among its employees. Some of our initiatives included:

## Talent Management & Succession Planning

We have established a talent management and succession planning framework to attract, develop, motivate and retain productive and engaged employees. Our processes ensure that talent decisions are aligned with business strategy and hold leaders accountable for developing high potential employees. Our objectives are:

<b>Sustainability</b>	<ul style="list-style-type: none"> <li>• Attract and retain top talent</li> <li>• Secure a pipeline of talent to fill critical jobs at all times</li> <li>• Maximise employees' performance by matching individual career ambitions with business opportunities</li> </ul>
<b>Costs</b>	<ul style="list-style-type: none"> <li>• Reduce the turnover of high potential/ high performing employees, reducing the need for external consultants</li> <li>• Increase effectiveness of existing talent initiatives by focusing development actions on targeted/identified gaps</li> </ul>
<b>Risks</b>	<ul style="list-style-type: none"> <li>• Reduce the risk of not having the right successors in place for critical positions</li> <li>• Reduce the risk of not developing employees effectively</li> <li>• Business Continuity</li> </ul>

## Learning and Development

In creating value through our human capital, we ensure that our people are ready for the challenges ahead by instituting programmes and support systems to deliver systematic development.

In driving a learning culture, we provide development opportunities for staff through our Senior Leaders Programme, Functional Leaders Programme and Front Line Leaders Programme. Our entry level pipeline programmes are designed to develop fresh graduates in order to provide a continuous supply of high-calibre talent to the Group. The trainings are holistic in nature, aiming to enhance professional and behavioural competencies by incorporating elements such as integrity and governance as well as the Group's core values into the syllabus.

# DEVELOPING OUR PEOPLE

## Employee Engagement

Companies with highly engaged employees experience higher employee productivity, lower turnover risk, greater ability to attract top talent and higher total returns to Shareholders. FGV is committed to holding open lines of engagement with our workforce, and gauges staff morale on an annual basis through our Employee Engagement Survey. Highly engaged employees are twice as likely to be top performers and more supportive of organisational change initiatives and transformation. Our survey score for 2015 was 73%, which is in the top quartile. The survey comprises a mix of 30 multiple choice questions and two (2) open-ended questions.

## FGV Group Employee Engagement Survey Results

FGV Group Overall 2015 (73%)



	Engagement Score	Range
<b>FGV Group Overall 2015 (n=13938)</b>	73%	<b>Top Quartile</b>
Norms-Malaysian Norm 2012-2014	57%	Moderate Zone
Aon Hewitt BE Malaysia 2015	83%	Top Quartile

## OUR CORE VALUES

FGV believes on the importance of having a balanced and harmonious work environment to keep the employees highly engaged. We strive for our staff to live our core values in their daily lives in our aspiration to build a high performance culture. Our core values are made up of five essential guiding principles, known as P.R.I.D.E which stands for the following:

### Living Our Core Values

 <b>Partnership</b>	The best solutions and ideas come from working together with both colleagues (internal) and business partners (external)
 <b>Respect</b>	Our sustained success and achievement can only come with respect for people, be it colleagues, peers, customers and partners; as well as the environment, the key source of our business
 <b>Integrity</b>	Integrity is about being trustworthy, honest and sincere. In the context of FGV, it means being responsible and accountable for one's own actions and behaviours. Each employee is accountable for the Group's success and business reputation
 <b>Dynamism</b>	Strive to discover and create ideas and growth potential from uncharted opportunities, in the best interest of our Stakeholders and communities, beyond traditional boundaries
 <b>Enthusiasm</b>	Strive to lead with passion and work with enthusiasm. We are enthusiastic about what we do in all that we do, committed to the growth and future of our agri-business and propagating sustainable development around the world

# DEVELOPING OUR PEOPLE

## STRENGTHENING OUR HR POLICIES

A task force team was set up to review the existing 51 Circulars and 103 Management Directives to keep abreast of best practices in the market. This includes the revision of our Employee Approving Authority (EAA) to ensure accountability across business clusters, corporate centre divisions and subsidiaries. A total of 41 policies have been approved by the FGV Board including three policies related to governance and integrity.

These policies relate to:

### Asset/Personal Interest Declaration Policy (APID Policy)

FGV Group implemented the APID Policy since 2007 and was revised and enhanced on 25 August 2016. The APID also ensures that the assets and personal interests are acquired through reasonable legal means within their financial ability and free from conflict of interest situations.

### Code of Business Conduct and Ethics (COBCE)

The FGV Board approved the revised version of our COBCE for Employees, previously known as the Code of Conduct and Ethics, on 25 August 2016. COBCE applies to all FGV employees to ensure employees fully understand their duties and responsibilities towards the Group. The Code outlines business conduct and ethical business practices and aims to promote compliance with all FGV Group's codes, policies and procedures and applicable laws and regulations.

### Gift, Entertainment and Hospitality Policy (GEH Policy)

The Board approved the Gift, Entertainment and Hospitality Policy (GEH Policy) on 25 August 2016. The policy applies to all FGV Group's Directors, Employees and Advisors to promote integrity and adherence to legal requirements and ethical standards.

## OUR COMMITMENT TO OUR PEOPLE

FGV is committed to the protection of the rights of all our workers regardless of their background. This commitment is made explicit in our policies, which govern our treatment of workers in the following areas:

- Human Rights
- Responsible Employment
- Rights of our Foreign Guest Workers
- Sexual Harassment and Violence
- Freedom of Expression

These topics are discussed in our Sustainability Statement on pages 74-77 where our initiatives in these areas are disclosed in greater detail.

## MOVING FORWARD

Our ambitions are reliant on highly engaged and committed staff. We are committed to continue enhancing our practices, and institutionalise them across the Group to ensure alignment to our aspirations. Our focus is to leverage on resources and talent across borders, and ensure that we remain lean, effective and efficient in our operations. Our plans moving forward include:

- Best in Class Talent Management
- Integrated Rewards and Recognition programmes
- FGV Training Academy
- Automated HR System
- Dynamic Performance Management

# SUSTAINABILITY STATEMENT

## Our Sustainability Story: Managing Our Economic, Environmental and Social (EES) Impacts

	<b>OUR COMMITMENT AND APPROACH</b>
<ul style="list-style-type: none"><li>• EES</li><li>• Tone from the Top</li><li>• Reporting Structure of Sustainability Matters</li></ul>	<ul style="list-style-type: none"><li>• Sustainability Integration into FGV Strategies</li><li>• Policies and Activities to Manage Sustainability Matters</li></ul>
	<b>ADDRESSING ECONOMIC IMPACT</b>
<ul style="list-style-type: none"><li>• Our Membership in the RSPO</li><li>• International Sustainability &amp; Carbon Certification (ISCC)</li><li>• Malaysian Sustainable Palm Oil (MSPO) Certification</li></ul>	<ul style="list-style-type: none"><li>• Free, Prior and Informed Consent (FPIC)</li><li>• Value Chain</li><li>• Raw Materials and Other Resources</li><li>• Traceability</li></ul>
	<b>ENVIRONMENT STEWARDSHIP</b>
<ul style="list-style-type: none"><li>• Biodiversity and Conservation of HCV Elements</li><li>• Partnership with Borneo Conservation Trust (BCT) &amp; Sabah Wildlife Department (SWD) on Sabah Mega Biodiversity Project</li><li>• Sun Bear Conservation Project (SBCP)</li><li>• Rafflesia Conservation &amp; Interpretive Centre (RCIC)</li></ul>	<ul style="list-style-type: none"><li>• Waste Management</li><li>• Water and Palm Oil Mill Effluent (POME) Management</li><li>• Managing Climate Change and Greenhouse Gas (GHG) Emissions</li><li>• Open Burning</li></ul>
	<b>SOCIAL</b>
<ul style="list-style-type: none"><li>• Employees</li><li>• Community Stakeholders</li><li>• Stakeholder Engagement</li><li>• Respecting Human Rights</li></ul>	<ul style="list-style-type: none"><li>• Responsible Employment</li><li>• Rights of our Foreign Guest Workers</li><li>• Sexual Harassment and Violence</li><li>• Freedom of Expression</li></ul>
	<b>OCCUPATIONAL SAFETY AND HEALTH (OSH)</b>
<ul style="list-style-type: none"><li>• OSH Management in FGV</li><li>• Going Beyond Compliance</li><li>• Incident Prevention</li><li>• Incident Prevention Training</li><li>• Building OSH Leadership and Capability</li></ul>	<ul style="list-style-type: none"><li>• 2016 Incident Report</li><li>• Certification</li><li>• Health</li><li>• FGV's World OSH Day 2016 (WOD2016)</li></ul>
	<b>STATEMENT BY THE BOARD</b>

# SUSTAINABILITY STATEMENT

## OUR COMMITMENT AND APPROACH



Barn Owl (*Tyto Alba*), the main biological agent to control rats in oil palm plantation flying out of an artificial nest box.

Sustainability is a top priority and business imperative for FGV Group and we adopt a holistic approach to our business strategies by considering the EES impacts and governance factors when striving for business continuity and competitiveness over the long term.

From EES perspective, managing the impacts is an essential component of our overall management approach and we work closely with our various Stakeholders to identify and address sustainability matters which substantially influence their decision making. Material issues that have been identified as being relevant to this Sustainability Statement are listed on page 58. This statement covers mainly the Group's Palm Upstream in Malaysia and Indonesia.

Sustainability is anchored in our new SP20 and represents an integral part of FGV's corporate culture. This is reflected in the relentless drive towards an all-inclusive approach of value creation for all Stakeholders, including actively addressing socioeconomic demands such as job creation and rural development across all area of operation. Sustainability efforts and focus are geared towards not only growing the business optimally, but simultaneously delivering tangible social value creation, whilst using natural resources responsibly, and maintaining sound relationships with our Stakeholders.

# SUSTAINABILITY STATEMENT

## OUR COMMITMENT AND APPROACH



### TONE FROM THE TOP

In 2016, the BGRMC Chairman, at the Management's recommendation, had recommended to the Board the establishment of the SED. Pursuant to the decision, in May 2016, the company has increased its commitment to sustainability by transforming its sustainability unit into a full fledged department in the Corporate Centre. The SED comes under the purview of the Chief International Business Officer who manages sustainability issues at Group level. The Department's main functions include:

- Developing, implementing and monitoring environmental strategies, policies and

programmes that promote sustainable development for FGV.

- Review the business operations, carry out environmental audits and assessments, identify and resolve environmental problems and ensure the necessary changes are implemented, to enable FGV maintain its licence to operate and drive business growth.
- Conducting Stakeholder engagement and reporting of environmental performance to internal and external Stakeholders

progress in attending to these issues at the SRT will be discussed at the Executive Committee meetings on quarterly basis and escalated to the BGRMC which reports directly to the FGV Board. The BGRMC Chairman receives quarterly updates from SED on sustainability matters mainly in the progress of the RSPO Certification and escalates to the Board to fulfill part of the Board's role in reviewing the adequacy and integrity of the Group's internal control systems and compliance with applicable laws and regulations.

Whilst all matters related to sustainability is handled by the SED, specific issues identified or reported by any Stakeholder will be dealt through Sustainability Response Team (SRT). The

### REPORTING STRUCTURE OF SUSTAINABILITY MATTERS



SUSTAINABILITY ENGAGEMENTS UNIT	SUSTAINABILITY TECHNICAL UNIT	CERTIFICATION & DUE DILIGENCE UNIT	SUSTAINABILITY REGULATIONS UNIT	LABOUR & SOCIAL COMPLIANCE UNIT
<ul style="list-style-type: none"> <li>• Stakeholders management</li> <li>• Devise communication plan relating to sustainability management and programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Establish methodology to measure, monitor &amp; improve the sustainability performance in key areas</li> <li>• Data compilation and sustainability reporting</li> <li>• Liaison with external parties (smallholders, Non Governmental Organisations) for sustainability programmes</li> <li>• Participate in environmental education &amp; research</li> </ul>	<ul style="list-style-type: none"> <li>• Manage all sustainability matters to ensure compliance with relevant standards and comply with both international &amp; local requirements</li> <li>• Manage RSPO auditing &amp; certification of all complexes in FGV</li> <li>• Supports FELDA settlers in preparing for certification audits</li> <li>• Conduct roadshows to promote benefits of RSPO to smallholders</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure all RSPO Principle &amp; Criteria are in compliance with the applicable laws &amp; regulations</li> <li>• Monitor issues related to free, prior and informed consent for the use of land for oil palm</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and advise on sustainability issues related to estate workers and social compliance</li> <li>• Prepare and monitor the implementation of action plans related to labour issues</li> </ul>

# SUSTAINABILITY STATEMENT

## OUR COMMITMENT AND APPROACH



From FELDA settler's son to GP/CEO.

Our leader, the GP/CEO, provides strong stewardship towards incorporating sustainability into our business practices and puts focus on sustainability beyond compliance. FGV had produced a video from the GP/CEO which was released in the public domain to reiterate FGV's strong stand to commit to sustainability and RSPO certification after FGV's decision to voluntarily withdraw the RSPO certificates of our 58 mill complexes on 3<sup>rd</sup> of May 2016. The RSPO withdrawal decision was taken because we acknowledge that there are labour and social issues along our supply chain that need to be addressed.

We remain committed to RSPO certification and in demonstrating our commitment to RSPO, we have intensified our training and awareness development programmes throughout the organisation, as well as our supply chain

business partners and FELDA settlers. Topics covered in the development programmes range from the importance of sustainability to the implementation of GAP. We expect this will allow for a more inclusive certification between commercially-managed plantations by FGV and FELDA settlers. We have established a new time-bound plan to certify all 72 mills complexes to RSPO requirements within five (5) years from 2017 to 2021. The re-certification initiative will cost FGV approximately up to RM34 million over the next five-year period. The ultimate objective is to align our efforts to become a socially responsible global agribusiness, ensuring no FELDA settlers are left out. We want to engage, experience and understand the problems faced by our smallholders so that we can bring meaningful improvements in the quality of their lives.

FGV understands that embedding sustainability in our business is only possible with a supportive culture and strong leadership.

### SUSTAINABILITY INTEGRATION INTO FGV STRATEGIES

FGV has reviewed its long-term plans, targets, businesses and strategies in moving towards the year 2020, by embedding sustainability initiatives into its Strategic Plan. When approaching the company's Strategic Plans for 2020, the basic rule of our business planning process is to ensure that for each Cluster (palm, sugar, rubber, and related businesses in transportation, etc.), sustainability initiatives are embedded and internalised by key management and employees.

FGV is embedding sustainability using the balance scorecard method. The balance scorecard method is a strategic management approach that encompasses finance, business processes, consumers, and organisational capacity. In simple terms, the basic principle of 'doing more with less', such as using less water in the system which reduces the impact on the environment, right down to producing high-yielding crops and assuring our customers with green certification, will translate into risk reduction and an increase in revenue.

# SUSTAINABILITY STATEMENT

## OUR COMMITMENT AND APPROACH



Stakeholder visit to FGV's palm oil mills.

### POLICIES AND ACTIVITIES TO MANAGE SUSTAINABILITY MATTERS

Under the new SP20 in 2016, the Group developed a Group Sustainability Policy (GSP) covering all business clusters focused on the objectives of creating trust and long-term value for the Group, Shareholders and Stakeholders, executing the Group's strategy to address EES impacts and opportunities, to achieve business and operational excellence, and to ensure compliance with the laws and regulations of their respective jurisdictions.

The GSP stipulates three (3) broad sustainability pillars for the Group as well as specific focus areas under each pillar:

- i. Environmental Stewardship
  - a. Biodiversity and conservation of High Conservation Value (HCV) elements
  - b. Waste management
  - c. Greenhouse Gas (GHG) emissions
- ii. Social and Economic Responsibility
  - a. Strengthening human and social capital
  - b. Occupational health and safety

- c. Respecting human rights
- d. Reinforcing compliance to United Declarations of Human Rights (UDHR) and International Labour Organisation (ILO)'s Core Conventions pertaining to fair and decent working conditions and no exploitation at the workplace
- e. Responsible employment
- f. Sexual harassment and violence
- g. Freedom of expression
- h. Free, Prior and Informed Consent (FPIC)

- iii. Value Chain
  - a. Raw materials and other resources
  - b. Traceability

In the interests of our Stakeholders, FGV is committed to provide regular and transparent updates on current sustainability issues involving our activities on our website. The Sustainability Response Team Progress Update section on our website also provides detailed information on our response and a chronological order of events in relation to sustainability issues.

# SUSTAINABILITY STATEMENT

## OUR COMMITMENT AND APPROACH



The following activities were undertaken in 2016 by the SED

### Summary of SED activities in 2016

#### **Certification and Due Diligence**

- Certified 58 mill complexes as of April 2016 prior to FGV's voluntary withdrawal of RSPO certifications
- Five (5) mills are ISCC certified in 2016
- Three (3) MSPO certifications
- Tree Planting event with Sabah Forestry Department in Sahabat 54
- Heart Of Borneo Conference and Memorandum of Agreement (MoA) signing ceremony with Sabah Forestry Department in Kota Kinabalu
- Obtained separate FGV RSPO membership
- Conducted Smallholder Forum on Sustainability - *Ke Arah Menghadapi Cabaran Global*
- Series of sustainability awareness to Joint Consultative Committee and smallholders
- RSPO public consultation to Stakeholder in Kalabakan, Kechau and Lepar Utara
- Biodiversity, High Conservation Value Emission Reduction working groups
- Stakeholder meeting with Tanjung Sosor community regarding HCV clearance in PT Citra Niaga Perkasa (PT CNP)
- Stakeholder meeting with government agency, DOE and Wildlife Department
- Stakeholders community meeting with Begahak Community in Sabah
- Post HCV and Social Impact Assessment (SIA) assessment for Yapidmas (Golden Land)
- Environment Impact Assessment (EIA) for new development in Pahang
- New Planting Procedure (NPP) assessment for new development in Pahang
- SIA and HCV internal assessment in FGV Plantation Malaysia Sdn Bhd (FGVPM)
- Internal biodiversity assessment for FGVPM estate in Peninsular

#### **Sustainability Regulation**

- Facilitated the execution of FGV-TFT action plan in relation to social issues improvement project
- Monitor and provided advice on FPIC issues for the use of land for oil palm
- Liaison with external parties as to facilitate the implementation of the human rights frameworks defined in the UDHR and the ILO's Core Conventions to ensure that the working conditions in FGV are non-exploitative

#### **Sustainability Technical**

- Study on stream water quality in oil palm growing regions in FELDA
- Collaborated in JV research with University of Technology Malaysia (UTM) on mill sustainability index and water footprint study
- Developing four (4) new procedures on zero burning, peat management and HCV management
- Rehabilitated & released 10 sun bears back into the wild through Sun Bear Conservation Programme (SBCP)
- Established four (4) Citizen Action Groups (CAG) to engage local communities in managing environment/HCV elements better
- Ground-breaking ceremony of the Rafflesia Research Conservation & Interpretation Centre (RCIC)
- Published FGV's Second Sustainability Report in December 2016

#### **Sustainability Engagement**

- Organised the Labour Issue Workshop on Oil Palm Plantation in December 2016 which was participated by various key industry players, NGOs and government organisations
- Engaged with customers during RT14 Annual Event at Bangkok, Thailand in November
- Participated in Procter & Gamble (P&G)'s Palm External Advisory Programme
- Organised briefings and site visits for our customers, business partners and foreign embassies

#### **Labour Compliance**

- Installed 1,150 safety boxes for passport keeping project in five (5) estates
- Translated employment contract into five (5) different languages

Further supporting our sustainability disclosure is the publication of our second Sustainability Report produced in 2016 which provides detailed and comprehensive information about our sustainability performance indicators and our initiatives. The Sustainability Report, that covered two-year period, is available online at <http://www.feldaglobal.com/sustainability/overview/>.

# SUSTAINABILITY STATEMENT ADDRESSING ECONOMIC IMPACT



Briefing Stakeholders on FGV's sustainability targets and commitments.



We have certified 58 of our 72 palm oil mills which has a projected supply capacity of 1,830,900 MT\* of certified sustainable palm oil (CSPO).

## OUR MEMBERSHIP IN THE RSPO

FGV, as part of the FELDA Group, is one of the earliest member of the RSPO which was established in 2004. The RSPO is a global organisation aimed at transforming the palm oil industry in collaboration with the global supply chain to put the industry on a sustainable path. One of its key missions is to monitor and evaluate the EES impacts of the cultivation, distribution and use of palm oil in the market.

As of 30 April 2016, we have certified 58 of our 72 palm oil mills which has a projected supply capacity of 1,830,900 MT\* of CSPO. However, the Group made a decision in May 2016 to voluntarily withdraw the RSPO certification of all 58 mills following the discovery of labour issues in the supply chain of the mills.

We remain committed to RSPO certification and have taken steps to re-certify our mills after addressing the labour issues as well as registering FGV as RSPO member separate from FELDA. We have been in active

communication with the RSPO and other regulatory bodies in making sure that the sustainability of our business and operations are intact. To this end, FGV has engaged a sustainability partner to provide independent advice in managing the labour and social issues evident in some of the FELDA settlers and contractors. In December 2016, FGV has obtained its own RSPO membership, separate from FELDA. With the separate membership, 16 mills were ready for re-certification at the end of 2016 and will be audited in 2017. We aim to complete the re-certification of all our mills by 2021. We also target to take smallholders and independent smallholders on board with sustainable certification and support independent smallholders to deploy sustainable palm oil practices.

During the Roundtable 14 event organised by RSPO in Bangkok on 7-10 November 2016, FGV participated as one of the panellist under the topic 'Emerging Issues on Labour Working Conditions', sharing our experience and approach towards social compliance specifically with regard to the ethical treatment of our foreign guest workers and the need for industry and government to collaborate to address prevailing issues.

\* This data point has been independently audited. Please refer to our Independent Assurance Report on pages 355-356.

# SUSTAINABILITY STATEMENT

## ADDRESSING ECONOMIC IMPACT



*Multiparty commitment to the restoration of river reserves and enhancement of buffer zones in Sabah.*

### INTERNATIONAL SUSTAINABILITY & CARBON CERTIFICATION (ISCC)

ISCC is the first biofuel standard to be recognised by the EU and the most widely acknowledged amongst the many biofuel standards available today. Independent third-party certification ensures compliance with high ecological and social sustainability requirements, greenhouse gas emissions savings and traceability throughout the supply chain. FGV has sought ISCC certification since 2011, and the number of mills with ISCC certification is dependent on market demand in order to accommodate the requirement for sustainable biofuel market in Europe. Thus, while FGV had certified up to 15 mills in the past, we only kept five (5) mills\* under ISCC certification as of 31 December 2016 due to lower market demand.

### MALAYSIAN SUSTAINABLE PALM OIL (MSPO) CERTIFICATION

FGV has been working closely with Stakeholders and other members in the industry in developing MSPO, the first Malaysian palm oil sustainability certification scheme. The MSPO certification will be an alternative to the other sustainability certification schemes and benefits producers especially smallholders due to the cheaper cost involved in MSPO certification without compromise on rigour. We are also among the first few plantation companies to be MSPO certified since 2015. Currently, we have three (3) mill complexes certified to MSPO and may increase when the situation warrants.

### FREE, PRIOR AND INFORMED CONSENT (FPIC)

FGV respects the right of its indigenous and surrounding communities by ensuring that any development or acquisition in or around the vicinity of their land is not in violation of their rights based on traditional and customary practices. FGV upholds the principles of FPIC, which is clearly stated in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). The aim of FPIC is to establish bottom-up consultation of customary land users and local communities prior to commencing any development.

This is to ensure that we secure the understanding, cooperation and support of the local communities in our development and to establish appropriate boundaries and expectations between all parties. Our aim is to mitigate any risk of conflict arising from our developments and to align the interests of the communities with the Group.

We are committed to holding proper consultations and engagements with the local community(ies) to identify expectations, terms and insights to obtain FPIC. The determination of local communities' tenure rights will be based on the findings of a SIA and through continuous engagement in fair and informed negotiations over access rights to land and other natural resources.

\* This data point has been independently audited. Please refer to our Independent Assurance Report on pages 355-356.

# SUSTAINABILITY STATEMENT ADDRESSING ECONOMIC IMPACT



The Group also believes in non-violent conflict and dispute resolution, utilising legal channels as a means for peaceful and legitimate resolution that is agreeable to both parties. We are committed to work with relevant Stakeholders to ensure that a balanced, mutually agreed and structured conflict resolution system is accessible to smallholders, indigenous and rural communities and other affected Stakeholders.

In cases of encroachment, FGV is committed to taking immediate and transparent action to mitigate and conduct remedial action. In March 2016, FGV was informed by Stakeholders in Kalimantan, Indonesia that development activities had encroached onto protected areas in the PT CNP HCV 4 area, which has been identified to be peatland. Investigations from a third-party consultant revealed that the contractor acted alone and without the knowledge of management. The findings have since been submitted to the RSPO, which is presently deliberating the matter. Regular updates on this are available on our website.

In 2016, the Begahak community raised a land conflict issue in FELDA Sahabat 1 & 2 and FGVPM Sahabat 55 to the Sabah Land Development and RSPO. FGV held several discussions with the community to resolve the issue amicably. Towards addressing this issue, we had conducted a participatory mapping and investigation assessment. Discussions will continue in 2017.

## VALUE CHAIN

FGV's diverse number of economic activities depends on a lengthy value chain to provide raw materials as well as other supporting services to function. We recognise that the strength of our sustainability framework is only as strong as its weakest link, and hence we have taken stringent measures to ensure that our value chain partners comply with sustainability laws and regulations. The Group, therefore, conducts proactive communications, both formal and informal, with our Stakeholders to encourage better decision making, as well as to identify risks and opportunities in their relationship with us. Realising the potential risk of our palm product being tainted by unsustainable raw materials, we are in the process of coming up with a supplier guidelines to bind all our suppliers in an ethical conduct in sourcing practices.

The Group sees innovation as an important aspect in improving our value chain, especially in developing new products and cost-saving programmes. The company undertakes applied research, and the findings are then used to develop further downstream and consumer products. We have a R&D council that primarily reviews R&D programmes and drives innovative culture, at the same time ensuring sustainability remains one of the main criteria in our plans.



*Our expansion down the value chain.*

## RAW MATERIALS AND OTHER RESOURCES

FGV's Business Clusters make use or produce raw materials and other resources from our plantations, smallholders and other suppliers. Our value chain begins with these materials and extends to processing, packaging, transportation and distribution. We are committed to ensuring the sustainability of the raw materials sourced, utilised and distributed, and encourage our value chain partners to embrace sustainable practices, i.e. occupational health and safety practices, waste management practices and environmental conservation through our engagement with them. As the sustainability impact of our value chain partners affects our sustainability framework, we take stringent measures to ensure that they comply.

## TRACEABILITY

Traceability is an essential element of our business where the chains of the supply run across various sectors. Without traceability, it is difficult to ensure that our end-products are sustainable, which is becoming an increasingly important consideration for our customers, especially those seeking sustainability status for the entire delivery.

FGV is working on establishing the traceability of its raw materials to ensure that raw materials are derived from sources in a sustainable manner. We endeavour to work closely with the value chain partners to ensure that traceability and transparency are embedded in their practices to create a more sustainable value chain. In line with that, we are in the process of developing our own computerise traceability system called Traceability of Product (FGV-ToP). FGV-ToP is part of an overall Sustainable Palm Oil Management System (SPOMS) that also includes Audit Integrated System (FGV-AIMS). This FGV-ToP has gone live effective from January 2017. It becomes particularly challenging to us as we purchase FFB for our mills from third parties in addition to the FFB from our own estates and smallholders. While we are able to trace all our FFB and PK up to supplying mills, tracing to the plantation of origin has been difficult for external crops. To facilitate better traceability of our products, we are working with our business partners to develop a model to identify sustainability risks associated with a specific geographical area.

# SUSTAINABILITY STATEMENT

## ENVIRONMENT STEWARDSHIP



FGV is committed to the implementation of business practices and initiatives that reduce our environmental impact where possible. Our commitment goes beyond our direct impact to cover the potential impact of our value chain, including our suppliers, vendors and other associated entities. The Group's environmental initiatives are also directed at mitigating or managing environmental risks and opportunities that pertain directly to our operations.



A herd of Bornean Pygmy elephants (*Elephas Maximus Borneensis*) moving along the Kinabatangan river area in Sabah.

### BIODIVERSITY AND CONSERVATION OF HCV ELEMENTS

As a concerned corporate citizen, FGV is serious in our effort towards the preservation of HCV elements. FGV is committed to not undertake any new developments in primary forests, on land containing one or more HCVs that includes peatland and biodiversity areas. As we do have oil palm plantations which are typically located on the fringe of these areas, we take special care to ensure that due protection is given to protect the biodiversity of the area to preserve cultural heritage and customary use of the land.

The identification and management of wildlife are equally important in our path towards sustainability. A recent HCV assessment we commissioned has indicated the presence of a variety of flora and fauna around our operational areas. This includes the *Rafflesia spp*, the largest floral species in the world, and the Malayan Sun Bear. Both species are listed on the International Union for Conservation of Nature (IUCN) Red List of threatened species.

In addition to mitigate the impact of our presence near their natural habitat, we are also formally committed to the research and conservation of both species.

### PARTNERSHIP WITH BORNEO CONSERVATION TRUST (BCT) & SABAH WILDLIFE DEPARTMENT (SWD) ON SABAH MEGA BIODIVERSITY PROJECT

We have strengthened our involvement in conservation programmes at the Kinabatangan, Sabah with five (5) years commitment with BCT and SWD in the Mega Biodiversity Corridor programme. The Kinabatangan area is one of the mega-biodiverse areas in the world, but at least 300 Bornean elephants here are at risk due to the limitation of suitable habitat and human-elephant conflict. The objective of the programme is to re-establish a network of forest corridors that will enable safe migration of wildlife between key forest habitats, avoid human-wildlife conflict and protect wildlife habitat, especially for the Bornean elephants and orang-utans along Kg. Batu Putih to Kg. Bilit, the hotspot area along

# SUSTAINABILITY STATEMENT

## ENVIRONMENT STEWARDSHIP



the Kinabatangan Mega Biodiversity Corridor. As to date, we have re-established the riparian reserves by alienating a minimum distance of 50 meters from our estates to the river bank and planted with saplings of indigenous timber tree species, bought from nurseries raised by local communities. This exercise involves voluntarily abrogating approximately 20 Ha of productive and plantable land for the re-establishment of riparian reserves. This 20 Ha will now be part of the existing 280 Ha of riparian reserve which we are presently managing as a wildlife corridor.

In addition to that, we are also engaged in REDD+ programme, Kinabatangan Component project that aims to tackle climate change through sustainable forest management and community development. As the project will focus more on capacity building on developing sustainable eco-tourism, sustainable farming practices, forest restoration and empowering communities to create sustainable change or alternative livelihood, it will include a series of comprehensive capacity training programmes for the local communities in the area.

The tree planting programme under FGV-BCT could provide the relevant capacity building especially in fostering innovation and business skills. Currently, we are working with BCT and other partners to develop a credible guideline to enable the local communities to estimate carbon assessment in several forest types and benefit from carbon trading schemes. These projects will also provide a strategy to identify alternative livelihood for at least 30 families of the local community, while ensuring the protection and conservation of the mega biodiversity corridor in Kinabatangan.

With these projects, we hope the local communities, flora and fauna (specifically elephant and orang-utan) within the FGV landscape, the Tourism Industry of Sabah at a wider scale and the earth as a global ecosystem will benefit from this initiative. Apart from these projects, we are also looking for opportunities to work with as many Stakeholders possible as the greatest impact in conservation can only be possible with bigger landscape programmes.

### SUN BEAR CONSERVATION PROJECT (SBCP)

One of our landmark sustainability initiatives is the SBCP, which is a collaboration between FGV with the Department of Wildlife and National Parks (DWNP), Malaysian Nature Society (MNS) and University Kebangsaan Malaysia (UKM). The SBCP is involved in various aspects of sun bear conservation efforts including the rescue, rehabilitation and release of bears back into the wild. The SBCP is also actively involved in research, and education and awareness activities.

The programme is working on initiatives such as developing a management plan for Malayan Sun Bears in Peninsular Malaysia and producing research publications on the animal as well as wildlife capacity building. The SBCP is also preparing a training module for primary and secondary schools and build awareness on the importance of sun bear conservation through organised nature camps. The SBCP has successfully rehabilitated and released 10 sun bears back into the wild since its establishment.

Under the SBCP, four (4) Citizen Action Groups (CAG) known as *Sahabat Beruang Madu* were established to engage local communities in helping manage the environment and HCV elements. At present, we have established CAG groups in Kuala Lipis, Kuala Terengganu, Sabah and Johor comprising 160 members from FGV, FELDA staff and also local community. This CAGs will be trained to identify environmental issues of concern within a stipulated location and the appropriate action to be taken with the help of local regulatory agencies. The CAG members have undergone basic training on HCV elements of interest in the region, map reading, GPS usage and protocols on boundary patrols.



Her Excellency, Ms. Maria Castillo Fernandez, launching the Biodiversity Awareness Programme and 'Plant Trees, Save the Earth' campaign at Lower Kinabatangan.



Her Excellency, Ms. Maria Castillo Fernandez hands over the appreciation token to FGV Sustainability Officer.



Group photo of FGV group, SWD Group and REDD+ Community Group at the project site (Forest Enhancement Programme).



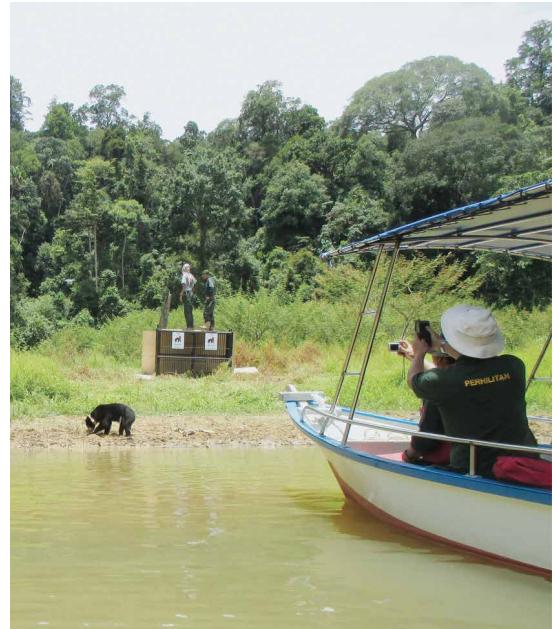
Forest Officer of Kinabatangan, Hj. Hussin Tukimin planting an indigenous species of tree in the project area.

# SUSTAINABILITY STATEMENT

## ENVIRONMENT STEWARDSHIP



The release of Malayan Sun Bear back into the wild at Terengganu National Park, through Lake Kenyir. The event was attended by representatives from FGV and DWNP, UKM, MNS and members of the media.



Sun bear released back into the wild.



Sun bear in the rehabilitation centre.



Sahabat Beruang Madu Sabah, the latest CAG formed in Sabah.

# SUSTAINABILITY STATEMENT

## ENVIRONMENT STEWARDSHIP



### RAFFLESIA CONSERVATION & INTERPRETIVE CENTRE (RCIC)

Plans are underway for the establishment of RCIC, which is a collaboration between FGV and Forest Research Institute Malaysia (FRIM). The first in Peninsular Malaysia, RCIC will be a purpose-built facility located in Gerik, Perak on a 223 Ha plot of land contributed by FELDA for research and conservation of the Rafflesia species. It is scheduled to be completed in 2018.

This is the first collaboration project between the private sector and government agencies in Peninsular Malaysia dedicated to Rafflesia research and conservation. The initiative to establish RCIC started in 2013 following the discovery of a Rafflesia population at Felda Bersia Timur in the nearby Sungai Lebey area, Gerik, Perak. The RCIC is expected to

serve as a 'one-stop centre' for research, education and conservation of the endangered species of Rafflesia. Perak is the only state where three (3) Rafflesia species is native to - *Rafflesia Azlanii*, *R. Cantleyi* and *R. Kerrii*.

The RCIC is expected to become one of the country's eco-tourism destinations and increase the potential for Gerik as an eco-tourism centre for the Northern Corridor Economic Region (NCER) in Malaysia. Once completed, RCIC will also serve as a venue for international symposiums, workshops, colloquiums, environmental awareness programmes for both public and the scientific fraternity.

In line with FGV's goal to internalise environmental sustainability in its operations, we will explore other conservation possibilities to enhance the preservation of our environmental heritage and treasures.



Ground breaking ceremony of the RCIC site in Felda Bersia, Gerik, Perak.

# SUSTAINABILITY STATEMENT

## ENVIRONMENT STEWARDSHIP



Our plantations also participate in a pesticide container recycling programme to ensure that receptacles that used to contain toxic materials are disposed safely and appropriately. We are also committed to the maximum utilisation of biomass waste from our mill operations, and have tasked our R&D department to find innovations that can produce high-value products or put them for good use.

### WASTE MANAGEMENT

We are presently in the midst of encouraging a zero waste management policy throughout the Group to reduce our overall carbon footprint. Employees are encouraged to identify and separate waste that can be reused or recycled in an environmentally and socially responsible manner. Our plantations also participate in a pesticide container recycling programme to ensure that receptacles that used to contain toxic materials are disposed safely and appropriately. We are also committed to the maximum utilisation of biomass waste from our mill operations, and have tasked our R&D department to find innovations that can produce high-value products or put them for good use.

A number of achievements have been made in the area of waste management over the last few years. For example, all our RSPO certified premises now practice the triple rinsing method to properly clean their agrochemical receptacles prior to sending them for recycling. To better utilise the by-products of the milling process, six (6) compost plants using Empty Fruit Bunches (EFB) and wastewater from the milling process to produce high-quality compost have been established. The compost is then channelled back into the field as a nutrient rich organic fertiliser to feed our palms.

FGV plans to expand its waste management practices to associated smallholders moving forward.

### WATER AND PALM OIL MILL EFFLUENT (POME) MANAGEMENT

Water is essential for irrigating our oil palms and the production of CPO (approximately 5-7.5 MT of water is needed to process 1.0 MT of CPO from FFB). The sustainable harvest and return of water to our river systems are critical for both our operations and our surrounding ecosystem as the interruption of a clean water cycle could cripple our operations and damage the surrounding ecosystem beyond repair. Our ultimate aim is to reduce our water usage to 1.0 MT of water for each MT of FFB processed. In 2016, we used 1.34 MT of water on average to process 1.0 MT of FFB on average.

We monitor our impact on water systems closely, and have identified a total of 135 major river systems that are affected by our operations. A sample of these rivers are tested annually with 41, 65 and 29 tested in 2014, 2015 and 2016 respectively. The data from these tests has shown no significant deterioration of the water quality in these systems. Future assessments of stream water quality will be conducted based on the need for such analysis.

Our monitoring processes cover the water discharged from our mills, which cannot be returned back into the environment in its raw state. On average, palm oil mills generate about 2.5 MT of POME for every MT of CPO. While organic, raw POME is highly acidic and has a high Biological Oxygen Demand (BOD) due to its rich nutrient content. To ensure that the water discharged from our mills do not pollute our water systems, the discharged water undergoes a number of treatment processes to ensure that the concentration of BOD falls within safe levels.

Our average BOD data for 2016, 2015 and 2014 are 75 parts per million (ppm), 63ppm and 47ppm respectively, which is well below the

# SUSTAINABILITY STATEMENT

## ENVIRONMENT STEWARDSHIP



discharge limit. Despite stringent requirements, there are occasions when the concentration of BOD exceeds regulatory limits, especially during high crop seasons when mills process FFB beyond their stipulated capacity. We are aware that this may occur at some of our mills and we are looking at ways to ensure that our discharge limits are always well within safe levels.

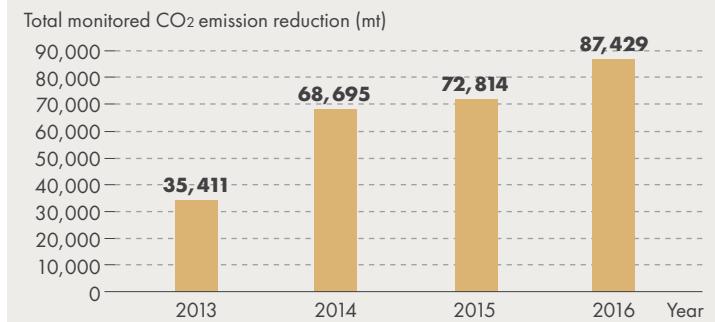
### MANAGING CLIMATE CHANGE AND GREENHOUSE GAS (GHG) EMISSIONS

When peat is developed for agriculture, land transformation and drainage leads to peat oxidation and a higher frequency of fires, resulting in an increase in GHG emissions and carbon loss. The easiest way to limit Carbon Dioxide (CO<sub>2</sub>) and other GHG emissions is to avoid the development of oil palm plantations on peat by refraining from developing plantations in areas with significant quantity of peat. In line with this stipulation, FGV Palm Upstream Cluster has not acquired any new land containing a significant amount of peat (area of peat not more than 20% of the total land parcel) in 2016.\*

The Group is committed to actively pursue opportunities to reduce its greenhouse gas emissions through its operational approaches to manage and report its carbon footprint. FGV targets to reduce its GHG emissions by 25% from our baseline year of 2014 by 2020. The majority of our emissions are in the form of biogas, which naturally forms when POME decomposes in the absence of oxygen. Biogas is potentially hazardous and contributes to climate change owing to its composition comprising mainly methane (50-75%) and carbon dioxide (25-45%). The capture of biogas from POME is, therefore, a clear priority for us in mitigating and reducing our overall GHG emissions.

FGV is presently the single largest plantation owner of biogas plants in the world, with a total of 25 biogas plants in our stable. In 2016, our data shows that our biogas plants have managed to reduce 87,429 MT\* of CO<sub>2</sub> equivalent in 15 biogas plants. Our CO<sub>2</sub> reduction efforts over the past four (4) years are illustrated below.

### TOTAL MONITORED CARBON DIOXIDE EMISSION REDUCTIONS FOR 2013 - 2016



In addition to reducing the amount of GHG that our mills emit into the environment, the biogas plants are reducing GHG emissions arising from the combustion of fossil fuels by generating electricity for domestic use.

Two (2) of our biogas capture plants in our palm oil mills in FPI Umas and FPI Seriting Hilir have successfully generated electricity for the local area since 2013. These plants can generate up to a maximum of 1.2 megawatts of electricity. In Umas, the electricity is channelled to residential areas, schools, offices and commercial complexes. Umas residents, prior to the construction of the plant, depended on power generated from diesel generators. Meanwhile, the electricity generated by the Seriting Hilir plant is being fed back to the national grid.

Our research on biogas has led to the establishment of the first commercial-scale palm-based Bio-Compressed Natural Gas (Bio-CNG) plant in Sg. Tengi, Kuala Kubu Baru, Selangor. A collaboration between Felda Palm Industries Sdn Bhd (FPI), the Malaysia Palm Oil Board (MPOB) and Sime Darby, the plant demonstrates that biogas can be used on a commercial scale producing 80,000 million BTUs of Bio-CNG annually. Bio-CNG is a viable alternative to fossil fuels and commenced commercial production for its first customer in April 2016.



Bio-CNG plant in Sg. Tengi.

Our efforts to reduce GHG emissions also extends to R&D on other by-products of the CPO production process. These include:

- Converting EFB into pellets that can be used as renewable fuel for firing steam boilers
- Developing biomass plants that utilises treated EFB
- Developing palm fibre that can be used for industrial applications and to produce bio-oil

### OPEN BURNING

As a planter, FGV abides by the Environmental Quality Act 1974 and all applicable local laws and regulations in jurisdictions which FGV operates to ban open burning. FGV does not practise open burning for any purpose except to manage the outbreak of pest and disease as specified in 'Guidelines for the Implementation of the ASEAN Policy on Zero Burning 2003'.

\* This data point has been independently audited. Please refer to our Independent Assurance Report on pages 355-356.

# SUSTAINABILITY STATEMENT

## SOCIAL



FGV Group embraces a culture that respects and leverages on the diversity of our people, our customers and our communities.

### EMPLOYEES

This is of paramount importance to excel in the way we perform our business, work together effectively, and nurture employees' needs and requirements. As a global organisation, we are committed working towards having a diverse workforce with a range of individual attributes spanning a spectrum of different cultures, ethnic backgrounds, gender and ages. Please refer to the MD&A section in this report for more information on our employees.

### COMMUNITY STAKEHOLDERS

Our community Stakeholders can be divided into two (2) groups: FELDA settlers and smallholders who form part of our supply chain, and the public at large with whom we interact as a business entity.

Our commitment to our FELDA Stakeholders includes helping them build and develop their economic capacities. As suppliers to our mills, they form part of our supply chain and we endeavour to educate them on best practices to maximise their returns. Additionally, as RSPO members, we seek to ensure that they comply with all stipulated requirements to ensure that they do not jeopardise the certification of our assets. FGV conducts regular and close engagement with our settlers, holding regular town hall meetings in various FELDA settlements around the country.

FGV also channels a portion of its profits to FELDA settlers who own an approximate 20% stake in the Company. Earnings from FGV are channelled to the settlers through their participation in FELDA, and also in the form of dividends which are distributed by Koperasi Permodalan Felda (KPF). Some 2 million people, comprising 112,635 settler families benefit from plantation income as do another further 300,000 people associated with the settlements.

Meanwhile, our commitments to the general public are delivered through Yayasan Felda. In 2016, we allocated RM8,500,348\* to various programmes through Yayasan Felda. Through the foundation, FGV helps fund a number of charitable causes and initiatives focused primarily on education, healthcare and other philanthropic causes. Aid from Yayasan Felda is open to all Malaysians, particularly settler communities and the rural population. Additional information about Yayasan Felda's activities is available on its website [www.yayasanfelda.net.my](http://www.yayasanfelda.net.my).

Further to our CSR contributions through FELDA, FGV also sponsors a Scholarship Programme which awards scholarship to students with excellent academic track records. In 2016, FGV sponsored 20 students who will pursue their tertiary education at local university.



FGV's 2016 sponsored scholars.

FGV has trained 54 Gabonese trainee settlers who underwent an extensive four-month training programme to develop the oil palm industry in their own country. FGV has collaborated with the Gabonese government through OLAM International Ltd under the GRAINE project, with the intention of enabling a farming economy as well as providing food for the Gabonese people. Upon completion of their training, the Gabonese government will provide land for them to develop, an opportunity that provides employment and elevates the socio-economic infrastructure of the country as well as eradicating poverty. In its endeavour to enrich communities outside Malaysia, FGV has reached out to the Indonesian guest workers, a large percentage of whom are from Lombok, with a lucrative incentive amounting to RM1.5 million. Each one will receive IDR500,000 (RM150.00) to assist their families after three months of employment. They will also be presented RM50.00 per person upon arrival in Malaysia to assist in communicating with their families in Indonesia. FGV has found that by extending compassion to these workers from Indonesia as well as their families and gaining their trust, more Indonesian guest workers have expressed their desire to work for the company.

\* This data point has been independently audited. Please refer to our Independent Assurance Report on pages 355-356.

# SUSTAINABILITY STATEMENT

## SOCIAL



### STAKEHOLDER ENGAGEMENT

We believe that the contribution and support of our Stakeholders are pivotal for us to achieve our sustainability goals and targets. Stakeholder engagement is recognised as an integral aspect of our sustainability strategy for continued progress towards realising our sustainability vision. We continuously engage our Stakeholders at various platforms to understand their concerns. This ensures proactive communications, both formal and informal, with Stakeholders across the entire value chain, including the government, investors, customers, suppliers, and NGO for better decision making. By actively engaging our Stakeholders, we are able to identify risks and opportunities in the way we do business. Through this process, a transparent and trustworthy relationship is forged.

Given that FGV's sustainability engagement is paramount, we have been intensifying our engagement with Stakeholders, especially NGOs and customers to brief them on our various sustainability initiatives and to explain how we are addressing material sustainability concerns raised by them. We also adopt communications using different mediums such as social media, which appears to be very effective, reaching out to FGV internally as well as externally. We have issued frequent updates on the progress of our sustainability initiatives and issues to our business partners through our GP/CEO's Letter to Business Partners which we also upload on our company website. We collaborate with a few of our major customers to drive change on the ground, while enabling long-term growth for the industry and community. Independent smallholders outside FELDA schemes are brought into sustainability practices by constantly engaging with external parties such as our JV partner - P&G, smallholder organisations, NGOs, private plantation companies and governmental agencies through a series of awareness campaigns and outreach programmes in Malaysia.

In December 2016, FGV and FELDA had organised a workshop on labour issues that currently prevail in the palm oil industry. The focused issues include:

- i. Prohibition of fees charged to foreign guest workers by contractors and labour suppliers (labour recruiters) in their home countries
- ii. Prohibition of employers and contractors keeping foreign guest workers' identity documents/passports
- iii. Children at workplace

The workshop was held to provide a platform for industry and concerned groups to discuss and share views on the aforementioned issues in an open forum. The team effort consisted of Government bodies - Malayan Agricultural Producers Association (MAPA), Labour Department Malaysia (JTKSM) and Malaysian Palm Oil Association (MPOA) Secretariat, RSPO, Growers - FGV & FELDA (host), Sime Darby, KLK, WILMAR, Cargill, P&G and IOI, NGO - Tenaganita and Business Partners -

P&G and The Forest Trust (TFT). The participation of many Stakeholders resulted in the formulation of possible ideas and resolutions to mitigate/address some of the pressing issues within the industry. Moving forward, FGV will work with several parties to refine the resolutions which will then be issued to the participants for further comments. There is still much to be done to enhance the image of the oil palm industry, and we intend to collaborate further with all parties in similar workshops and forums.

### RESPECTING HUMAN RIGHTS

FGV is committed to adhering to human rights frameworks defined in the UDHR and the ILO's Core Conventions to ensure that working conditions are non-exploitative. The Group's respect and commitment to fundamental human rights are embodied in our Group values, Code of Business Conduct and Ethics for Employees and Directors, Group Sustainability Policy and the Group's Discretionary Authority Limit. The Group Sustainability Policy, the details of which are elaborated on page 62 of this statement applies to all our employees, directors and all parties involved in any business dealings with FGV Group.

FGV has implemented, through the Code of Business Conduct and Ethics for Employees and Directors and Group Sustainability Policy, provisions for equal opportunity and prohibition of underage workers and will continue to champion the guidelines on human trafficking and forced labour exploitation, sexual harassment and violence. Within the Code of Business Conduct and Ethics for Employees and Directors, employees are allowed to form and join trade unions to bargain for their needs collectively. FGV is aware of its responsibility to protect the rights of all employees and will continue to actively engage its employees to ensure that their needs such as wages, shelter and access to services are met, and to create a harmonious and prosperous working environment.

FGV is dedicated to uphold the ILO and relevant child protection laws and regulations in each country in which the Group conducts business activities and/or transactions as well as support other international and local treaties which demand that children receive protection against any forms of abuse and exploitation. The Group businesses shall ensure that all business partners observe the need to comply with the relevant child labour laws and all FGV Group's suppliers and subcontractors are prohibited from hiring employees who are under the minimum legal age.

FGV has engaged TFT, an organisation with extensive knowledge and experience working with marginalised groups, to conduct the 'Support for Transformation' initiative in four (4) selected sites of FGVPM, FELDA and FTPSB and focus on five (5) areas affecting foreign guest workers in oil palm plantations. The initiative aims to identify gaps between policy and implementation and recommend specific action plans to address

# SUSTAINABILITY STATEMENT

## SOCIAL



Participants of the Labour Issues Workshop organised by FGV-FELDA.

five (5) core issues, namely forced bonded labour, ethical recruitment, employment contract, minimum wage and safety & health which issues were highlighted by the Wall Street Journal (WSJ) on 26 July 2015. The WSJ report had prompted RSPO to appoint Accreditation Services International (ASI) to conduct an assessment on the allegation claims. To ascertain the claims, FGV has engaged with Wild Asia (WA) to carry on a verification assessment on the allegation on both WSJ and ASI findings. Both findings are publicly available on FGV website.

The partnership with TFT has enabled us to identify gaps in our current policy commitment and practices specifically in five (5) focus areas and undertake specific, measurable and time-bound action plan to remedy the situations in the following four (4) specific areas in accordance with the United Nations (UN) Guiding Principles on Business & Human Rights and applicable laws & standards:

- Institutional strengthening and leadership
- Policy commitment
- Due diligence
- Supplier, community and external Stakeholders' engagement

### RESPONSIBLE EMPLOYMENT

The Group prohibits any individual under the legal age to be employed in accordance with prevailing legislation in jurisdictions in which FGV operates. As of 31 December 2016, we are proud to report that we do not employ any under-aged workers with 100%\* of our directly employed estate workers aged 18 years and above.

FGV also firmly supports the provision of equal opportunity to all and ensure that all employees and applicants for employment receive fair treatment, and not be discriminated against based on race, nationality, religion, disability, gender, age, sexual orientation, union membership or political affiliation.

FGV adhered to the Guidelines on Human Trafficking and Forced Labour Exploitation as well as the Declaration on Fundamental Principles and Rights at Work by the ILO. The Group does not support the employment or use of forced or bonded labour in connection with our activities, and does not knowingly collaborate with agencies, suppliers or contractors involved in human trafficking.

Additionally, FGV's labour policy is based by national labour act that sets the industry standard on minimum wage, and is regulated by Ministry of Human Resources. The labours also enjoys the benefits of insurance coverage. FGV has a stringent zero-tolerance policy towards social and human rights issues in the workplace, and as for fair remuneration and benefits its has been agreed through Collective Bargaining Agreement (CBA).

To ensure an inclusive, sustainable and comprehensive transformation of the company in the areas of social and human rights aspects, we have proposed a specific and time-bound plan of action which will address the four (4) core human rights aspects.

\* This data point has been independently audited. Please refer to our Independent Assurance Report on pages 355-356.

## SUSTAINABILITY STATEMENT SOCIAL



Our culture embraces the diversity of people in our organisation and promotes equal employment opportunity regardless of race, religion, age, marital status and nationality.

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### RIGHTS OF OUR FOREIGN GUEST WORKERS

We strongly abide to a zero tolerance of harassment and abuse at the workplace and our collective bargaining agreement includes insurance for all our foreign guest workers. Our culture embraces the diversity of people in our organisation and promotes equal employment opportunity regardless of race, religion, age, marital status and nationality. All foreign guest workers employed by FGV are accorded the same rights and privileges as their local counterparts, grounded on standardised labour policies under Malaysia's labour legislation. These are also in line with the ILO's Declaration on Fundamental Principles and Rights at Work.

Our sustainability commitment to our workforce is not limited by nationality or boundaries and is extended to our cohort of over 26,000 foreign guest workers in FGV estates across Malaysia. In recognition of their contribution and sacrifice for our business, we have gone to great lengths to ensure that they are provided access to various facilities including housing and health services in their area of residence. We are presently constructing new housing to accommodate 1,836 foreign guest workers over a period of eight (8) years.

We have also started a pilot project to allow foreign guest workers full access to their passports. As of 31 December 2016, 1,150 safety boxes\* for passport keeping were successfully installed in five (5) estates. The pilot phase was conducted in Krau 4, Besout 6, Besout 7, Bukit Sagu 4 and Tenggaroh 11 estates. These passport lockers, located in the plantation office, enable our guest workers to safely secure their passports whilst they are out in the field thereby providing them with greater peace of mind.

Further to that, we have translated our employment contract into five (5) different languages — Bengali, Tamil, Nepali, Tagalog and English — to ensure that our foreign guest workers fully understand their rights while working with FGV.

\* This data point has been independently audited. Please refer to our Independent Assurance Report on pages 355-356.

# SUSTAINABILITY STATEMENT

## SOCIAL



FGV recognises the right of the union as well as our employees to the freedom of expression within the stipulations law and does not preclude individuals to join the Union or other entities that are registered and approved by FGV.



A foreign guest worker is preparing his passport to be stored in the safety box.

### SEXUAL HARASSMENT AND VIOLENCE

FGV is committed to providing adequate attention to the ethics and conduct of all employees in connection with sexual harassment (verbal, gestures, visual psychological or physical contact, including any notes that are sent via electronic media) and violence in line with the needs and requirements contained under Section 16 of FGV's Code of Business Conduct and Ethics for Employees. FGV will also maintain the reproductive rights of women to ensure that there is no discrimination against women.

### FREEDOM OF EXPRESSION

Freedom of expression in accordance with national legislation is not prohibited as part of FGV commitments to the ILO's Core conventions. FGV Unions Workers, a registered union, represents all employees in FGV Group. FGV recognises the right of the union as well as our employees to the freedom of expression within the stipulations law and does not preclude individuals to join the Union or other entities that are registered and approved by FGV.

The main purpose of worker unions is to give workers the power to negotiate for more favourable working conditions and other benefits through collective bargaining. Union members within FGV Palm Upstream Cluster presently belong to four (4) unions with a total membership of 6,396\* employees as of the December 2016. During the year, several improvements in terms of benefits were successfully negotiated by the union. Among the benefits include increments in housing, health, and transportation allowances.

\* This data point has been independently audited. Please refer to our Independent Assurance Report on pages 355-356.

# SUSTAINABILITY STATEMENT OCCUPATIONAL SAFETY AND HEALTH (OSH)



As our business activities are labour intensive, FGV takes special care to ensure the safety and health of its employees and workers. OSH is overseen by our 15 members from Group Health, Safety & Environment (HSE) Department. Since its establishment in 2009, the HSE Department has been reducing consistently the number of accidents and incidents within the Group and, more significantly, brought the Group's OSH management practices more in line with those of multinational organisations.

## OSH MANAGEMENT IN FGV

The Group's OSH structure comprises several levels. At the top is the Group's HSE Steering Committee, which comprises representatives from all six (6) business clusters. The representatives are appointed by the GP/CEO from key management personnel including business CEOs. Added to these are representatives from three (3) OSH-related departments — Sustainability, Security and Risk Management; with the Group HSE Department acting as the Committee Secretariat. The Committee is chaired by the Chief Human Resources Officer. He acts as the go between, escalating major issues to the GP/CEO and FGV EXCO as well as cascading down major decisions from them.

The role of the HSE Steering Committee is to provide direction, support, and cluster perspective on safety and health matters as well as help to facilitate cross-Cluster initiatives. It meets every quarter, during which, the Committee members are provided a comprehensive brief on the Group's OSH performance and progress, to review. At least once a year, GP/CEO attends the meeting, demonstrating OSH championship from the very top of the organisation.

Decisions made by the HSE Steering Committee pertaining to managing the overall safety performance of the Group - are then translated by the Group HSE Department into strategies and initiatives. These, in turn, are cascaded downwards to companies within the Group through the HSE

Management Committee. The HSE Management Committee comprise persons from all major businesses under the FGV Group in whom are vested OSH accountability. Most of them have the 'Green Book'; that is, they are officers certified competent by and registered with the Department of Occupational Safety & Health (DOSH) Malaysia.

The Group HSE department receives monthly Lost Time Injury Reports from all worksites. Nonetheless, the HSE Management Committee still meets every quarter to review fatalities, incidents and dangerous occurrences as well as the status of corrective and preventive actions. These meetings also serve as the forum to raise individual company concerns, discuss common issues and co-ordinate implementation of Group-wide programmes.

## GOING BEYOND COMPLIANCE

FGV Group takes its focus on occupational safety and health very seriously to the extent that it goes beyond compliance in ensuring the health and safety of its workers. We have voluntarily employed 'Green Book' Safety and Health Officers (SHOs). Select industries are required by law to have one SHO per 500 employees. With a total of 38 SHOs in the Group, FGV's SHO to employee ratio more than adequately meets that requirement even though as an agricultural-based business, FGV is not legally-mandated to even employ SHOs.

# SUSTAINABILITY STATEMENT

## OCCUPATIONAL SAFETY AND HEALTH (OSH)



*Safety is our priority and our staff undergo various safety and health programmes to develop valuable skills.*

The decision to build a core team of SHOs in our businesses was made in the early days of FGV as part of our goal to build professional OSH capacity and ensure OSH technical expertise in our workforce. The SHOs are our eyes and ears on the ground. They work with operational managers to ensure a safe and healthy work environment as well as safe and healthy work practices at our numerous worksites around the country. They also act as safety ambassadors to cultivate a better safety culture in all our workplaces.

Additionally, the operational OSH audit comprises three tiers. During Tier 3 audits, SHOs inspect the worksites under their charge. Within the plantation Cluster, our largest operation, each SHO is responsible for between 5 and 10 mills and estates. Tier 2 audits are conducted by the Group HSE Department, which conducts a comprehensive assessment of a company's safety, occupational health and industrial hygiene protocol - including assessing systemic challenges, awareness level, training requirements, ground engagement and other OSH-related matters.

### INCIDENT PREVENTION

One of the key focus of FGV's OSH framework is the prevention of incidents. Year-round, we conduct audits of the various businesses and workplaces. FGV conducts four types of audits:

- i. Operational OSH audits determines workplace compliance to OSHA 1994 and other related legislation
- ii. Management system audits guide worksite preparation for International Standards Organisation (ISO) certification
- iii. Malaysian Society of Occupational Safety & Health (MSOSH) internal audits help participating worksites enhance their performance ahead of MSOSH Award external auditor visits
- iv. FGV HSE President's Award audit adjudicates entries vying for the award to determine winners for the various categories

In 2016, FGV introduced, for the first time, Tier 1 Audits. These involve high-level Group OSH champions, namely members of the Group HSE Steering Committee and sometimes Cluster Heads, cross-auditing a different Cluster. Tier 1 Audits are designed to assess the strength of OSH leadership at the worksite. Given that these audits are conducted by the highest members of senior management - the audits deliver additional benefits. On the one hand, it enables Cluster Heads and CEO of companies or their nominees to view first-hand the state of OSH at individual workplaces. On the other, their participation demonstrate the Group's top-level commitment to safety and health. A total of 11 Tier 1 Audits were conducted in 2016.

In addition to our regular safety audits, the Group HSE Department also conducts 'pre-audit' audits on select FGV workplaces vying for an award at the MSOSH annual awards competition. The prestigious, long-running

# SUSTAINABILITY STATEMENT

## OCCUPATIONAL SAFETY AND HEALTH (OSH)



MSOSH Awards recognises member companies and organisations for their commendable safety and health records. In 2016, FGV submitted 38 sites for award consideration (from 16 in 2015) and received a special citation for the largest participation in the award programme. All 38 submissions received an award. Of these, eight (8) submissions received Gold Class 1 awards, compared to three (3) in 2015.

Aside from scheduled audits, FGV's comprehensive risk management programme involves the participation of our employees, contractors and vendors through regular Contractor Safety Workshops. These sessions equip our contractors with skills in Hazard Identification, Risk Assessment and Determining Control (HIRADC) to help them recognise and mitigate sources of accidents in the workplace.

### BUILDING OSH LEADERSHIP AND CAPABILITY

At its headquarters, regional centres and the various workplaces dotted across the country, FGV ensures that employees and workers receive adequate and relevant training. The packed year-round training calendar focuses on imparting OSH-specific knowledge and enhancing technical skills of OSH practitioners within the Group as well as general awareness training. Topics range from OSH legislation, Safe Riding, HIRADC, Ergonomics as well as HSE management systems.

In concerted efforts to meet legal requirements to have certified competent persons, training includes competency-based training such as Authorised Entry & Standby Persons training, Authorised Gas Tester and Entry Supervisor Training; and Working at Heights Training. Given the sizeable requirement within the Group, FGV aims to build a core team of in-house trainers in order to reduce the cost of attending external courses to obtain and renew these competencies.

### FGVH Training Programmes (JAN - DEC 2016)

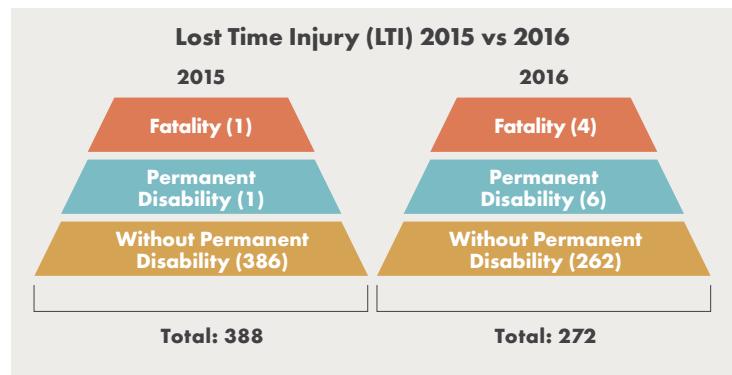
Types of Training in 2016	Training by Group HSE	Training by subsidiary companies
Occupational Safety & Health	8	899
Environment	4	50
Competency, HSE System & Others	9	128
<b>Total Training Courses</b>	<b>21</b>	<b>1,077</b>
<b>Number of persons trained</b>	<b>2,440</b>	<b>29,469</b>

FGV's in-house expertise is recognised industry-wide. Our employees are called upon to speak at National and Regional OSH Conferences as well as invited to act as auditors for MSOSH. Nonetheless, 2016 saw us commence our HSE Leadership Programme, which was developed internally with help from our Group Organisational & Learning Department (GOLD). The HSE Leadership Programme was designed to help our SHOs morph from being OSH technocrats into executive all-rounders. Thus, the modules leaned on leadership & interpersonal skills, business acumen, grooming, social etiquette, communication, project management and strategic planning. Through the Programme, participants add valuable high-level skills to their array of technical abilities, putting them on course to become potential HSE drivers within the FGV organisation. The HSE Leadership Programme is divided into four (4) parts, and the first session was conducted in August 2016.

### 2016 INCIDENT REPORT

FGV has been keeping track of its incident data since 2009. However, in the past we have been including all incidents including those involving third parties which falls outside the scope of required reporting to DOSH under the Notification of Accidents, Dangerous Occurrences, Poisoning and Occupational Diseases (NADOPOD). As a result, in 2016 we undertook a major review and re-alignment of all our historical incident data.

As regards the year 2016, FGV's accident track record was mixed with the total number of accidents decreasing 29.9% to 272 accidents from 388 a year ago. However, the number of accidents causing permanent disabilities increased from one (1) to six (6). Regrettably, the total number of fatalities for the year also rose to four (4) from one (1) in the previous year.



In all, the cost of accidents totalled RM870,491.10. The fatalities upped the number of Lost Man-Days in the Group to 33,161 from 9,316 in 2015.

# SUSTAINABILITY STATEMENT

## OCCUPATIONAL SAFETY AND HEALTH (OSH)



### CERTIFICATION

FGV became among the first Malaysian companies to receive ISO 14001:2015 certification in 2016, which is the most up-to-date iteration of the Environmental Management System Standards. This is in addition to its Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 certificate received in 2015, which reflects the alignment of the Group's HSE Management System with international best practices.

Among our work premises, to date, 89 work premises in the Group have received OHSAS 18001:2007 certification while 79 have received ISO14001:2004 certification.

### HEALTH

At workplaces where workers are exposed to chemicals hazardous to health, FGV conducts Chemical Health Risk Assessments (CHRA) once every five (5) years and practises Chemical Exposure Monitoring by sending exposed workers to annual medical check-ups to determine their levels of exposure. Personal Protective Equipment (PPE) is provided to FGV employees and workers at no additional cost, while Noise Monitoring checks as well as Indoor Air Quality Surveys are carried out regularly. FGV also undertakes activities focused on improving the general health of our employees through campaigns and events.

#### Komuniti Sihat Perkasa Negara (KOSPEN) Programme

The KOSPEN Programme was implemented in collaboration with the Malaysian Ministry of Health. The aim of the programme is to help our employees reduce the risks of developing non-communicable diseases such as diabetes and heart disease. Following the success of the initial programme involving some 3,000 people at Serling, Negeri Sembilan in 2015, a second programme was launched in Pasir Gudang, Johor involving 1,000 people from five (5) FGV subsidiaries.

#### "FGV's Biggest Loser" Competition

In a bid to promote appreciation of healthier lifestyles and more effective weight management techniques among our employees, FGV held a Biggest Loser competition. 81 participants competed over a six-month period during which some managed to lose more than 20 kg. Representatives from

the Ministry of Health were brought in to provide motivation, guidance on healthy eating habits, while its physical health experts conducted exercise classes at selected dates. The company encouraged participation in social sports activities such as in KL Car Free Days and even held a specially-directed session at a local gym to coach participants with regard to correct use of gym equipment.

#### Strategic Occupational Health Enhancement Level Programme (SOHELP)

SOHELP is a programme under the Malaysian OSH 2020 Masterplan by DOSH. SOHELP is aimed at improving OSH performance in three (3) health related focus areas of participating workplaces: chemical safety, noise management and ergonomics. The initiative kicked off in 2016 whereby two of our worksites—MSM Perlis and FPI's Kilang Sawit Kemahang in Kelantan were selected to participate in the 14-month long pilot programme.

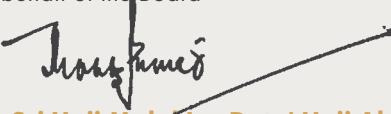
Under the programme, participating companies are expected to meet the requirements of five (5) different levels of achievement. The levels are progressive, and SHOs managing SOHELP receive continuous education points (CEP) upon reaching each level. As SHOs need to collect CEP points in order to retain their SHO certification, SOHELP provides additional incentive for the officers to help their respective worksites improve their OSH performance in the three stipulated areas.

FGV plans to expand SOHELP to more worksites in 2017. As preparation for this, the HSE Department conducted a training workshop in December 2016 with the support of DOSH officers.

#### FGV'S WORLD OSH DAY 2016 (WOD2016)

FGV held its second World OSH Day 2016, in conjunction with the International Labour Organisation's World Day for Safety, which falls on the 28 April every year. Organised in collaboration with FELDA, WOD2016 aimed to centre-stage OSH and encourage OSH ownership Group-wide. Events included a conference, exhibitions, a blood donation drive, competitions, a religious talk by Ustaz Don Daniyal and a fun exercise session. In conjunction with the celebration, FGV kicked off its ISO14001:2015 certification bid and crowned the inaugural winners of FGV's HSE President's Award.

On behalf of the Board

  
Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad  
Chairman

### STATEMENT BY THE BOARD

This Statement is made in accordance with a resolution of the Board of Directors and approved at the Board meeting dated 29 March 2017.

# DIRECTORS' PROFILE

As at 22 March 2017

	<b>TAN SRI HAJI MOHD ISA DATO' HAJI ABDUL SAMAD</b>	<b>Nationality</b> Malaysian
—	<b>Age</b> 67	<b>Gender</b> Male
Chairman, Non-Independent Non-Executive Director		

**Appointment to the Board:**

Appointed as Chairman and Non-Independent Non-Executive Director on 1 January 2011

**Board Committee membership:** Nil

**Qualification:** Bachelor of Arts from the University of Malaya

**Working experience and occupation:**

- Deputy of the United Malays National Organisation (UMNO) Youth of Teluk Kemang (1974-1978)
- Chief of UMNO Youth Teluk Kemang (1978-1982)
- Chief of UMNO Teluk Kemang (1982-Present)
- State Assemblyman of Linggi and Negeri Sembilan State Executive Committee (1978-1982)
- Chief Minister of Negeri Sembilan (1984-2004)
- Minister of Federal Territories (2004-2005)
- Chairman, Federal Land Development Authority (2011-2016)
- Vice President of UMNO
- Member of Parliament for Jempol (2013-Present)

**Directorship in other public companies:**

- Chairman, MSM Malaysia Holdings Berhad
- Chairman, Encorp Berhad
- Chairman, Felda Holdings Bhd
- Chairman, Pontian United Plantations Berhad

**No. of Board Meetings attended in the financial year:**

All 13 Board Meetings held during the financial year under review

**Conflict of interest with the Company:** Nil

**Family relationship with any director and/or major Shareholder:** Nil

**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:** Nil

**Key Features of our Board**

- Our Board comprises a majority of Independent Directors.
- The Chairman is a Non-Independent Non-Executive Director.
- The role of the Chairman and the Group President/Chief Executive Officer are distinct.

	<b>DATUK DR. OMAR SALIM</b>	<b>Nationality</b> Malaysian
—	<b>Age</b> 59	<b>Gender</b> Male
Non-Independent Non-Executive Director		

**Appointment to the Board:**

Appointed to the Board as a Non-Independent Non-Executive Director on 27 September 2010

**Board Committee membership:**

Member of Board Governance & Risk Management Committee

**Qualification:**

- Bachelor of Arts from the University of Malaya
- Diploma in Public Administration from National Institute of Public Administration (INTAN)
- Diploma in Management Science from INTAN
- Masters in Business Administration from the University of Birmingham, UK
- Doctorate in Business Administration from Universiti Kebangsaan Malaysia

**Working experience and occupation:**

- Assistant Secretary, Public Services Commission (1983-1986)
- Assistant Director, Prime Minister's Office (1986-1989)
- Assistant Director in Public Service Department (1991-1993)
- Assistant Secretary, Kawal Selia Telekom (1995-1996)
- Director of Malaysia Administrative Modernisation and Management Planning Unit (MAMPU) (1996-1999)
- Deputy Secretary in the Finance Ministry (2004-2005)
- Director in the Internal Audit and Inspection at Malaysia Maritime Enforcement Agency (2005-2007)
- Head of Unit Kawal Selia Federal Land Development Authority (FELDA) of the Prime Minister's Department (2008-Present)

**Directorship in other public companies:**

- Director of FELDA
- Director, Felda Holdings Bhd
- Director, Pontian United Plantations Berhad

**No. of Board Meetings attended in the financial year:**

9 out of 13 Board Meetings held during the financial year under review

**Conflict of interest with the Company:** Nil

**Family relationship with any director and/or major Shareholder:** Nil

**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:** Nil

# DIRECTORS' PROFILE

As at 22 March 2017

**DATO' YAHAYA  
ABD JABAR**Senior Independent  
Non-Executive  
Director**Nationality**  
Malaysian**Age**

64

**Gender**

Male

**DATUK NOOR  
EHSANUDDIN  
MOHD HARUN  
NARRASHID**Independent  
Non-Executive  
Director**Nationality**  
Malaysian**Age**

53

**Gender**

Male

**Appointment to the Board:**

- Appointed to the Board as an Independent Non-Executive Director on 18 January 2012
- Appointed as Senior Independent Non-Executive Director on 12 October 2012

**Board Committee membership:**

- Chairman of the Nomination and Remuneration Committee
- Member of the Audit Committee
- Member of the Board Governance & Risk Management Committee

**Qualification:**

- Bachelor of Arts (Honours) in International Relations from the University of Malaya

**Working experience and occupation:**

- Administrative and Diplomatic Service of Malaysia, Ministry of Foreign Affairs (1975-1999)
- Ambassador of Malaysia to Uzbekistan (1999)
- Alternate Member of the Malaysian delegation to the 56th General Assembly of the United Nations in New York (2001)
- Chief Protocol at the Ministry of Foreign Affairs (2003)
- High Commissioner to South Africa (2004)
- High Commissioner to Mozambique (2004-2008)
- High Commissioner to Botswana (2004-2008)
- High Commissioner to Lesotho (2004-2008)
- High Commissioner to Swaziland (2004-2008)
- High Commissioner to Madagascar (2004-2008)
- Ambassador of Malaysia to the United Arab Emirates (2008-2011)

**Directorship in other public companies:** Nil**No. of Board Meetings attended in the financial year:**

All 13 Board Meetings held during the financial year under review

**Conflict of interest with the Company:** Nil**Family relationship with any director and/or major Shareholder:** Nil**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:** Nil**Appointment to the Board:**

Appointed as Independent Non-Executive Director on 16 July 2013

**Board Committee membership:**

- Member of the Nomination and Remuneration Committee
- Member of the Investment Committee

**Qualification:**

- Degree in Civil Engineering and Mechanical from Southern Illinois University, Carbondale, USA

**Working experience and occupation:**

- Engineer, Milford Haven Automation Sdn Bhd (1986-1988)
- Engineer, Haven Automation Sdn Bhd, subsidiary of Alfa Laval Sdn Bhd (1988-1990)
- Director, Behnmas (M) Sdn Bhd (1990-2005)
- Director, Daya Reka Nusantara Development Sdn Bhd (2006-2008)
- Director, Seranta Federal Land Development Authority (FELDA), Prime Minister's Department (2008-2013)
- Member of Parliament for Kota Tinggi (2013-Present)

**Directorship in other public companies:**

- Director, FELDA
- Director, MSM Malaysia Holdings Berhad
- Director, Encorp Bhd
- Director, Iris Corporation Bhd

**No. of Board Meetings attended in the financial year:**

11 out of 13 Board Meetings held during the financial year under review

**Conflict of interest with the Company:** Nil**Family relationship with any director and/or major Shareholder:** Nil**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:** Nil

# DIRECTORS' PROFILE

As at 22 March 2017

	<b>TAN SRI DR. SULAIMAN MAHBOB</b>  Independent Non-Executive Director	<b>Nationality</b> Malaysian	<b>Age</b> 68	<b>DATO' MOHD ZAFER MOHD HASHIM</b>  Independent Non-Executive Director	<b>Nationality</b> Malaysian
		<b>Gender</b> Male			<b>Age</b> 44

#### Appointment to the Board:

Appointed as Independent Non-Executive Director on 15 March 2014

#### Board Committee membership:

Chairman of the Board Governance & Risk Management Committee

#### Qualification:

- Degree in Economics (Honours) from University of Malaya
- Master of Science from University of London
- Ph.D from the Maxwell School of Citizenship and Public Affairs at Syracuse University, USA
- Attended a course on World Currency reform at Harvard University, USA
- Conferred Honorary Doctorate in Economic Management by Universiti Kebangsaan Malaysia

#### Working experience and occupation:

- Economic Planning Unit (EPU), Prime Minister's Department (1972-1982)
- Under Secretary Economics, Ministry of Finance (1985-1994)
- Executive Director, Malaysian Institute of Economic Research (MIER) (1995-1997)
- Head of Secretariat, National Economic Action Council (NEAC) (1998-2001)
- Secretary General, Ministry of Domestic Trade and Consumer Affairs (2001-2004)
- First Founding President, Institute of Integrity Malaysia (IIM) (2004-2005)
- Director General, EPU (2006-2009)
- Chairman, Malaysian Industrial Department Authority (MIDA) (2010-2012)
- Previously on the Board of National Petroleum Corporation (PETRONAS), Federal Land Development Authority (FELDA) and the Companies Commission of Malaysia (of which he was the first Chairman)
- Teaches economics and public policy as Adjunct Professor at the University of Malaya, and at Universiti Tun Abdul Razak and often contributes articles to the local media on the topics of economy, development and public finance (Present)

#### Directorship in other public companies:

- Chairman, Telekom Malaysia Bhd
- Chairman, Minority Shareholder Watchdog Group (MSWG)
- Member of the Board of several institutions including Bank Negara Malaysia, Malaysian Institute of Economic Research (MIER), Institute of Strategic and International Studies

#### No. of Board Meetings attended in the financial year:

12 out of 13 Board Meetings held during the financial year under review

#### Conflict of interest with the Company:

**Family relationship with any director and/or major Shareholder:** Nil

**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:** Nil



#### Appointment to the Board:

Appointed as Independent Non-Executive Director on 20 January 2015

#### Board Committee membership:

- Chairman of the Audit Committee
- Member of the Investment Committee

#### Qualification:

- Fellow of the Institute of Chartered Accountants in England and Wales
- Member of Malaysian Institute of Accountants
- Bachelor of Science in Economics and Mathematics, London School of Economics and Political Science, University of London

#### Working experience and occupation:

- Assistant Manager, Banking and Capital Markets Division, Audit Practice, Price Waterhouse, UK (1995-1998)
- Senior Manager, Financial Markets Division, Audit Practice, Arthur Andersen (1999-2002)
- General Manager, MMC Corporation Bhd (2002-2004)
- Chief Financial Officer, Bank Muamalat Malaysia Bhd (2004-2008)
- Chief Financial Officer, Maybank Investment Bank Bhd (2008-2009)
- President & Group Managing Director, Bank Pembangunan Malaysia Bhd (2009-2014)

#### Directorship in other public companies:

Director, Malaysian Bulk Carriers Bhd

#### No. of Board Meetings attended in the financial year:

All 13 Board Meetings held during the financial year under review

#### Conflict of interest with the Company:

**Family relationship with any director and/or major Shareholder:** Nil

**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:** Nil

# DIRECTORS' PROFILE

As at 22 March 2017

**DATO' MOHAMED SUFFIAN AWANG**

Independent Non-Executive Director

**Nationality**  
Malaysian**Age**

45

**Gender**

Male

**DATO' ZAKARIA ARSHAD**Group President/  
Chief Executive Officer,  
Non-Independent Executive Director**Nationality**  
Malaysian**Age**

57

**Gender**

Male

**Appointment to the Board:**

Appointed as Independent Non-Executive Director on 20 January 2015

**Board Committee membership:**

- Chairman of the Investment Committee
- Member of the Nomination and Remuneration Committee

**Qualification:**

- Bachelor of Laws (Honours), Universiti Teknologi Mara, Malaysia
- Diploma In Public Administration, Universiti Teknologi Mara, Malaysia

**Working experience and occupation:**

- Messrs. Malek & Associates (1996)
- Partner, Messrs. Mohd Mohtar & Co. (2000)
- Vice President to Chairman, Perumahan Rakyat 1 Malaysia (PR1MA) (Present)

**Directorship in other public companies:**

- Chairman, Pecca Group Bhd
- Director, Koperasi Permodalan Sukarelawan Kuala Lumpur Bhd

**No. of Board Meetings attended in the financial year:**

All 13 Board Meetings held during the financial year under review

**Conflict of interest with the Company:** Nil**Family relationship with any director and/or major Shareholder:** Nil**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:** Nil**Appointment to the Board:**

Appointed as Group President/Chief Executive Officer, Non-Independent Executive Director on 1 April 2016

**Board Committee membership:** Nil**Qualification:**

Bachelor of Social Science Economics (Hons), Universiti Sains Malaysia

**Working experience and occupation:**

- Administration and Marketing Manager, Felda Rubber Industries Sdn Bhd (1984-1999)
- Manager (Business), Malaysia Cocoa Manufacturing Sdn Bhd (1999-2002)
- General Manager (Commercial & Administration), Felda Rubber Products Sdn Bhd (2002-2004)
- General Manager, Felda Marketing Services Sdn Bhd (2004-2005)
- Senior General Manager, Felda Rubber Industries Sdn Bhd (2006 -2010)
- Chief Executive Officer, Delima Oil Products Sdn Bhd (2010-2013)
- Chief Executive Officer, Felda Vegetable Oil Products Sdn Bhd (2012-2013)
- Executive Vice President/Head of Palm Downstream Cluster, FGV (2014-2016)
- Board of Trustees' Malaysia Palm Oil Council (MPOC) (Present)
- Vice Chairman of Palm Oil Refiners Association of Malaysia (PORAM) (2015-Present)
- Alternate Member, Malaysia Palm Oil Board (MPOB) (Present)
- Council Member, Action Group for Entrepreneurship (AGE), Universiti Malaysia Kelantan
- Advisor to Mobile Food Trucks and Street Food Association, Malaysia (MSA) (2015-Present)
- Group President/Chief Executive Officer, FGV (2016-Present)

**Directorship in other public companies:**

- Director, MSM Malaysia Holdings Berhad
- Managing Director, Felda Holdings Bhd
- Director, Pontian United Plantations Berhad

**No. of Board Meetings attended in the financial year:**

All 9 Board Meetings held during the financial year under review since his appointment as Director

**Conflict of interest with the Company:** Nil**Family relationship with any director and/or major Shareholder:** Nil**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:** Nil

# DIRECTORS' PROFILE

As at 22 March 2017



**DATO' SITI  
ZAUYAH  
MD DESA**

Non-Independent  
Non-Executive Director

**Nationality**  
Malaysian

**Age**  
57

**Gender**  
Female

## Appointment to the Board:

Appointed as Non-Independent Non-Executive Director on 7 April 2016

## Board Committee membership:

Member of the Audit Committee (Appointed on 7 April 2016)

## Qualification:

- GCE 'A' Levels, Aston College, Wrexham, Wales, UK
- BSc (Hons) in Quantity Surveying, University of Reading, UK
- Diploma in Public Administration, National Institute of Public Admin (INTAN), Malaysia
- MBA (International Banking), University of Manchester, UK

## Working experience and occupation:

- Quantity Surveyor, Public Works Department, Malaysia (1982-1983)
- Assistant Lecturer, Universiti Teknologi Malaysia (1983-1987)
- Quantity Surveyor, Hashim & Lim Consultancy, Malaysia (1988)
- Cadet Training for Administrative and Diplomatic Service, National Institute of Public Administration, Malaysia (1988-1989)
- Assistant Secretary (Armed Forces Unit), Contract Management Division, Ministry of Finance, Malaysia (1989-1993)
- Assistant Secretary (Free Trade Zone & Service Tax Unit), Tax Analysis Division, Ministry of Finance, Malaysia (1995-1996)
- Assistant Secretary (Privatisation Unit), Finance Division, Ministry of Finance, Malaysia (1996-1998)
- Assistant Secretary (Multilateral and Bilateral Unit), Loan Management & Financial Policy Division, Ministry of Finance, Malaysia (1998-2001)
- Principal Assistant Secretary (Multilateral Unit), Loan Management & Financial Policy Division, Ministry of Finance, Malaysia (2001-2003)
- Director's Advisor to the constituency belonging to Malaysia, Myanmar, Nepal, Singapore and Thailand, Asian Development Bank, Manila (2003-2006)
- Principal Assistant Secretary (Multilateral Unit), Loan Management, Financial Market & Actuary Division, Ministry of Finance, Malaysia (2006-2008)
- Head of Section (External Funding), Loan Management, Financial Markets & Actuary Division, Ministry of Finance, Malaysia (2008-2008)

- Deputy Secretary (Infrastructure), Investment, MOF (Inc) & Privatisation Division, Ministry of Finance, Malaysia (2008-2008)
- Deputy Secretary (Economy), Investment, MOF (Inc) & Privatisation Division, Ministry of Finance, Malaysia (2008-2012)
- Undersecretary, Loan Management, Financial Market & Actuary Division, Ministry of Finance, Malaysia (2012-2014)
- Undersecretary, Government Investment Companies Division, Ministry of Finance, Malaysia (2014-2014)
- Director of National Budget, National Budget Office, Ministry of Finance, Malaysia (2014-2016)
- Deputy Secretary General (Policy), Ministry of Finance, Malaysia (2016-Present)

## Directorship in other public companies:

- Pengurusan Aset Air Berhad
- Bintulu Port Holdings Berhad
- Johor Corporation Berhad
- Johor Petroleum Development Corporation Berhad
- Govco Holdings Berhad
- Bank Kerjasama Rakyat Malaysia Berhad
- Felda Holdings Bhd

## No. of Board Meetings attended in the financial year:

7 out of 9 Board Meetings held during the financial year under review since her appointment as Director

## Conflict of interest with the Company:

**Family relationship with any director and/or major Shareholder:** Nil

**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:**  
Nil

# KEY SENIOR MANAGEMENT'S PROFILE

As at 22 March 2017

	<b>DATO' ZAKARIA ARSHAD</b>	<b>Nationality</b> Malaysian
		<b>Age</b> 57
		<b>Gender</b> Male

Appointment to the position: 1 April 2016

	<b>AHMAD TIFLI DATO' HAJI MOHD TALHA</b>	<b>Nationality</b> Malaysian
		<b>Age</b> 51
		<b>Gender</b> Male

Appointment to the position: 16 March 2011

**Qualification:**

- Bachelor of Social Science - Economics (Hons), Universiti Sains Malaysia
- Senior Management Development Programme Harvard Business School, USA
- Fellow International Society of Nanoscience, Cambridge, UK
- Corporate Partnership Programme Pembroke College, University of Cambridge, UK

**Working experience:**

- Administration and Marketing Manager, Felda Rubber Industries Sdn Bhd (1984-1999)
- Manager (Business), Malaysia Cocoa Manufacturing Sdn Bhd (1999-2002)
- General Manager (Commercial & Administration), Felda Rubber Products Sdn Bhd (2002-2004)
- General Manager, Felda Marketing Services Sdn Bhd (2004-2005)
- Senior General Manager, Felda Rubber Industries Sdn Bhd (2006-2010)
- Chief Executive Officer, Delima Oil Products Sdn Bhd (2010-2013)
- Chief Executive Officer, Felda Vegetable Oil Products Sdn Bhd (2012-2013)
- Executive Vice President/Head of Palm Downstream Cluster, FGV (2014-2016)
- Board of Trustees' Malaysia Palm Oil Council (MPOC) (Present)
- Vice Chairman of Palm Oil Refiners Association of Malaysia (PORAM) (2015-Present)
- Alternate Member, Malaysia Palm Oil Board (MPOB) (Present)
- Council Member, Action Group for Entrepreneurship (AGE), Universiti Malaysia Kelantan
- Advisor to Mobile Food Trucks and Street Food Association, Malaysia (MSA) (2015-Present)
- Group President/Chief Executive Officer, FGV (2016-Present)

**Directorship in other public companies:**

- Director, MSM Malaysia Holdings Berhad
- Managing Director, Felda Holdings Bhd
- Director, Pontian United Plantations Berhad

**Conflict of interest with the Company:** Nil**Family relationship with any director and/or major Shareholder:** Nil**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:** Nil**Qualification:**

- Foundation Course in Accounting, Trent University, Nottingham, UK
- Member of the Institute of Chartered Accountants in England and Wales (FCA)
- Member of the Malaysian Institute of Accountants (CA)

**Working experience:**

- Hobson Phillips & Sharpe Chartered Accountants, Nottingham, England (1985-1991)
- Audit Senior, Price Waterhouse Kuala Lumpur (1991-1993)
- Accountant, Perbadanan Usahawan Nasional Bhd (1993-1994)
- Financial Controller, Boustead Trading Sdn Bhd (1994-1995)
- Group Financial Controller as well as the Chief Operating Officer of Kumpulan Mofaz Sdn Bhd (1995-2002)
- Deputy General Manager in Strategy, Proton Bhd (2002-2004)
- Chief Executive Officer of a subsidiary of Proton Bhd (2004-2006)
- Head of International Sales & Services Division, Proton Bhd (2006-2007)
- Chief Operating Officer, Motorsports Knights (M) Sdn Bhd (2007-2008)
- Head of Scomi Coach, Scomi Group (2008-2011)
- Senior Vice President/Group Chief Financial Officer, FGV (2011-2014)
- Executive Vice President/Group Chief Financial Officer, FGV (2014-Present)

**Directorship in other public companies:**

Director, MSM Prai Berhad

**Conflict of interest with the Company:** Nil**Family relationship with any director and/or major Shareholder:** Nil**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:** Nil

# KEY SENIOR MANAGEMENT'S PROFILE

As at 22 March 2017

 <p><b>PALANIAPPAN SWAMINATHAN</b></p> <p>Chief Operating Officer (Plantation Sector)</p>	<p><b>Nationality</b> Malaysian</p> <p><b>Age</b> 62</p> <p><b>Gender</b> Male</p>
<p>Appointment to the position: 1 February 2017</p>	

**Qualification:**

- Bachelor of Science (Honours) from University of Malaya
- Master of Science from University of Malaya
- ACCA Certified Diploma in Accounting and Finance
- Certificate in plant breeding from the International Agricultural Centre, Wageningen, Netherlands

**Working experience:**

- Research Officer, Perbadanan Khidmat Pertanian Felda (now known as Felda Agricultural Services Sdn Bhd) (1978-2002)
- General Manager of Research and Development. His research activities covered agronomy, breeding and processing of oil palm, cocoa, coconut, coffee, tropical fruits and tropical herbs (2003-2005)
- Committee Member, Main Research and Development Committee of the Malaysian Palm Oil Association (MPOA) (2006-2016) and the Malaysian Palm Oil Board (MPOB) Task Force for Ganoderma and for Bud Rot Disease (2013-Present)
- Council Member of Malaysian Palm Oil Association (MPOA) (2016)
- Member of the Board of Governors, RSPO (2015-2016)
- Member of the Consultative Committee on Sustainable Palm Oil Project, CIRAD (2014-2015)
- Member of Palm External Advisory Panel (P&G) (2014-2015)
- Member of the Advisory Committee for Biotechnology and Molecular Science, Universiti Putra Malaysia.
- Member of the Board of Advisors for the proposed Kulliyah of Agricultural Science and National Resources, International Islamic University Malaysia (2009)
- Chief Executive Officer, Felda Agricultural Services Sdn Bhd (2006-2014)
- Board member, MyBiomass Sdn Bhd (2013-Present)
- Committee member, Kuala Muda Estate Owner (2010-Present)
- Board member, Taiko Clay Chemicals Sdn Bhd (2015-Present)
- Executive Vice President/Head of R&D and Agri-Services Cluster, FGV (2014-2016)
- Executive Vice President, Head of Palm Upstream Cluster, FGV/Chief Executive Officer, Felda Global Ventures Plantations (Malaysia) Sdn Bhd (2016-2017)
- Chief Operating Officer (Plantation Sector), FGV (2017-Present)

**Directorship in other public companies:**

Director, Pontian United Plantations Berhad

**Conflict of interest with the Company:** Nil

**Family relationship with any director and/or major Shareholder:** Nil

**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:** Nil

 <p><b>DATO' KHAIRIL ANUAR HAJI AZIZ</b></p> <p>Chief Operating Officer, (Logistics &amp; Others Sector)</p>	<p><b>Nationality</b> Malaysian</p> <p><b>Age</b> 49</p> <p><b>Gender</b> Male</p>
<p>Appointment to the position: 1 February 2017</p>	

**Qualification:**

- BA (Hons) in Business Administration majoring in Marketing Management, Coventry University, UK

**Working experience:**

- Systems Analyst, Resource Management Division at the National Health Service (NHS) in Wakefield, UK (1992-1993)
- Renong Management Trainee, Renong Group Bhd (1993-1994)
- United Engineers Malaysia Bhd (UEM) (1994-1995)
- Cement Industries of Malaysia Bhd (1996-1998)
- Time Engineering Bhd (TEB) (1999-2000)
- Head of Marketing and Sales Division, JARING Communications Sdn Bhd (a subsidiary of MIMOS Bhd) (2001-2004)
- Chief Executive Officer of MLABS Systems Bhd (an associate company of Universiti Sains Malaysia) (2004-2006)
- Director, International Business and Chief Marketing Officer, SCAN Associates Berhad (2006-2009)
- Executive Chairman, GSSB Consulting Sdn Bhd (2010-2014)
- Appointed as the Cluster Chairman of Government Link Companies (GLCs) Gabungan Pemikir Profesional FELDA (GAPROF) by Hon Prime Minister via SERANTA FELDA, Prime Minister's Department (2014-2016)
- Non-Executive Director of Sinergi Perdana Sdn Bhd (a consortium formed by FELDA, the Rubber Industry Smallholders Development Authority (RISDA), Federal Land Consolidation and Rehabilitation Authority (FELCRA), under the auspices of the Ministry of Rural & Regional Development and Prime Minister's Department) (2010-Present)
- Non-Executive Director, Kuantan Port Authority (2015-Present)
- Member of The Programme Advisory Committee (PAC) "Technical Promotion & Market Development Sub-Committee" by Malaysian Palm Oil Board (MPOB) (2017-2019)
- Executive Vice President, Head of TMLO Cluster, FGV (2014-2017)
- Chief Operating Officer (Logistics & Others Sector), FGV (2017-Present)

**Directorship in other public companies:**

Director, Pelaburan MARA Berhad (PMB)

**Conflict of interest with the Company:** Nil

**Family relationship with any director and/or major Shareholder:** Nil

**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:** Nil

# KEY SENIOR MANAGEMENT'S PROFILE

As at 22 March 2017

	<b>MOHAMAD AMRI SAHARI @ KHUZARI</b>   <b>Head, Sugar Sector</b>	<b>Nationality</b> Malaysian  <b>Age</b> 52  <b>Gender</b> Male
<p>Appointment to the position: 12 July 2016</p>		

	<b>FAKHRUNNIAH OTHMAN</b>   <b>Chief Strategy Officer</b>	<b>Nationality</b> Malaysian  <b>Age</b> 49  <b>Gender</b> Male
<p>Appointment to the position: 1 May 2016</p>		

#### Qualification:

- Master of Business and Administration (Strategic Management) from Universiti Teknologi Malaysia (UTM)
- Bachelor of Science (Mechanical Engineering) from South Dakota State University, USA

#### Working experience:

- Factory Engineer at Felda Palm Industries Sdn Bhd (1989-1996)
- Mill Manager, Hamparan Badai Oil Mill (1996-2004)
- General Manager at Felda Palm Industries (2004)
- General Manager at MSM Perlis Sdn Bhd (formerly known as Kilang Gula Felda Perlis Sdn Bhd) (2004-2008)
- Senior General Manager at MSM Perlis Sdn Bhd (2008-2010)
- Chief Executive Officer at MSM Perlis Sdn Bhd (2010-2011)
- Deputy Chief Executive Officer, MSM Malaysia Holdings Berhad (2011-2016)
- President/Group Chief Executive Officer, MSM Malaysia Holdings Berhad (2016-Present)
- Head of Sugar Sector (2017-Present)

#### Directorship in other public companies:

Director, MSM Prai Berhad

#### Conflict of interest with the Company:

Nil

#### Family relationship with any director and/or major Shareholder:

Nil

#### List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:

Nil

#### Qualification:

- MBA, General Management Royal Melbourne Institute of Technology (RMIT), Australia
- Fellowship Association of Chartered Certified Accountants, United Kingdom
- Chartered Accountant with Malaysian Institute of Accountant (MIA), Malaysia

#### Working experience:

- Management Trainee Caltex Oils Malaysia Bhd (1993-1994)
- Asst. Manager Finance, Sapura Tele-communication Bhd (1994-1997)
- Group Accountant Alloy Consolidated Sdn Bhd (1997-2000)
- Accountant Felda Holdings Bhd (2000-2005)
- Senior General Manager(Finance) Felda Holdings Bhd (2005-2007)
- Deputy CFO & Company Secretary, Twin Rivers Technologies Inc (TRT) USA (2008-2011)
- Vice President, Corporate Finance, FGV (2011-2013)
- Chief Executive Officer, Felda Marketing Services Sdn Bhd (2013-2015)
- Chief Executive Officer, Felda Transport Services Sdn Bhd (2015-2016)
- Chief Strategy Officer, FGV (2016-Present)

#### Directorship in other public companies:

- Director, Pontian United Plantations Berhad
- Director, MSM Prai Berhad

#### Conflict of interest with the Company:

Nil

#### Family relationship with any director and/or major Shareholder:

Nil

#### List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:

Nil

# KEY SENIOR MANAGEMENT'S PROFILE

As at 22 March 2017

 <p><b>MOHD NAJID MD YAHYA</b></p> <p>Chief Human Resources Officer</p> <p>Appointment to the position: 2 June 2014</p>	<p><b>Nationality</b> Malaysian</p> <p><b>Age</b> 51</p> <p><b>Gender</b> Male</p>	 <p><b>ZALILY MOHAMED ZAMAN KHAN</b></p> <p>Chief Internal Auditor</p> <p>Appointment to the position: 1 March 2012</p>	<p><b>Nationality</b> Malaysian</p> <p><b>Age</b> 49</p> <p><b>Gender</b> Female</p>
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**Qualification:**

- Graduated in Standard Military Course and commissioned as army officer from the Royal Military Academy Sandhurst, Camberley, UK
- Diploma in Human Resources Management from University of Malaya
- Diploma in Management Science from National Institute of Public Administration (INTAN)

**Working experience:**

- Military Commander (1985-1997)
- Senior Manager, Employee Relations & Benefits Administration, Standard Chartered Bank Malaysia (1997-2004)
- Group Head of Rewards & Employee Relations, Sime Darby Bhd (2004-2006)
- Director, Human Resources, Al Rajhi Bank (one of the pioneers who helped to set up Al Rajhi Bank before the official inception in early 2006) (2006-2012)
- Regional Head, Human Capital Maybank Kim Eng (2012-2014)
- Senior Vice President/Chief Human Resources Officer, FGV (2014-Present)

**Directorship in other public companies:** Nil

**Conflict of interest with the Company:** Nil

**Family relationship with any director and/or major Shareholder:** Nil

**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:** Nil

**Qualification:**

- Bachelor of Arts in Accountancy, University of South Australia, Australia
- Fellow of CPA Australia
- Chartered Accountant with the Malaysian Institute of Accountants
- Certified Internal Auditor from Institute of Internal Auditors, USA
- Chartered Member of Institute of Internal Auditors
- Certified in Control Self-Assessment from Institute of Internal Auditors, USA
- Certified in Risk Management Assessment from Institute of Internal Auditors, USA

**Working experience:**

- Semi Senior, Arthur Andersen & Co (1990-1994)
- Group Finance Manager, Sapura Telecommunications Bhd (1994-1999)
- Deputy General Manager, Internal Audit, Golden Hope Plantations Bhd (2000-2007)
- Vice President, Group Corporate Assurance Department Plantation Division, Sime Darby Bhd (2008)
- General Manager and Head, Group Internal Audit, Boustead Holdings Bhd (2009-2012)
- Vice President/Group Chief Internal Auditor, FGV (2012-Present)

**Directorship in other public companies:** Nil

**Conflict of interest with the Company:** Nil

**Family relationship with any director and/or major Shareholder:** Nil

**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:** Nil

# KEY SENIOR MANAGEMENT'S PROFILE

As at 22 March 2017

	<b>KOO SHUANG YEN</b>   Company Secretary/SVP Group GP/CEO's Office	<b>Nationality</b> Malaysian  <b>Age</b> 54  <b>Gender</b> Female
Appointment to the position: 1 July 2016		

	<b>ABD RASHID ATAN</b>   Company Secretary/Head of Secretarial	<b>Nationality</b> Malaysian  <b>Age</b> 55  <b>Gender</b> Male
Appointment to the position: 4 February 2015		

**Qualification:**

- Associate of the Chartered Institute of Management Accountants, UK
- Chartered Accountant with Malaysian Institute of Accountants

**Working experience:**

- Head of Finance, Felda Engineering Services Sdn Bhd (1991-2006)
- Head of Finance, Felda Enterprises Sdn Bhd (2007-2008)
- Group Accountant, Downstream Division, Felda Holdings Bhd (2009-2010)
- Senior General Manager, Group Finance, Felda Holdings Bhd (2011-2012)
- Company Secretary, Felda Holdings Bhd and its Group of Companies (1995-2012)
- Head of Cluster Finance & Accounting Unit, FGV (2013 to August 2016)
- Head of Budgeting Unit, FGV (2015 to August 2016)
- Company Secretary, MSM Malaysia Holdings Bhd and its Group of Companies (2011-Present)
- Company Secretary, FGV and its Group of Companies (2014-Present)
- Senior Vice President, Group President/Chief Executive Officer's Office (2016-Present)

**Directorship in other public companies:** Nil

**Conflict of interest with the Company:** Nil

**Family relationship with any director and/or major Shareholder:** Nil

**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:** Nil

**Qualification:**

- Diploma in Business Studies, Institut Teknologi Mara
- Bachelor in Business Administration (Finance) from Drake University, Iowa, USA
- Bachelor in Accountancy (Honours), Universiti Teknologi Mara
- Chartered Accountant with Malaysian Institute of Accountants

**Working experience:**

- Assistant Assessment Officer, Inland Revenue Board (1988-1995)
- Manager, HBM Management Sdn Bhd (1995-1997)
- Company Secretary, UDA Holdings Bhd and its Group of companies (1997-2013)
- Company Secretary, MSM Malaysia Holdings Bhd and its Group of Companies (2015-Present)
- Company Secretary, FGV and its Group of Companies (2015-Present)

**Directorship in other public companies:** Nil

**Conflict of interest with the Company:** Nil

**Family relationship with any director and/or major Shareholder:** Nil

**List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:** Nil

# CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE



**Dear Shareholders,**

Over the last year we have been taking steps to strengthen Felda Global Ventures Holdings Berhad (FGV or the Company) and its Group of Companies (FGV Group or the Group). Changes to our governance structure have been part of these actions. As I wrote to you last year, we have changed our corporate structures to optimise efficiencies and enhanced internal processes and policies. We have seen important developments following these steps, whilst continuously building on them.

## GOOD FUNCTIONING OF THE BOARD AND CORPORATE GOVERNANCE

The Board of Directors (the Board) remains vigilant in ensuring the Group's high regard for corporate governance, which is visible in how the Group operates within principles of corporate discipline, ethical leadership, transparency, integrity and accountability. FGV's continued delivery rests in the Board's recognition of the link between effective governance and sustainable business performance. The Board recognises its pivotal role in providing ethical leadership and setting a tone of integrity in the Group.

The Board confirms once again that it applies in all material respects the principles embodied in the Malaysian Code on Corporate Governance

2012 (MCCG 2012), the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities), the Companies Act and other pertinent legislation by which it is bound.

We continue to strive to embed best practice corporate governance principles whilst building a lasting legacy for future generations and creating long term value for our Stakeholders. For the year under review, an assessment of the Board's performance as well as that of the various Board Committees against the respective mandates was conducted. This process presented an opportunity to reflect on areas that should receive increased focus, and to look at the year ahead with increased vigour.

We regularly review and benchmark the Group's governance structures and processes to ensure they support effective and ethical leadership, good corporate citizenship and sustainable development and ensure that they are applied in the best interests of the Group and our Stakeholders.

# CORPORATE GOVERNANCE STATEMENT

FGV Group's efforts and commitments to strong governance have been recognised, whereby FGV has been ranked as the top three (3) for three (3) consecutive years i.e. 2014, 2015 and 2016 in the plantation industry for the Malaysia-ASEAN Corporate Governance Transparency Index, Findings and Recognition by the Minority Shareholder Watchdog Group (MSWG). In the category of Good Disclosure of the MSWG Award, FGV has shown significant improvements in 2016. FGV also won the Malaysian Institute of Accountants (MIA) Pioneer and Leading Light awards in Integrated Reporting. These awards are acknowledgement of our efforts and commitments to good corporate reporting and strong governance.



**From left to right**

1. MIA Leading Light Award 2016
2. MIA Recognition Award 2016
3. IIAM Corporate Award 2014
4. IIAM Corporate Award 2015

## OUR GOVERNANCE FRAMEWORK

The Governance Framework, which regulates our relationship with the Shareholders and Stakeholders guides the way we do business, is depicted below.



# CORPORATE GOVERNANCE STATEMENT

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One of the essential components of the Governance Framework is the clarity of roles between the Board of Directors (the Board), the GP/CEO and the Executive Committee of FGV (EXCO). The Board guides the strategic direction of FGV Group, and monitor the progress in the execution of the business strategies. The Board ensures that the Group and its subsidiaries comply with the requirements of the Companies Act and Malaysian Code on Corporate Governance 2012 (MCCG 2012), as well as the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities), together with any other legislative requirements and documents within the ambit of the Governance Framework.

## MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 APPLICATION

In the spirit of good corporate governance, we have applied the principles and practices of the MCCG 2012. We have summarised the application in the below table, based on each principle and the details of the applications may be found on pages 353-354 of this Annual Integrated Report 2016.

MCCG 2012 Application FGV AIR 2016		Applied/Not Applied
Principle 1	Establish clear roles & responsibilities	Applied
Principle 2	Strengthen composition	Applied
Principle 3	Reinforce independence	Applied
Principle 4	Foster commitment	Applied
Principle 5	Uphold integrity in financial reporting	Applied
Principle 6	Recognise and manage risks	Applied
Principle 7	Ensure timely and high quality disclosure	Applied
Principle 8	Strengthen relationship between company and Shareholders	Applied

We welcome the draft Malaysian Code on Corporate Governance 2016, which was released for consultation in March, 2016. We are assessing the impact of the proposed changes on our governance frameworks.

## FORMALISED ETHICAL STANDARDS

In discharging its responsibilities, the Board observes the principles of ethical conduct as contained in the FGV Code of Ethics and Conduct (CoEC) and FGV Code of Business Practice (CoBP) for Directors. The Directors' CoEC and CoBP outlines the ethical standards of behaviour and conduct expected from all Directors of FGV Group. All Directors have given their commitment to comply with the Directors' CoEC and CoBP through a signed declaration. The Directors' CoEC and CoBP are made available to the Directors and are also published on the Company's corporate website. FGV also has in place a Code of Business Conduct and Ethics for employees which was revised and approved by the Board on 25 August 2016.

# CORPORATE GOVERNANCE STATEMENT

## THE BOARD CHARTER

The Board formally adopts a Board Charter, which provides guidance to the Board in the fulfilment of its roles, duties and responsibilities. The Board Charter outlines the roles and responsibilities of the Board, the balance and composition of the Board, the Board's authorities, schedule of matters reserved for the Board, the establishment of the Board Committees, processes and procedures for convening Board meetings, the Board's assessment and review of its performance, compliance with ethical standards, Board's access to information and advice and declarations of conflict of interest. The Board Charter was last reviewed on 22 November 2016. The Board Charter is made available in the Company's corporate website at [www.feldaglobal.com](http://www.feldaglobal.com).

## THE ROLE OF THE BOARD

The Board is responsible for the overall conduct of the Group's business and has the powers and duties set out in the Board Charter. Broadly, the Board:

1. Reviews and adopts a sustainable Strategic Plan for the Group's business.
2. Oversees the conduct of the Group's business.
3. Identifies principal risks and ensures the implementation of appropriate internal controls and mitigation measures.
4. Reviews succession planning, appointments of Board Members, Board Committee Members, Board Members of FGV's Subsidiaries and Key Senior Management.
5. Oversees the development and implementation of investor relations programmes and Shareholders Communication Policy.
6. Reviews the adequacy and the integrity of the management information and internal controls systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

## MATTERS FORMALLY RESERVED FOR THE BOARD

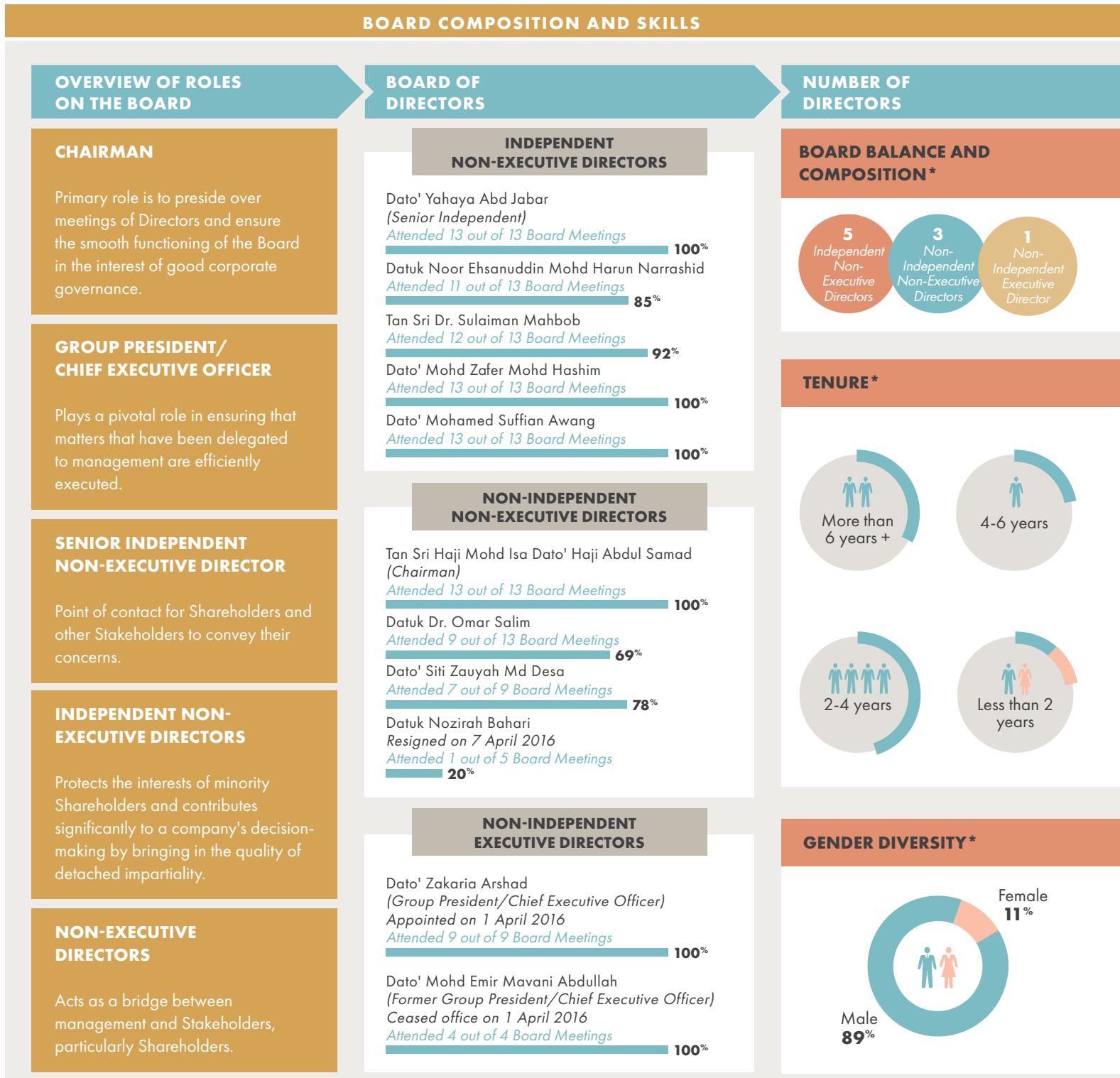
The Board has collective responsibilities for promoting the long-term sustainability and success of the Group by providing entrepreneurial leadership within a framework of prudent and effective controls. In doing so, the Board commits to high standards of integrity and ethics. Specific matters reserved for the Board's consideration and decision include:

 <p>Matters on the appointments and structures of the Board, Board Committees, Subsidiaries' Boards, the GP/CEO and Key Senior Management.</p>	 <p>Matters on the remunerations of the Board, Board Committees, Subsidiaries' Boards, the GP/CEO and Key Senior Management.</p>	 <p>Matters on the Strategic Plans, investments, divestments, delegation of authorities and any major changes in the strategic directions of the Group.</p>	 <p>Matters on the annual budgets, Financial Statements, Quarterly Results, dividends, matters related to managing risks and controls and financial decisions.</p>
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## BOARD COMPOSITION

Governance of the Group and the responsibility for driving good corporate citizenship is vested in a unitary Board, which is supported by several Board Committees and the Company Secretaries. The Board, through its committees, provides strategic direction, while the GP/CEO, assisted by the EXCO and its Management Committees, is accountable to the Board for implementing the Strategic Plans approved by the Board.

# CORPORATE GOVERNANCE STATEMENT



\* As at 22 March 2017

# CORPORATE GOVERNANCE STATEMENT

THE BOARD HAS THE RIGHT BALANCE OF SKILLS AND EXPERTISE TO MAKE MEANINGFUL CONTRIBUTIONS TO THE BUSINESS OF THE GROUP

## BOARD COMPOSITION AND SKILLS

UPSTREAM BUSINESS	AUDIT COMMITTEE (AC)	NOMINATION AND REMUNERATION COMMITTEE (NRC)
PUBLIC POLICY AND REGULATORY	<p><b>CHAIRMAN</b></p> <p><b>Dato' Mohd Zafer Mohd Hashim</b> (Independent Non-Executive Director) Attended 5 out of 5 AC Meetings</p> <p><b>MEMBERS</b></p> <p><b>Dato' Yahaya Abd Jabar</b> (Senior Independent Non-Executive Director) Attended 5 out of 5 AC Meetings</p>	<p><b>CHAIRMAN</b></p> <p><b>Dato' Yahaya Abd Jabar</b> (Senior Independent Non-Executive Director) Attended 17 out of 17 NRC Meetings</p> <p><b>MEMBERS</b></p> <p><b>Datuk Noor Ehsanuddin Mohd Harun Narrashid</b> (Independent Non-Executive Director) Attended 17 out of 17 NRC Meetings</p>
FINANCIAL ACUMEN	<p><b>Dato' Siti Zauyah Md Desa</b> (Non-Independent Non-Executive Director) Attended 2 out of 3 AC Meetings Appointed on 7 April 2016</p> <p><b>Datuk Nozirah Bahari</b> (Non-Independent Non-Executive Director) Attended 1 out of 2 AC Meetings Resigned on 7 April 2016</p>	<p><b>Dato' Mohamed Suffian Awang</b> (Independent Non-Executive Director) Attended 17 out of 17 NRC Meetings</p>
STRATEGY AND RISK		
GOVERNANCE	<p><b>BOARD GOVERNANCE &amp; RISK MANAGEMENT COMMITTEE (BGRMC)</b></p> <p><b>CHAIRMAN</b></p> <p><b>Tan Sri Dr. Sulaiman Mahbob</b> (Chairman/Independent Non-Executive Director) Attended 6 out of 6 BGRMC Meetings</p> <p><b>MEMBERS</b></p> <p><b>Dato' Yahaya Abd Jabar</b> (Senior Independent Non-Executive Director) Attended 6 out of 6 BGRMC Meetings</p> <p><b>Datuk Dr. Omar Salim</b> (Non-Independent Non-Executive Director) Attended 3 out of 6 BGRMC Meetings</p>	<p><b>INVESTMENT COMMITTEE (IC)</b></p> <p><b>CHAIRMAN</b></p> <p><b>Dato' Mohamed Suffian Awang</b> (Independent Non-Executive Director) Attended 9 out of 9 IC Meetings</p> <p><b>MEMBERS</b></p> <p><b>Datuk Noor Ehsanuddin Mohd Harun Narrashid</b> (Independent Non-Executive Director) Attended 8 out of 9 IC Meetings</p> <p><b>Dato' Mohd Zafer Mohd Hashim</b> (Independent Non-Executive Director) Attended 9 out of 9 IC Meetings</p>
CORPORATE KNOWLEDGE		
LEGAL AND MERGERS AND ACQUISITIONS		
GLOBAL EXPERIENCE		

# CORPORATE GOVERNANCE STATEMENT

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Under the Company's Articles of Association, the number of Directors shall not be less than two (2) and not more than twelve (12). The composition of the Board fairly reflects the interest of the significant Shareholders, without compromising the interest of the minority Shareholders. The Board composition is also in compliance with paragraph one 15.02 of the Bursa Securities Listing Requirements. As at the date of this Statement, there are nine (9) members on the Board, comprising:

- five (5) Independent Non-Executive Directors,
- three (3) Non-Independent Non-Executive Directors, and
- one (1) Non-Independent Executive Director (GP/CEO).

FGV has in place a Board Nomination and Election Policy and Procedures to enhance, clarify and formalise its policies on Board Composition, Independence, Conflict of Interest and Board Assessment. The Policy on Board Composition provides the size of the Board, the selection criteria, the Directors' skills sets and Board diversity to be considered for new appointments of Directors. The Policy on Board Composition also provides that FGV shall adopt and pursue Board diversity in considering the composition of the Board and shall adopt a meritocracy system which does not discriminate, particularly on the grounds of gender and ethnicity. The Board shall be implementing improvements in its practices on nomination and election of Directors as detailed in the FGV Board Nomination and Election Policy and Procedures. The Board remains focused on enhancing the diversity of Directors' perspectives. Directors are chosen for their corporate leadership skills, experience and expertise. Diversity of experience in business as well as academic backgrounds are also considered. The right blend of skills and experience is crucial in ensuring the attainment of long-term value for FGV's Shareholders.

The Board has identified the need to improve gender diversity and will continue efforts to seek female candidates to take up Board positions in order to reach at least 30 percent female representation on the Board.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-Executive Directors on the Board act as caretakers of the minority Shareholders, and their views carry significant weight in the Board's decision-making process. The presence of Independent

Non-Executive Directors fulfils a pivotal role in corporate accountability. Although all the Directors have equal responsibility at the Board level, the roles of these Independent Non-Executive Directors are particularly important as they provide unbiased and independent views, advice, as well as judgement to take account of the interests, not only of the Group, but also that of minority Shareholders, employees, customers, suppliers and the many communities within which the Group conducts its business. The Board places great importance on the balance of its Independent Non-Executive Directors since they serve as an essential source of impartial and professional guidance to protect the interest of the Shareholders.

The Board has undertaken an assessment of the Independent Non-Executive Directors, and has concluded that each of them continues to demonstrate behaviour that reflects their independence, which is in accordance with the definition of Independent Directors under Paragraph 1 of the Bursa Securities Listing Requirements. The independence of Non-Executive Directors is reviewed on an annual basis as part of the Directors' evaluation process. The Board is satisfied that all its Independent Non-Executive Directors represent the interest of the minority Shareholders by virtue of their roles and responsibilities.

The MCCG 2012's recommendation on reinforcing independence provides a limit of a cumulative term of nine (9) years tenure for an Independent Director, after which, the said Directors may either seek Shareholders' approval to continue to remain on the Board or be re-designated to a Non-Independent Non-Executive Director. To date, none of the Independent Non-Executive Directors of FGV have served a cumulative term of nine (9) years tenure.

The Board has identified Dato' Yahaya Abd Jabar as the Senior Independent Non-Executive Director to whom concerns of Shareholders and Stakeholders may be conveyed. Shareholders and other interested parties may contact Dato' Yahaya Abd Jabar to address any concerns in writing or via telephone, facsimile or electronic mail as follows:

<b>Tel</b>	: +603 2859 0003
<b>Fax</b>	: +603 2859 0016
<b>Email</b>	: <a href="mailto:sid@feldaglobal.com">sid@feldaglobal.com</a>
<b>Postal address</b>	: Felda Global Ventures Holdings Berhad, Level 45, Menara Felda, Platinum Park, No. 11, Persiaran KLCC, 50088 Kuala Lumpur, Malaysia.

# CORPORATE GOVERNANCE STATEMENT

## DIVISION OF ROLES BETWEEN THE CHAIRMAN AND THE GROUP PRESIDENT/CHIEF EXECUTIVE OFFICER

The Board appreciates the distinct roles and responsibilities of the Chairman of the Board and the GP/CEO. This division ensures that there is a clear and proper balance of power and authority. As such, the role of the Chairman and the GP/CEO is separate.

The Chairman has never assumed any executive position in the Company.

### **The Chairman's main role is to ensure effective conduct of the Board through the execution of the following:**

- Guide and mediate the Board's actions with respect to organisational priorities and good governance;
- Ensure the Board conducts itself in accordance with the Board Charter;
- Ensure the Board meetings are conducted effectively with all relevant matters tabled in the agenda and that all Directors receive timely information and are properly briefed;
- Ensure the Board is updated on material matters relating to the Group by the GP/CEO;
- Be the major point of contact between the Board and the GP/CEO;
- Undertake appropriate corporate communications activities together with the GP/CEO;
- Ensure the GP/CEO look beyond his executive functions and accept his full share of the responsibilities;
- Review progress regularly on important initiatives and significant issues facing the Group together with the GP/CEO; and
- Initiate and oversee the GP/CEO's performance evaluation process.

### **The specific responsibilities of the Group President/Chief Executive Officer are summarised as follows:**

- Communicate the Group's mission, vision and values;
- Represent the interests of the Group with major customers, governments and their agencies, industries at large and other major Stakeholders;
- Develop the strategic direction of the Group and provide direction in the implementation of short term and long term strategies and plans;
- Assess business opportunities of potential benefit to the Group;
- Manage the Group's businesses, covering inter-alia, the development and execution of a sustainable Strategic Plan, annual business plan and set key performance indicators for Key Senior Management;
- Seek the Board's approvals on major investments, divestments, capital expenditures and disposals in alignment with the Group's strategic direction;
- Seek the Board's approvals on relevant announcements to Bursa Securities and all matters reserved for the Board;
- Present and update the Board the operational and financial performance of the Group;
- Oversee, direct and control all aspects of the business operations in a cost effective manner within the authorities delegated by the Board;
- Oversee the development and implementation of the human resources strategies and key initiatives;
- Assist members of the Board and Board Committees in discharging their duties;
- Review and approve Board and Board Committees papers, reports, proposals and updates; and
- Assist the Chairman in organising information necessary for the Board to consider, deliberate and ensure that such information to the Board and Board Committees are provided on a timely basis.

In discharging the above responsibilities, the GP/CEO may delegate appropriate functions to any Key Senior Management.

# CORPORATE GOVERNANCE STATEMENT

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## DIRECTORS' REMUNERATION

The level of Directors' remuneration is generally set to be competitive to attract and retain Directors of such calibre to provide the necessary skills and experience as required and commensurate with the responsibilities and duties of the Board and Board Committees. FGV has in place a Board Remunerations Policy which was last revised on 25 August 2016. The Non-Executive Directors' remuneration package reflects the experience, expertise and level of responsibilities undertaken by the Non-Executive Directors. The Non-Executive Directors' remuneration include fees, benefits-in-kind and other benefits including meeting allowances.

Details of the Non-Executive Directors' annual fees and meeting allowances for the Board and the Board Committees are listed below:

Board/Board Committees	Annual Fees	Meeting Allowances
<b>Board</b>	<ul style="list-style-type: none"><li>- RM560,000 (Chairman)</li><li>- RM120,000 (Non-Executive Directors)</li></ul>	<b>Local</b> RM2,000.00
<b>Audit Committee</b>	<ul style="list-style-type: none"><li>- RM64,000 (Chairman)</li><li>- RM32,000 (Non-Executive Directors)</li></ul>	<b>Overseas</b> <b>(Flight time &lt;= 8 hours)</b> RM2,000.00
<b>Investment Committee and Board Governance &amp; Risk Management Committee</b>	<ul style="list-style-type: none"><li>- RM32,000 (Chairman)</li><li>- RM16,000 (Non-Executive Directors)</li></ul>	<b>Overseas</b> <b>(Flight time &gt; 8 hours)</b> RM5,000.00
<b>Nomination and Remuneration Committee</b>	<ul style="list-style-type: none"><li>- RM35,000 (Chairman)</li><li>- RM20,000 (Non-Executive Directors)</li></ul>	<b>Teleconferencing</b> RM1,000.00

In addition to the remuneration received from FGV, Non-Executive Directors also receive annual fees, benefits-in-kind and other benefits including meeting allowances, from their directorships in FGV subsidiary companies.

The Executive Directors receive remuneration packages which are reviewed and recommended by the Nomination and Remuneration Committee and approved by the Board. The remuneration package takes into account the individual performance and the inflation price index, which are benchmarked against information from independent sources for similar positions in other comparable companies.

The Group operates a Performance Remuneration Plan (PRP) which consists of performance bonus and Long Term Incentive Plan for all employees, including Executive Directors. Performance bonuses and Long Term Incentive Plan payable to Executive Directors are reviewed by the Nomination and Remuneration Committee and approved by the Board.

The Executive Directors are not entitled to annual fees nor any meeting allowances for the Board and Board Committee meetings. However, the Executive Directors are entitled to receive annual fees up to three (3) months of their basic salaries, meeting allowances, benefits-in-kind and other benefits from their directorships at FGV subsidiary companies.

# CORPORATE GOVERNANCE STATEMENT

The summary of composition of the Executive Directors' remuneration package is as follows:



The table below states the range of remuneration for both Executive Director and Non-Executive Directors:

Range of Remuneration per Annum*	Number of Directors	
	Executive	Non-Executive
RM1 to RM50,000		1
RM150,001 to RM200,000		2
RM200,001 to RM250,000		1
RM250,001 to RM300,000		3
RM400,001 to RM450,000		1
RM1,450,001 to RM1,500,000	1	
RM1,550,001 to RM1,600,000	1	
RM2,650,001 to RM2,700,000		1
<b>TOTAL</b>	<b>2</b>	<b>9</b>

\* The range of remuneration is based on the total Directors' remuneration in the Group for Financial Year Ended (FYE) 2016

# CORPORATE GOVERNANCE STATEMENT

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The Directors' remuneration for the FYE 2016 in aggregate from FGV and the Group, with categorisation into components, distinguishing between Executive and Non-Executive Directors, are stated as follows:

Name of Directors	Salary <sup>1</sup> (RM)	Bonus (RM)	End of Service Gratuity (RM)	Board (RM)	Audit Committee (RM)
<b>Non-Independent Non-Executive Director</b>					
Tan Sri Haji Mohd Isa	-	-	-	560,000.00	-
Dato' Haji Abdul Samad					
Datuk Dr. Omar Salim	-	-	-	120,000.00	-
Datuk Nozirah Bahari <sup>3</sup>	-	-	-	32,131.00	8,568.00
Dato' Siti Zauyah Md Desa <sup>4</sup>	-	-	-	88,197.00	23,519.00
<b>Independent Non-Executive Director</b>					
Dato' Yahaya Abd Jabar	-	-	-	120,000.00	32,000.00
Datuk Noor Ehsanuddin Mohd Harun Narrashid	-	-	-	120,000.00	-
Tan Sri Dr. Sulaiman Mahbob	-	-	-	120,000.00	-
Dato' Mohd Zafer Mohd Hashim	-	-	-	120,000.00	64,000.00
Dato' Mohamed Suffian Awang	-	-	-	120,000.00	-
<b>Non-Independent Executive Director</b>					
Dato' Mohd Emir Mavani Abdullah <sup>5</sup>	373,418.95	100,000.00	500,000.00	-	-
Dato' Zakaria Arshad <sup>6</sup>	961,476.00	31,847.50	-	-	-
<b>TOTAL</b>	<b>1,334,894.95</b>	<b>131,847.50</b>	<b>500,000.00</b>	<b>1,400,328.00</b>	<b>128,087.00</b>

**Notes:** 1. Salary and allowances inclusive of the Company's contribution to provident fund.

2. Annual fees not inclusive of Goods and Services Tax (GST).

3. Datuk Nozirah Bahari had resigned as Director on 7 April 2016.

4. Dato' Siti Zauyah Md Desa was appointed as Non-Independent Non-Executive Director on 7 April 2016.

5. Dato' Mohd Emir Mavani Abdullah had ceased office as the GP/CEO, Non-Independent Executive Director on 1 April 2016.

6. Dato' Zakaria Arshad was appointed as the GP/CEO, Non-Independent Executive Director on 1 April 2016.

# CORPORATE GOVERNANCE STATEMENT

Annual Fees <sup>2</sup>			Annual Fees from Subsidiaries (RM)	Benefits-In-Kind (RM)	Other Benefits (RM)	Total (RM)
Nomination And Remuneration Committee (RM)	Investment Committee (RM)	Board Governance & Risk Management Committee (RM)				
-	-	-	595,000.00	1,418,088.28	100,000.00	2,673,088.28
-	-	16,000.00	66,000.00	2,823.18	53,000.00	257,823.18
-	-	-	-	2,823.18	4,000.00	47,522.18
-	-	-	35,279.00	2,823.18	20,000.00	169,818.18
35,000.00	-	16,000.00	-	2,823.18	82,000.00	287,823.18
20,000.00	16,000.00	-	131,366.12	32,823.18	90,000.00	410,189.30
-	-	32,000.00	-	2,823.18	36,000.00	190,823.18
-	16,000.00	-	-	2,823.18	54,000.00	256,823.18
20,000.00	32,000.00	-	-	2,823.18	73,000.00	247,823.18
-	-	-	106,017.83	359,261.13	13,500.00	1,452,197.91
-	-	-	272,120.22	292,892.65	29,000.00	1,587,336.37
<b>75,000.00</b>	<b>64,000.00</b>	<b>64,000.00</b>	<b>1,205,783.17</b>	<b>2,122,827.50</b>	<b>554,500.00</b>	<b>7,581,268.12</b>

The aggregate remuneration of Directors with categorisation into Directors' fees, salaries, bonuses, allowances, end of service gratuity, benefits in kind and other benefits from FGV and the Group, distinguishing between Executive Directors and Non-Executive Directors are also provided on pages 222-223 of this Annual Integrated Report 2016.

# CORPORATE GOVERNANCE STATEMENT

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## GOVERNANCE PROCESSES

### Board Nomination and Election Process

The FGV Board Nomination and Election Policy and Procedures provides that the sourcing of the candidates to the Board may be undertaken internally via recommendations by the Chairman of the Nomination and Remuneration Committee, and within the bounds of practicality, by the Directors or Major Shareholders of FGV or undertaken externally through the recommendations of independent third party service providers appointed by the Board.

The Nomination and Remuneration Committee shall then make a full assessment of the candidates to evaluate whether they have the necessary and desirable core competencies to discharge their responsibilities effectively before they are recommended to the Board. For appointment of Independent Directors, the Nomination and Remuneration Committee shall include an additional criteria of independence in the assessment.

The Nomination and Remuneration Committee assesses the suitability of candidates, taking into account the following selection criteria before recommending their appointment to the Board for approval:

1. Relevant skills, knowledge, expertise and experience;
2. Existing directorships and current professional responsibility;
3. Character, professionalism and integrity; and
4. Number of directorships (not exceeding five (5) directorships in listed companies) and other external obligations which may affect the candidates' commitment, including time commitment.

### Re-Election of Directors

In accordance with the Articles of Association of the Company, at each Annual General Meeting (AGM), 1/3 of the Directors shall be subjected to retirement by rotation, but they shall be eligible for re-election. The Directors to retire in every year shall be those who have served longest in office since their last re-election or appointment date, and each Director shall retire at least once in every three (3) years. Newly appointed Directors during the year must offer themselves for re-election at the first AGM following their appointment. The Nomination and Remuneration Committee reviews and recommends to the Board the rotation and re-election of Directors at the AGM. Where a Director is due to retire from office, the Nomination and Remuneration Committee reviews the composition of the Board and decides whether to recommend the retiring Director for re-election taking into consideration the Director's contributions, attendance and time commitment.

### Induction and Continuous Professional Development

Induction programmes were conducted for newly appointed Directors via briefings by the EXCO to provide the Directors with the necessary information to assist them in their understanding of the operations of the Group, current issues and corporate strategies as well as the management structure of the Group. All Directors have attended and successfully completed the Mandatory Accreditation Programme as required by the Bursa Securities Listing Requirements.

All Directors are encouraged to attend continuous education programmes, talks, seminars, workshops and conferences to enhance their skills and knowledge and to ensure Directors keep abreast with new developments and legislations affecting the business to enhance their skills and knowledge. On an on-going basis, the Company identifies conferences and seminars which are beneficial for the Directors to attend. The Company provides a dedicated training budget for Directors' continuous development. The Directors are also encouraged to attend appropriate external or internal training on subject matters that help the Directors in the discharge of their duties as Directors.

During the year 2016, the Directors have attended the following training programmes, as deemed necessary, to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively:

#### Training programmes attended by the Board in 2016

- Addressing Socioeconomic Disparity "The Malaysian Experience" - University Malaya
- Amendment to Bursa Securities Listing Requirements "How to rise up to meet those challenges" - Malaysia Institute of Corporate Governance (MICG)
- Audit Committee Forum - Institute of Internal Auditors Malaysia
- Board Chairman Series "Leadership excellence from the Chair" - Bursa Securities
- Corporate Governance Breakfast Series "The strategy, the leadership, the Stakeholders and the Board" - Bursa Securities
- Corporate Malaysia "The Way Forward" - Women Institute of Management
- 4<sup>th</sup> Asian Money "CIMB Round Table Series, Developments in the ASEAN Bond and Treasury Markets" - CIMB
- Induction Programme - Inhouse
- Directors' Training Programme "Dealing by Directors and Principal Officers During Closed Period, Outside Closed Period & Insider Trading" - Inhouse

# CORPORATE GOVERNANCE STATEMENT

- Directors' Training Programme "Key Amendment to Bursa Securities Listing Requirements 2016" - Inhouse
- Institutional Investor Council Governance Week 2016 - MSWG
- Investment Seminar "Against All Odd" - Employees Provident Fund
- Malaysia Open Government Leadership Forum 2016 - Open University Malaysia
- Mandatory Accreditation Programme (MAP) for Directors of Public Listed Companies (Pursuant to Paragraph 15.09 of Bursa Securities Listing Requirements)
- National Economic Management "Evolution and Changes" - Bank Negara Malaysia
- 11<sup>th</sup> International Conference on Islamic Economics Finance "Implications of Risk Sharing Economy on Development and Shared Prosperity" - International Islamic University Malaysia
- Ring The Bell for Gender Equality - Bursa Securities
- Role of the Chairman and Independent Director Seminar - MICG
- Sustainability Engagement Programme - Bursa Securities
- The Rise of the South at a Crossroad "A View From East Asia and Latin America" - Bank Negara Malaysia
- The 3<sup>rd</sup> Malaysian Financial Planning Tournament 2016 - Malaysian Financial Planning Council
- Trans-Pacific Partnership Agreement - Telekom Malaysia Berhad
- World Economic Forum - WEF Foundation
- World Islamic Economic Forum - OIC Foundation

## Meetings

The Board requires all its members to devote sufficient time to the workings of the Board, to effectively discharge their duties as Directors, and to use their best endeavours to attend meetings.

Board Meetings and Board Committee meetings are scheduled in advance of the new financial year to enable Directors to plan ahead and fit the year's meetings into their schedules. Special Board Meetings are convened between the scheduled meetings to deliberate urgent proposals which require immediate decision by the Board.

In order for the Board meetings to be more effective and to ensure in-depth deliberations of matters are achieved, the meeting agendas are sequenced taking into account the complexity of the matters to be tabled for approval, discussion or notation by the Board. The meeting agendas are set by the Chairman or Board Committee Chairman respectively, in reference to the responsibilities and duties of the respective Board and Board Committees and in consultation with the GP/CEO and Company Secretaries.

The agendas and meeting papers are distributed in advance at least seven (7) days prior to the meetings for all Board and Board Committee meetings to allow the Directors to understand the papers so that they can contribute effectively at the meetings. However, papers that are deemed urgent may still be submitted to Company Secretaries to be tabled to the Board at the Board meeting, subject to the approval of the Chairman or Board Committee Chairman respectively, and the GP/CEO.

The Board has a regular annual schedule of matters which are tabled to the Board for their approval and/or notation which includes business strategies, business operations and financial performance updates, unaudited quarterly results, Annual Financial Statements, Annual Integrated Report, risks profile, material litigations and matters related to investor relations.

Whenever necessary, relevant Members of the EXCO or external advisors are also invited to attend Board meetings and Board Committee meetings to provide further clarity on matters discussed to enable the Board and Board Committees to arrive at a considered and informed decision.

Presentations to the Board are prepared and delivered in a manner that ensures a clear and adequate presentation of the subject matter. All issues raised, deliberations, decisions and conclusions including dissenting views made at Board meetings along with clear actions to be taken by responsible parties are recorded in the minutes.

Where the Board is considering a matter in which a Director has interest, the relevant Director immediately discloses their interest and abstains from participating in the discussions or decision making on the subject matter. The Board is constantly advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities. As and when the need arises, Directors are also provided with the relevant information and training to prepare them to appraise key business, operational, corporate, legal and regulatory as well as industry matters.

## Meeting Attendance

During the FYE 2016, the Board met thirteen (13) times to deliberate and consider a variety of significant matters that required its guidance and approval. All Directors attended more than 50 percent of Board meetings held in the FYE 2016 and have complied with the Bursa Securities Listing Requirements. The attendance of the respective Directors in respect of the Board Meetings held during the FYE 2016 can be found on pages 82-86 and page 96 of this Annual Integrated Report 2016.

# CORPORATE GOVERNANCE STATEMENT

## FGV Board Meeting/ Annual General Meeting Dates in 2016



## Key Matters considered by the Board in 2016

<b>Strategy, Risk and Sustainability</b>   <ul style="list-style-type: none"><li>1. SP20 for FGV Group</li><li>2. Impact of El Nino</li><li>3. Foreign Exchange Management</li><li>4. Risk register and top ten (10) risks</li><li>5. Updates on sustainability</li><li>6. RSPO certification</li><li>7. CPO trading of the Group</li></ul>	<b>Financial</b>   <ul style="list-style-type: none"><li>1. Financial Statements for the FYE 2015</li><li>2. Quarterly Report on Consolidated Results</li><li>3. Final Dividend for the FYE 2015</li><li>4. FGV Group's recurrent related party transactions</li><li>5. Re-appointment of External Auditor for the FYE 2016</li><li>6. Audit Fee for FGV and FGV Group for financial year 2016</li><li>7. Group-wide Cost Optimisation Exercise</li></ul>
<b>Governance</b>   <ul style="list-style-type: none"><li>1. Board Charter, Terms of Reference of Board Committees, Terms of Reference of the EXCO, FGV Board Remunerations Policy and FGV Board Nomination and Election Policy and Procedures, FGV Group Human Resources Policies, the Group's Discretionary Authority Limits and Finance Policies and Procedures</li><li>2. Schedule of FGV Board Meetings for the year 2017</li><li>3. Status of compliance of Board governance</li><li>4. Material litigation updates within the Group</li></ul>	<b>Mergers and acquisitions, investments and divestments</b>   <ul style="list-style-type: none"><li>1. Liquidation/winding-up of subsidiaries</li><li>2. Memorandum of Understanding (MOU) of subsidiaries</li><li>3. Proposed acquisition of controlling equity interest in Zhong Ling Nutril-Oil Holdings Limited (Zhong Ling)</li><li>4. Termination of Sale and Purchase of Shares Agreement on the proposed acquisition of controlling equity interest in Zhong Ling</li><li>5. Termination of Heads of Agreement between Felda Global Ventures Kalimantan Sdn Bhd, a wholly-owned subsidiary of FGV, PT Rajawali Capital International and PT Rajawali Corpora</li></ul>

# CORPORATE GOVERNANCE STATEMENT

## Succession planning, appointments and remuneration



1. Board Performance Evaluation
2. Re-election of Directors
3. Appointment and remuneration package of the GP/CEO
4. Appointment of Government Appointed Director
5. End-of-contract gratuity to the former GP/CEO
6. Succession Planning for Key Senior Management
7. Change of directorship in FGV Group
8. Long Term Incentive Plan
9. Minimum wage implementation proposal
10. Medical facilities
11. Annual fees for the Board and the Board Committees
12. Organisation structure and Key Senior Management movements
13. Key Senior Management's job evaluation, remuneration review, promotion proposal and service contract renewal proposal
14. Performance bonus and annual salary increment for GP/CEO
15. Performance bonus and annual salary increment for employees of FGV Group

## Annual Integrated Report

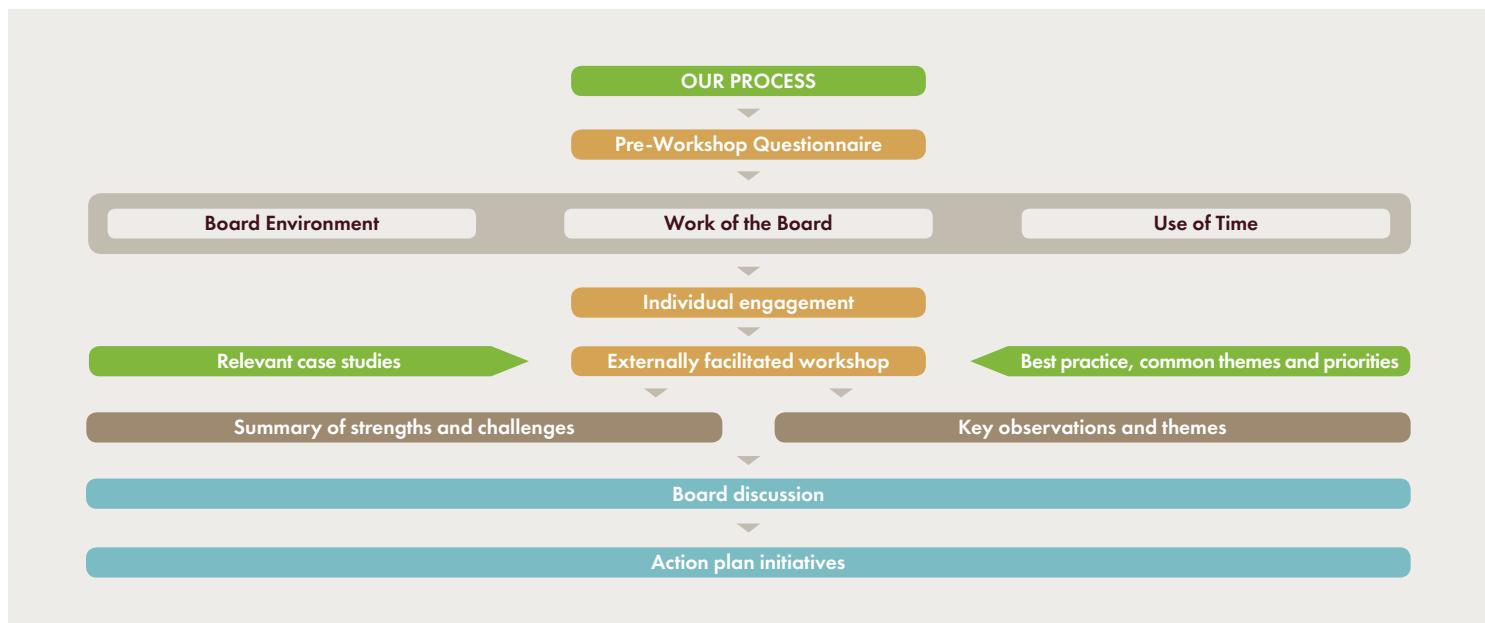


1. Chairman's Statement, Statement on Corporate Governance, Board Committees' Reports and Statement on Risk Management and Internal Control for inclusion in the Annual Integrated Report 2015
2. Formation of a Reporting Committee for Annual Integrated Report 2016

## Access to Information

All Directors shall have direct access to the Company Secretaries. The Board also has full and unrestricted access to anyone in the Group in order to conduct any investigation and obtain any information pertaining to the Group, including access to the Company's Auditors and consultants and may seek relevant internal and external independent professional advice at the expense of the Company. FGV has in place a procedure for Directors to seek independent professional advice.

## Board Performance Evaluation



# CORPORATE GOVERNANCE STATEMENT

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A formal evaluation was conducted to assess the Board's effectiveness as well as to recommend areas and remedial actions for improvement. The evaluation was conducted for the Board as a whole, its Committees and contributions from each individual Director. The Board appointed an external consultant to facilitate the Board assessment process for the FYE 2015. The external consultant performed a gap analysis to ascertain the level of conformance with the prescribed standards and requirements namely the MCCG 2012, the Green Book - Enhancing Board Effectiveness April 2006 and World Bank Corporate Governance of State Owned Enterprises Toolkit 2014 in order to determine areas which require further improvement as compared to best practices. The assessment process involved a peer and self-review assessment, where Directors' assessed their own as well as their fellow Directors' performance including the assessment of the Independent Directors. Peer and self-assessment questionnaires were developed and distributed to all Board members.

The assessment of the Board effectiveness covers a broad spectrum of governance attributes encompassing six (6) main elements including governance, strategy, performance, talent, integrity and risk. Other areas that were assessed amongst others, included the Board composition and size, the contribution of each member of the Board during meetings, the quality of Board's decision making and outcome, information and support rendered to the Board as well as meeting arrangements. Similar topics were covered in the questionnaire pertaining to each Board Committees.

Based on the interviews carried out as well as the feedback gathered from the questionnaire forms circulated, the results of the assessment and its recommendations thereof, were compiled and collectively summarised and reported to the Nomination and Remuneration Committee. The Chairman of the Nomination and Remuneration Committee presented the Board Performance Evaluation results in the ensuing meeting for deliberation. The Board upon assessing the results, identified action plans and initiatives, as part of a continual improvement process in the Boardroom. It is the Board's goal to ensure that it is doing the right things, in the right way and, in doing so, is setting the right tone for the adoption of good governance for FGV and the Group. For the FYE 2015, no major concerns were raised.

## Board Committees

The Board delegates certain of its responsibilities to several Board Committees, which operate within clearly defined Terms of Reference, primarily to assist the Board in discharging its responsibilities whilst the ultimate responsibility for final decision lies with the full Board. The Board currently has four (4) main Board Committees as follows:

1. Audit Committee;
2. Nomination and Remuneration Committee;
3. Investment Committee; and
4. Board Governance & Risk Management Committee.

All deliberations and decisions taken by the Board Committees are documented and approved by the respective Board Committee Chairman prior to submission as Board Papers for deliberation at Board meeting. The Board reviews the Board Committees' authorities and Terms of Reference from time to time to ensure their relevance. The above Board Committees' Terms of Reference, composition and activities are summarised in the respective Board Committees' Report in the following pages of this Annual Integrated Report 2016:

 Report on the Audit Committee	 Report on the Nomination and Remuneration Committee	 Report on the Investment Committee	 Report on the Board Governance & Risk Management Committee
 More information on page 109	 More information on page 117	 More information on page 120	 More information on page 122

# CORPORATE GOVERNANCE STATEMENT

## REPORT OF THE AUDIT COMMITTEE



### Audit Committee

The Audit Committee continued to focus its work on the Group's financial reporting, financial control, risk management and compliance processes.



**Dato' Mohd Zafer  
Mohd Hashim**  
Chairman of Audit Committee

#### COMPOSITION AND MEETINGS

The Audit Committee comprises exclusively of Non-Executive Directors, a majority of whom are Independent Non-Executive Directors.

The Audit Committee held five (5) meetings in 2016.

The members of the Audit Committee during the financial year 2016 up to 22 March 2017 and the record of their attendance are as follows:

Directors	Date of appointment to the Audit Committee	Designation	Tenure in the Audit Committee	Number of meetings attended in 2016
Dato' Mohd Zafer Mohd Hashim (Independent Non-Executive Director)	20 January 2015	Chairman	Approximately 2 years 2 months	5 out of 5
Dato' Yahaya Abd Jabar (Senior Independent Non-Executive Director)	7 December 2012	Member	Approximately 4 years 4 months	5 out of 5
Datuk Nozirah Bahari (Non-Independent Non-Executive Director)	20 January 2015 (Resigned as Member on 7 April 2016)	Member	Approximately 1 year 2 months	1 out of 2
Datuk Siti Zauyah Md Desa (Non-Independent Non-Executive Director)	7 April 2016	Member	Approximately 11 months	2 out of 3

Dato' Mohd Zafer Mohd Hashim is a Fellow of Institute of Chartered Accountants in England and Wales ("ICAEW") and a Chartered Accountant with the Malaysian Institute of Accountants ("MIA"). All members of the Audit Committee are financially literate and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities. The Audit Committee, therefore, meets the requirements of paragraph 15.09(1)(c) of the Bursa Securities Listing Requirements which stipulates that at least one (1) member of the Audit Committee must be a qualified accountant.

During the financial year, the GP/CEO, the Group CFO, FGV Chief Internal Auditor and various Management attended the meetings upon the invitation of the Audit Committee. The Audit Committee Chairman reported to the Board on principal matters deliberated at Audit Committee Meetings. Minutes of each meeting were circulated to the Board at the most practicable next Board Meeting.

# CORPORATE GOVERNANCE STATEMENT



The purpose of the Audit Committee is to assist the Board in fulfilling the following key responsibilities:

- Assessing the risks and control environment;
- Overseeing financial reporting;
- Evaluating the internal and external audit process and outcome;
- Reviewing conflict of interest situations and related party transactions;
- Provide oversight on the Annual Integrated Report; and
- Undertake any such other functions as may be determined by the Board from time to time.

The existence of the Audit Committee does not diminish the Board's ultimate statutory and fiduciary responsibility for decision-making relating to the functions and duties of the Audit Committee. The Audit Committee may empower one or more of its members to meet or communicate with the external auditors and/or internal auditors independently. The full details of the Audit Committee's Terms of Reference are published in the Company's corporate website at [www.feldaglobal.com](http://www.feldaglobal.com).

## SUMMARY OF WORK OF THE AUDIT COMMITTEE

Through the five (5) meetings held and various private sessions with the external auditors, internal auditors and Management, the Audit Committee undertook the following principal activities in discharging its responsibilities:

### 1. Assessment of the risks and control environment

- a. Evaluated the reports on the assessment of the risk and control environment based on external auditors quarterly financial statement review and statutory financial audits at each Audit Committee meeting.
- b. Reviewed four (4) reports from the Chief Internal Auditor summarising the main observations from the internal audit reports issued, which included information relevant for the assessment of the risks and control environment.
- c. Reviewed all 84 internal audit reports issued by the Chief Internal Auditor, which detailed the observations from all the internal audits undertaken, including a report on the Group's risk management framework, strategies, policies and systems.
- d. Considered the overall rating of the internal audit reports issued as reflection of the overall effectiveness of the system of internal control vis-à-vis the risks, control environment and compliance requirements of the Group.
- e. Received assurances from the GP/CEO and the Group CFO that the risk management and internal control system of the Group for the financial year 2015 have been operating adequately and effectively, in all material respects.

At each of its meetings, the Audit Committee has given guidance which was relevant for the improvement of the risks and control environment of the Group, in particular in the areas of commodities trading and foreign exchange management, which were the main challenges to the Group during the financial year.

### 2. Overseeing financial reporting

- a. Reviewed reports of the external auditors from their quarterly financial statement review and statutory financial audits at each meeting. Amongst the main focus of the reports were the external auditors' assessments of impairment and provision exposures of various assets, investments and onerous contracts based on applicable financial reporting standard.
- b. Met with the external auditors in two (2) private sessions during the financial year without the presence of Management on 21 March 2016 and 15 November 2016. In these sessions, the following matters were discussed, amongst others:
  - Monitoring activities of the practices in refined sugar sales.
  - CPO trading of the Group.
  - Stability of several key systems affecting accounting and financial reporting.
  - Investment impairment assessment.
  - Enhancement of acquisition undertakings.
  - Monitoring of covenants imposed on the Group.
  - Expediting the accounting closing process to meet shorter deadlines.

# CORPORATE GOVERNANCE STATEMENT



- c. Evaluated the Quarterly Report on Consolidated Results for each quarter and was appraised on the analysis of the results in detail. Where required, the Audit Committee had provided direction and sought more details on the analysis to make its recommendation to the Board on the Quarterly Report. The Audit Committee also requested detailed investigation on several important matters for its deeper understanding and provided the necessary direction on the matters.
- d. Assessed the cashflow assumptions for the purpose of calculation of the Land Lease Liability to FELDA and its impact to the Financial Statements.
- e. Reviewed a report on the status of the Group's policies relating to accounting, finance, governance and internal control.
- f. Reviewed and endorsed policy revisions on the method of zakat calculation and the Group's Discretionary Authority Limits and hedging volume for Delima Oil Products Sdn Bhd for the Board's approval.

The Chairman of the Audit Committee held five (5) private meetings with the external auditors to be briefed in detail on their quarterly reports to the Audit Committee. He also attended four (4) meetings for briefings and discussions with the Management to gain better understanding on the CPO trading model of the Group and the challenges faced.

### 3. Evaluation of the external audit process and outcome

- a. Reviewed the external auditors' report on the outcome of the external audit process for the FYE 2015, which included internal control recommendations and management's response to the recommendations.
- b. Assessed the comprehensiveness of the audit plan of the external auditors for the FYE 2016 and ensured coordination with three (3) other audit firms involved in the external audit of two (2) subsidiaries and two (2) joint venture companies of the Group.
- c. Assessed the external auditors for their re-appointment for the FYE 2016 based on the established External Auditor Policy and recommended their re-appointment to the Board.

The Audit Committee also considered the feedback from Management on their evaluation of the external auditors based on the services provided on the external audits for the FYE 2015.

- d. Assessed the external auditors audit fees and made its proposal to the Board for approval.
- e. Received written assurance from external auditors in their audit plan for the FYE 2016 confirming they are, and will maintain, independent throughout the conduct of audit engagement in accordance with the terms of reference of all relevant professional and regulatory requirement.
- f. Reviewed the engagement of non-audit services by the external auditors in accordance with the External Auditor Policy to ensure that their independence is maintained.

### 4. Evaluation of the internal audit process and outcome

- a. Received and reviewed all 84 reports issued to all members of the Audit Committee by Group Internal Audit during the FYE 2016. These are reports from assignments undertaken from the internal audit plan and any unplanned investigation and special assignments undertaken by Group Internal Audit.
- b. Presented with and reviewed the following at every quarterly meeting during the FYE 2016:
  - A report summarising the main observations from the internal audit reports issued during the quarter. The Audit Committee gave direction to the Management on key matters requiring the Management's special and immediate attention. The Audit Committee has reported to the Board on these key matters.
  - A report on the progress of implementation of the approved internal audit plan for the FYE 2016, including the status of internal audit resources to support the implementation of the approved internal audit plan and development progress of the internal audit staff.
  - A report on the progress of implementation of the recommendations from internal audit reports issued. There were no matters requiring the attention of the Board from the progress reported.

# CORPORATE GOVERNANCE STATEMENT

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c. Performed the following at the meeting on 15 November 2016:

- Reviewed and approved the internal audit plan for the financial year ending 31 December 2017 together with the scope, functions, resources, budget and key performance indicator of the Group's internal audit function and reported to the Board accordingly.
- Assessed the performance of the Chief Internal Auditor, which included assessment of the effectiveness of the Group's internal audit function with reference to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- With reference to assessment of the Chief Internal Auditor's performance, proposed her promotion, increment, adjustment and renewal of her contract of employment.

The Chairman of the Audit Committee held three (3) private meetings and discussions with the Chief Internal Auditor and her management team to discuss developments which were relevant for the internal audit work, to give direction for a more effective audit plan, to be apprised of or give guidance on any major internal

audit observations and any related matters towards improving the governance, risk and control processes of FGV Group.

**5. Reviewed recurrent related party transactions monitoring of the Group**

- Reviewed the report on the recurrent related party transactions of the Group and took note that the related party transactions were within the mandate from the Shareholders.

**6. Reviewed statements included in the Company's Annual Integrated Report 2015**

- Reviewed the Report on the Audit Committee, the Statement on Risk Management and Internal Control and the Statement on Corporate Governance to be included in the Company's Annual Integrated Report 2015 and recommended the same to the Board for approval. The Statement on Risk Management and Internal Control was reviewed reflecting on the reports of the external and internal auditors on the risks and control environment of the Group and related matters that have been brought to the Audit Committee and the Board during the related financial year.

## MATTERS CONSIDERED BY THE AUDIT COMMITTEE

The Audit Committee Chairman updated the Board on matters deemed to be of major importance deliberated at the Audit Committee Meetings and its recommendations. The copies of confirmed minutes of each of the Audit Committee Meeting were also circulated to the Board for noting at the next practicable Board Meeting. Amongst the significant matters considered by the Audit Committee during the year 2016:

Significant matters	How these matters were addressed by the Audit Committee
CPO Trading	<ul style="list-style-type: none"><li>Requested Management to improve the overall trading activities and establish a more comprehensive reporting and analysis of identifying trade profit and foreign exchange profit</li></ul>
Foreign Exchange Management	<ul style="list-style-type: none"><li>Chairman of the Audit Committee discussed with Management including the Chief Risk Officer to address the issue on Foreign Exchange Management</li><li>Requested Management to review and amend the Foreign Exchange Management Policy to reflect the current requirement</li></ul>
Sugar Trading	<ul style="list-style-type: none"><li>Requested Management to improve on the monitoring process of the trading activities</li></ul>
Impairment and provisions	<ul style="list-style-type: none"><li>Reviewed the assessments of impairment and provision exposures of various assets, investments and onerous contracts by the external auditor based on applicable financial reporting standard</li></ul>
Reviewed the outcome of investigations by Group Internal Audit	<ul style="list-style-type: none"><li>Reviewed and endorsed the findings of the investigations</li><li>Requested Management to implement improvements in internal controls in the related areas and where relevant, undertake disciplinary action based on the investigations</li></ul>

# CORPORATE GOVERNANCE STATEMENT



## RELATIONSHIP WITH THE EXTERNAL AUDITOR

### External Auditor Policy

The External Auditor Policy approved by the Board on 25 March 2015 covers appointment and re-appointment of external auditors, assessing their performance and independence, audit partner rotation, audit delivery and reporting, engagement of external auditor for non-audit services and removal of external auditor.

### Appointment and Re-Appointment of External Auditors

The External Auditor Policy states that the Group shall only engage external auditor from top four (4) firms of professional accountants for the Financial Statement statutory audit of the Group and as far as practicable, shall retain the engagement of one external audit firm for the Group covering all listed and unlisted subsidiaries within Malaysia and outside Malaysia. Any new appointment or replacement of external auditors shall be through a formal tendering process. FGV currently engages Messrs. PricewaterhouseCoopers (PwC) as its external auditor for the Group.

A suitability and independence assessment has been undertaken through a checklist of factors considered prior to proposing the re-appointment of the external auditor for the FYE 31 December 2016 at the general meeting in June, 2016. The factors considered were calibre of the firm, its quality process/performance, the audit team, its independence and objectivity, audit scope and planning, audit fees and audit communications. From the assessment, the Audit Committee concluded that PwC remains suitable and independent for re-appointment as the external auditor.

### Effectiveness of the External Auditor

The External Auditor Policy requires that the External Auditor's performance and independence be assessed using an assessment checklist covering the following, upon completion of every annual audit.

- Calibre of external audit firm;
- Quality of process/performance;
- Audit team;
- Independence and objectivity;
- Audit scope, planning and methodology;
- Audit fees;
- Audit deliverables; and
- Audit communication.

The assessment shall be undertaken by the Group subsidiaries before the finalisation of the Group's statutory financial statements and submitted for the Audit Committee's deliberation. Where the Audit Committee concludes that the performance of the external auditor is less than satisfactory, the Audit Committee shall consider the next course of action, which may include:

- Discussion with the external audit firm to resolve performance issues;
- Replacement of members within the external audit team; or
- Not recommending reappointment of the external auditor.

### Assessing Independence of External Auditor

The external auditor shall be required to update the Audit Committee of its Independence Framework and discuss independence issues as part of its Group Audit Plan presented to the Audit Committee by the third quarter of every financial year. The External Auditor shall provide a written assurance confirming that the engagement team has been independent throughout the conduct of the audit of the statutory financial statements in accordance with the terms of all relevant professional and regulatory requirements.

The External Auditor Policy states that relationships that may result in impairment of the external auditor's independence and objectivity shall be prohibited. Any threats to independence shall be disclosed to the Audit Committee together with assessment of the mitigation actions to eliminate the threats or reduce them to an acceptable level.

During the year 2016, the external auditor has presented its written assurance on independence through their Group Audit Plan and Report to the Audit Committee for the audit of the statutory financial statements for the FYE 2016.

### Audit Partner Rotation

The External Auditor Policy requires rotation of the lead and signing partner every five (5) years and when rotated off the audit, the partner shall not be a member of the engagement team or be a key audit partner on the engagement for two (2) years. The current lead and signing partner of PwC has only been assigned to the Group for three (3) years since the annual audit of the statutory financial statements for the FYE 2014.

# CORPORATE GOVERNANCE STATEMENT

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## Audit delivery and reporting

Upon approval of the audit fees by the Board, the external auditor's engagement letter shall be signed by the Group CFO. The deliverables and reports from the audit of the statutory financial statements shall be communicated and agreed upon through Group Audit Plan on annual basis by the third quarter of every financial year. Management representation letter shall be issued to the external auditor upon completion of the statutory audit for each company under the Group.

## Engagement of external auditor for non-audit services

The external auditor may be engaged to perform permitted audit or non-audit services as detailed in the External Auditor Policy provided the engagement does not impair independence of the external auditor in its audit of the statutory financial statements. The External Auditor Policy also specifies prohibited non-audit services which the external auditor shall not be engaged for.

All services to be awarded to the external auditor shall be subjected to independence assessment and monitoring. The engagement of permitted non-audit services shall be reviewed and approved by the Audit Committee where the annual fees for non-audit services exceed 25% of the annual fee for audit of the statutory Financial Statements of the Group.

A report on the engagement of the external auditor for all other audit and non-audit services together with the fees for each engagement shall be reported to the Audit Committee every six (6) months or as and when the total of non-audit service fees exceed the 25% threshold.

The fees paid/payable to the external auditor, PwC, in financial year 2016 were as follows:

Fees paid/payable to PwC in 2016	RM' 000
Audit Fees	
• PwC Malaysia	4,280
• Member firms of PwC International Limited (PwCIL)	1,627
Audit Related Fees	
• PwC Malaysia and member firms of PwCIL	1,441
Other non-audit fees paid to PwC Malaysia and member firms of PwCIL	704
<b>Total</b>	<b>8,052</b>

During the financial year 2016, the non-audit fees was within the allowable threshold.

## Removal of external auditor

The Audit Committee shall recommend to the Board the termination of the external auditor after considering the request and reason for removal or resignation of the external auditor. The selection of new external auditor shall be conducted through invitation of a closed tender procurement process of the other Top Three accounting through the Group's normal procurement policies and procedures. The termination shall be approved by the FGV Shareholders at the Annual General Meeting together with the proposal for the appointment of a new external auditor.

## Keeping updated on relevant information

The external auditors updates the Audit Committee members on changes to accounting standards and issues related to financial reporting through quarterly meetings.

## GROUP INTERNAL AUDIT

The Group has an in-house Group Internal Audit ("GIA") function, which is independent and reports functionally direct to the Audit Committee and administratively to the GP/CEO. The conduct of GIA is based on a Group Internal Audit Charter, which is established consistent with the requirements of the Institute of Internal Auditors' International Standards for the Professional Practise of Internal Auditing and approved by the Audit Committee as affirmed through a Quality Assurance Review conducted by the Institute of Internal Auditors Malaysia in 2014.

# CORPORATE GOVERNANCE STATEMENT



There are a total of 54 internal auditors across the Group as at 31 December 2016 headed by Pn. Zalily Mohd Zaman Khan, the Chief Internal Auditor. The credential of the Chief Internal Auditor can be obtained in the Key Senior Management's Profile section at page 90 of this Annual Integrated Report 2016. The internal auditors have sufficient mix of knowledge, skills and competencies to execute the audit plan. Composition of the internal auditors and the corresponding professional status are as follows:

Professional Status	Percentage of Total Auditors
Professional accounting (ICAEW, CPA, ACCA, CA) or Certified Internal Auditor (CIA) or post-graduate (MBA or Masters)	24
Certified IS Auditor (CISA)	5
Graduate (Bachelor's Degree)	39
Graduate pursuing professional accounting (ICAEW, CPA, ACCA, CA) or CIA	28
Others (Diploma)	4

GIA has received "Corporate Award 2015 - Continuous Professional Development" from Institute of Internal Auditors Malaysia on 25 August 2016 for demonstrating strong commitment towards continuous professional development for the internal auditors in the Company.

The total cost incurred for GIA for the FYE 2016 is RM9.9million (FYE 2015: RM10.5million). This amount comprises of mainly staff cost and benefits, travelling expenses and GIA management system.

## Roles and functions

GIA provides assurance services of the Group locally and overseas covering all operations where the Group has management control and where partners consent for jointly controlled entities.

In addition to the assurance role, GIA also undertakes consulting role and investigative role.

In its consulting role, GIA undertakes policy and procedures review, participate in working groups to provide input on policy development, systems development and several initiatives of the Group.

Investigative audits are undertaken upon any allegation of improper, illegal and dishonest acts based on the request of the Management or Board.

## Development of Audit Plan

When the audit plan is developed, consideration is given from the governance perspective as to how the whole company is managed at the Group level (Corporate Centres) and cascaded down to the business cluster and ultimately the operational level. Another consideration is from the risk perspective where high risk issues are prioritised during the development of the Annual Group Internal Audit Plan.

Based on these assessments, priority ranking was assigned to each operating unit to arrive at the audit plan over three (3) years. The three (3) years audit plan is reviewed every year and forms the basis to derive the Annual Group Internal Audit Plan.

Once the key audit areas are developed, the staff and resource allocation plan, budget estimates and staff development progress are established to support the Audit Plan.

The Annual Group Internal Audit Plan is presented to Audit Committee. The Audit Committee reviews and challenges the adequacy of the audit scope, the resources allocated, the capability skill sets and makes recommendations before approving the Group Internal Audit Plan. Any recommendation of the Audit Committee is taken into the Group Internal Audit Plan.

Once the Group Internal Audit Plan has been rolled out, the Audit Committee ensures that the coverage is responsive and robust to satisfy the changing level of risk and emerging areas of concern. Any deviation to the Group Internal Audit Plan is discussed and endorsed by the Audit Committee quarterly.

## Internal Audit Reporting

All Group Internal Audit Report are issued directly to the Audit Committee with copies to the relevant management for their action.

On a quarterly basis, the Audit Committee is presented with the progress reporting of the audit findings, recommendations and management's corrective action implementation that was deliberated at the EXCO. Any concerns raised by the Audit Committee are to be addressed by GIA. The Audit Committee follows through any unresolved matters as part of the agenda in the next meeting.

# CORPORATE GOVERNANCE STATEMENT

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## SUMMARY OF WORK DONE BY GIA IN 2016

### Assurance

The assurance work during the year 2016 was on a balance of governance, risk and control at the corporate centre level and business operational level. At the corporate centre level, the focus was on inculcating best and better practices of the following main areas:

- Governance and Risk Management processes towards enhancing general governance and risk management practices and culture.
- Merger and Acquisition processes.
- Treasury management processes, particularly foreign exchange and cash management.
- The Human Resource processes, particularly on rewards management, staffing and manpower planning and performance management.
- The Group Procurement processes, particularly vendor management, procurement transactions and procurement system.
- Recurrent Related Party Transactions review with a view of advising the Audit Committee on the Group's compliance to the Related Party and Recurrent Related Party policy of the Group.

At the business operational level, the key audit scopes were in the areas of procurement, asset and inventory management, production or service delivery and information technology. For our main business cluster, i.e. Palm Upstream, the key audit scope was on harvesting and transportation of Fresh Fruit Bunches (FFB), purchasing of FFB from third parties, fertiliser management and workforce management.

### Consulting

GIA plays an active role in advising the Group on various matters. In 2016, this was through the following platform:

- Information Technology (IT) Project Steering Committee and Working Committee meetings to provide guidance on IT project management and system development or implementation processes.
- Participation in policy development in working groups and reviewed draft documents. The focus of GIA's feedback on the documents was from the aspect of compliance with any regulatory requirements, incorporating practical best practices, enhancing governance and risk management. During the financial year 2016, GIA provided feedback on policies developed in the areas of board governance, human resource, Stakeholder communication, information technology, sustainability and integrated reporting.

### Investigation

GIA has undertaken investigative audits based on the request and information obtained from the Management, Board and Audit Committee. The outcome of the investigations has been reported to the Audit Committee, which the Audit Committee has accordingly reported to the Board. The Audit Committee's recommendations and resolutions arising from the investigation reports tabled have been communicated to the Management for the necessary implementation.

## PERFORMANCE REVIEW

During the financial year, the Board evaluated the Audit Committee's performance, including the term of office and performance of the Audit Committee and each of its members. This performance assessment constituted part of the annual Board effectiveness assessment, pertaining to the assessment of Board Committees.

This Report is made in accordance with a resolution of the Board of Directors and approved at the Board Meeting dated 29 March 2017.

# CORPORATE GOVERNANCE STATEMENT

## REPORT ON THE NOMINATION AND REMUNERATION COMMITTEE



### Nomination and Remuneration Committee

“ We are responsible for the Board's structure, size and composition, in addition to the Group-wide remuneration policies. ”



**Dato' Yahaya Abd Jabar**

Chairman of Nomination and Remuneration Committee

#### COMPOSITION AND MEETINGS

Under the MCCG 2012, the Board is recommended to establish a Nomination Committee which should comprise exclusively of Non-Executive Directors, a majority of whom must be independent. FGV's Nomination and Remuneration Committee is comprised exclusively of Non-Executive Directors and all its members are Independent Directors. The Chairman of the Nomination and Remuneration Committee is a Senior Independent Non-Executive Director. The Board believes that the current Nomination and Remuneration Committee's composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all Shareholders and to meet the needs of the Group.

The Nomination and Remuneration Committee held seventeen (17) meetings in 2016.

The members of the Nomination and Remuneration Committee during the financial year 2016 up to 22 March 2017 and the record of their attendance are as follows:

Directors	Date of appointment to the Nomination and Remuneration Committee	Designation	Tenure in the Nomination and Remuneration Committee	Number of meetings attended in 2016
Dato' Yahaya Abd Jabar (Senior Independent Non-Executive Director)	20 January 2012	Chairman	Approximately 5 years 2 months	17 out of 17
Datuk Noor Ehsanuddin Mohd Harun Narrashid (Independent Non-Executive Director)	29 August 2013	Member	Approximately 3 years 7 months	17 out of 17
Dato' Mohamed Suffian Awang (Independent Non-Executive Director)	20 January 2015	Member	Approximately 2 years 2 months	17 out of 17

The full details of the Nomination and Remuneration Committee's Terms of Reference are published in the Company's corporate website at [www.feldaglobal.com](http://www.feldaglobal.com).

The policy on Board composition have taken into account the mix of skills, independence and diversity required to meet the needs of FGV (Policy). This Policy is explained on pages 98 and 104 of this Annual Integrated Report 2016 together with the Board nomination and election process and the selection criteria used by the Nomination and Remuneration Committee. The Board performance evaluation process for the Board as a whole, its Committees and contributions from each individual Director together with the criteria used for such assessment is described in detail on pages 107-108 of this Annual Integrated Report 2016.

# CORPORATE GOVERNANCE STATEMENT



## SUMMARY OF WORK OF THE NOMINATION AND REMUNERATION COMMITTEE

Through the seventeen (17) meetings held, the Nomination and Remuneration Committee undertook the following principal activities in discharging its responsibilities:

### 1. Nomination and election process and appointment and re-appointment/re-election process

- a. Considered the proposed appointment of Government Appointed Directors which included Dato' Zakaria Arshad as GP/CEO, Non-Independent Executive Director of FGV and Dato' Siti Zauyah Md Desa as Non-Independent Non-Executive Director of FGV and concluded that they are suitable candidates to sit as Directors in FGV after taking into account the current and future needs of FGV.
- b. Assessed and recommended to the Board on the re-election of Directors.
- c. Considered Key Senior Management's job evaluation, promotion proposal and service contract renewal proposal.
- d. Reviewed and recommended the Board Nomination and Election Policy and Procedures.

### 2. Succession Planning

- a. Reviewed and formulated the framework, principles and processes to undertake succession planning for Key Senior Management, amongst others, by identifying the succession using Talent Classification Matrix and identifying the readiness of the successors using gap analysis.

### 3. Composition of the Board, the Board Committees, the Cluster Boards, all directorship in the Group and the Group's Top Management

- a. Reviewed the organisation structure and Key Senior Management movements.
- b. Assessed the change of directorship in FGV Group.

### 4. Induction and continuing education programmes

- a. Reviewed the report on the trainings attended by the Board for the financial year 2015 and the induction programme for newly appointed Directors.

### 5. Remuneration matters

- a. Reviewed the remuneration package of the GP/CEO.
- b. Recommended an end-of-contract gratuity for the former GP/CEO.
- c. Considered the proposed Long Term Incentive Plan for employees.
- d. Assessed the Restricted Shares Grant for the Executive Committee Members and Top Performers
- e. Reviewed the proposed minimum wage implementation proposal.
- f. Assessed the sufficiency of the medical benefits for the Group.
- g. Recommended the proposed annual fees for the Board and the Board Committees.
- h. Considered the proposed amendments to Board Remunerations Policy.
  - i. Reviewed and deliberated the proposed Key Senior Management's remuneration.
  - j. Reviewed the performance bonus and annual salary increment for the GP/CEO.
  - k. Reviewed the performance bonus and annual salary increment for employees of FGV Group.
  - l. Evaluated the performance Remuneration Plan Proposal.
- m. Reviewed and recommended Group Human Resources revised policies pertaining to remuneration of employees.

# CORPORATE GOVERNANCE STATEMENT



## 6. Board Assessment

- a. Reviewed the annual assessment of the Independent Directors of FGV.
- b. Reviewed the Board Performance Evaluation i.e. assessment of the effectiveness of the Board, Board Committees and individual Directors.

## 7. Reviewed statements included in the Company's Annual Integrated Report 2015

- a. Reviewed the disclosure in the Statement on Corporate Governance relating to the following:
  - Board nomination and election policy and procedures having regard to the mix of skills, independence and diversity required to meet the needs of FGV.
  - Board nomination and election process of Directors and criteria used by the Nomination and Remuneration Committee in the selection process.

- Assessment undertaken by the Nomination and Remuneration Committee in respect of its Board, Board Committees and individual Directors together with the criteria used for such assessment.
- Trainings attended by the Directors for the financial year, pursuant to the Bursa Securities Listing Requirements.
- Director's remuneration in accordance with relevant provisions from the Bursa Securities Listing Requirements.

- b. Reviewed the disclosure in the Report on the Nomination and Remuneration Committee relating to the following:
  - Composition of the Nomination and Remuneration Committee.
  - Terms of Reference.
  - Number of Nomination and Remuneration Committee meetings held in the FYE 2015 and attendance of each member.
  - Summary of activities of the Nomination and Remuneration Committee in the discharge of its functions and duties for the FYE 2015.

## MATTERS CONSIDERED BY THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee Chairman updated the Board on matters deemed to be of major importance deliberated at the Nomination and Remuneration Committee meetings and its recommendations. The copies of confirmed minutes of each of the Nomination and Remuneration Committee meeting were also circulated to the Board for noting at the next practicable Board Meeting. Amongst the significant matters considered by the Nomination and Remuneration Committee during the year 2016:

Significant matters	How these matters were addressed by the Nomination and Remuneration Committee
Long Term Incentive Plan for employees	<ul style="list-style-type: none"> <li>• Considered the factors related to the proposed Long Term Incentive Plan that will attract and retain employees for the development, growth and success of FGV Group.</li> <li>• Debated on the payout ratio for business and individual performance measurement and also the payout weightage.</li> </ul>

## PERFORMANCE REVIEW

On an annual basis, the Board shall evaluate the Nomination and Remuneration Committee's performance and extent to which the Nomination and Remuneration Committee has met the requirements of its Terms of Reference, including the term of office and performance of the Nomination and Remuneration Committee and each of its members. This performance assessment may constitute a part of the annual Board Effectiveness Assessment, pertaining to the assessment of Board Committees.

This Report is made in accordance with a resolution of the Board of Directors and approved at the Board Meeting dated 29 March 2017.

# CORPORATE GOVERNANCE STATEMENT



## REPORT OF THE INVESTMENT COMMITTEE

### Investment Committee

“We continue to fulfill our responsibilities through diligent evaluation of each and every investment proposal.”



**Dato' Mohamed Suffian Awang**

Chairman of Investment Committee

#### COMPOSITION AND MEETINGS

Under its Terms of Reference, the Investment Committee shall comprise not less than three (3) members whom shall be appointed from members of the Board, a majority of whom must be Independent Non-Executive Directors. The Investment Committee held nine (9) meetings in 2016.

The members of the Investment Committee during the financial year 2016 up to 22 March 2017 and the record of their attendance are as follows:

Directors	Date of appointment to the Investment Committee	Designation	Tenure in the Investment Committee	Number of meetings attended in 2016
Dato' Mohamed Suffian Awang (Independent Non-Executive Director)	20 January 2015	Chairman	Approximately 2 years 2 months	9 out of 9
Datuk Noor Ehsanuddin Mohd Harun Narrashid (Independent Non-Executive Director)	16 July 2013	Member	Approximately 3 years 8 months	8 out of 9
Dato' Mohd Zafer Mohd Hashim (Independent Non-Executive Director)	20 January 2015	Member	Approximately 2 years 2 months	9 out of 9

The purpose of the Investment Committee is to review and recommend to the Board the Group's Investment Policy, strategic direction, Strategic Plan pertaining to investment and divestment activities, monitor significant matters related to all existing and potential investments of the Group, in line with the Group's prevailing Discretionary Authority Limits and Investment Policy. The Investment Committee shall facilitate FGV Board's statutory and fiduciary responsibility relating to the functions and duties of the Investment Committee.

The scope and functions of the Investment Committee are to evaluate proposals on new investments and disposals of significant value to ensure consistency with the Strategic Plan and returns in excess of a hurdle rate adjusted for risk and performance premium, to recommend investments of a prescribed amount as determined by the Board from time to time under the Group's Discretionary Authority Limits and to review financial investment portfolios of the Group. This includes and is not limited to existing and new mergers & acquisitions, investments, divestments and large capital expenditures together with the required project financing.

The full details of the Investment Committee's Terms of Reference are published in the Company's corporate website at [www.feldaglobal.com](http://www.feldaglobal.com).

# CORPORATE GOVERNANCE STATEMENT



## SUMMARY OF WORK OF THE INVESTMENT COMMITTEE

Through the nine (9) meetings held, the Investment Committee undertook the following principal activities in discharging its responsibilities:

### 1. Reviewed the strategic direction and Strategic Plan of the Group

- a. Evaluated the proposed revision of the strategic direction and Strategic Plan of the Group by considering the status of implementation of the previous strategies identified in the Global Strategic Blueprint to the new SP20 based on the latest achievements and market and economic outlook of each Business Cluster. The Investment Committee reviewed in detail the revised Strategic Plans and targets proposed for each Business Cluster and the guardrails and capabilities required to support the achievement of the revised strategies. The SP20 was subsequently recommended to the Board for approval.
- b. To initiate the implementation of the approved SP20, the Investment Committee evaluated the proposals for rationalisation of the mills, refineries and rubber processing plants of the Group considering the financial, non-financial and business and social impact and implications to all Stakeholders involved in transactions with the mills, refineries and rubber processing plants. The Investment Committee then made its recommendations to the Board for approval.

### 2. Reviewed existing investments portfolios

- a. Reviewed existing Memorandums of Understanding (MOUs) based on the reports of the due diligence conducted before proceeding to sign definitive agreements. The Investment Committee considered and evaluated all concerns and potential high risks raised in the due diligence reports. The MOUs with concerns and potential high risks which could not be mitigated were recommended to the Board for termination.

- b. The Investment Committee at each meeting were updated and apprised with the development and progress of negotiations and formalisation of investments previously approved by the Board. During the year, the Investment Committee dealt with amongst others, the proposals on investments in Zhong Ling Nutril-Oil Holdings Limited in China and PT Eagle High Plantation Tbk in Indonesia.

### 3. Reviewed proposed investments and divestments, including their funding requirements

- a. Reviewed material proposals for investments for furtherance of the Group's businesses. The Investment Committee considered details of each proposal which were evaluated by Management in accordance with the Investment Policy of the Group.
- b. Where the Investment Committee agreed to proceed with new investments, the Investment Committee also approved the setting up of a working committee, appointment of advisors, consultants and a budget to undertake the relevant due diligence exercise. The Investment Committee reviewed and endorsed the due diligence findings and considered Management's recommendations to address any concerns to protect FGV's interests in the investments. Those new investments, which are 'strategically fit' and within the risk appetite of FGV were recommended to the Board for approval.
- c. Considered several project proposals using the Build, Operate, Own and Transfer ("BOOT") concept at selected mills. The projects proposed are to increase efficiency and cut costs at the mills over the long run and will be transferred to the mills at no extra cost at the end of the contract period. In approving these projects, the Investment Committee considered the financial strength of the operators as these are long term investment projects and has reminded Management to ensure the operators will not cause damage to FGV's assets on the land where they operate or hinder the mills' operations as they are operating within the compound of the mills. Only proposals which were endorsed by the Investment Committee were recommended to the Board for approval.

## MATTERS CONSIDERED BY THE INVESTMENT COMMITTEE

The Investment Committee Chairman updated the Board on matters deemed to be of major importance deliberated at the Investment Committee Meetings and its recommendations. The copies of confirmed minutes of each of the Investment Committee Meeting were also circulated to the Board for noting at the next practicable Board Meeting. Amongst the significant matters considered by the Investment Committee during the year 2016:

### Significant matters

New Strategic Plan of FGV Group (SP20)

Proposals on investments in Zhong Ling Nutril-oil Holdings Limited in China and PT Eagle High Plantation Tbk in Indonesia

### How these matters were addressed by the Investment Committee

- Considered the internal assessments and external pressures affecting the Group, industry and macro economic landscapes that have affected the Group's performance.
- Deliberated on the robustness of the SP20 to deliver sustainable growth in the context of the proposed Business Clusters' strategies, business model, human capital strategy and financial discipline.
- Requested for a quantifiable execution plan to support the key strategies stipulated therein and to update the progress to the Board on quarterly basis.
- Monitored the fulfillment of the terms and conditions of the investments which resulted in the eventual termination of the agreements.

## PERFORMANCE REVIEW

On an annual basis, the Board shall evaluate the Investment Committee's performance and extent to which the Investment Committee has met the requirements of its Terms of Reference. This performance assessment may constitute a part of the annual Board effectiveness assessment, pertaining to the assessment of Board Committees.

This Report is made in accordance with a resolution of the Board of Directors and approved at the Board Meeting dated 29 March 2017.

# CORPORATE GOVERNANCE STATEMENT



## REPORT ON THE BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE

### Board Governance & Risk Management Committee

“ We are committed to continuously enhance governance and risk management. ”



**Tan Sri Dr. Sulaiman Mahbob**

Chairman of Board Governance & Risk Management Committee

#### COMPOSITION AND MEETINGS

Under its Terms of Reference, the Board Governance & Risk Management Committee shall comprise of not less than three (3) members whom shall be appointed from members of the Board, a majority of whom must be Independent Non-Executive Directors.

The Board Governance & Risk Management Committee held six (6) meetings in 2016.

The members of the Board Governance & Risk Management Committee during the financial year 2016 up to 22 March 2017 and the record of their attendance are as follows:

Directors	Date of appointment to the Board Governance & Risk Management Committee	Designation	Tenure in the Board Governance & Risk Management Committee	Number of meetings attended in 2016
Tan Sri Dr. Sulaiman Mahbob (Independent Non-Executive Director)	(Appointed as Member on 8 April 2014) (Appointed as Chairman on 24 February 2015)	Chairman	Approximately 2 years 11 months	6 out of 6
Dato' Yahaya Abd Jabar (Senior Independent Non-Executive Director)	29 August 2013	Member	Approximately 3 years 7 months	6 out of 6
Datuk Dr. Omar Salim (Non-Independent Non-Executive Director)	20 January 2015	Member	Approximately 2 years 2 months	3 out of 6

The full details of the Board Governance & Risk Management Committee's Terms of Reference are published in the Company's corporate website at [www.feldaglobal.com](http://www.feldaglobal.com).

The Board Governance & Risk Management Committee's responsibilities are as follows:

- In relation to governance and ethics, to direct and oversee the formulation of the Group's governance framework with a view to inculcate an ethical and governance climate consistent with the Board's risks appetite, guided by the Recommendations of MCGC 2012, to direct and oversee the formulation of the Group's programmes and policies to support the implementation of the Group's governance framework and endorse the blueprints and policies for the Board's approval, to review reports on the status and availability of related procedures by the Group's operations and subsidiaries to implement the Group's policies, to monitor the status and progress of formulation and implementation of the related governance framework, blueprints and policies; and accordingly report to the Board the status and to recommend to the Board the approval of and/or amendments to the Group's governance framework, blueprints and policies.

# CORPORATE GOVERNANCE STATEMENT



- In relation to risk management, to direct and oversee the formulation of the Group's overall enterprise risk management framework and strategies, including policies, procedures, systems, capability and parameters to identify, assess and manage risks to ensure their relevance and appropriateness to the Group's position and business, to advise and report to the Board, the overall risk appetite, tolerance and strategy on managing business risks, to report to the Board, key business risks and seeks its approval on the management of key business risks that are aligned to the Group's risk appetite, to monitor the effectiveness and progress of management of key business risks and accordingly report to the Board the status of the key business risks, and to recommend to the Board, the approval of and/or amendments to the Group risk management framework and strategies, including policies, procedures, systems, capability and parameters, as relevant.
- In relation to sustainability, to direct and oversee the formulation of the Group's overall sustainability framework and strategies, including principles and policies which are aligned with related regulations, monitor the implementation of the Group's approved overall sustainability framework and strategies, including principles and policies and review any Sustainability Report or Sustainability Statement or information having major financial and/or reputational impact to the Group, to be publicly issued by the Group or to be included in the Company's Annual Integrated Report.

The full details of the Board Governance & Risk Management Committee's Terms of Reference are published in the Company's corporate website at [www.feldaglobal.com](http://www.feldaglobal.com).

## SUMMARY OF WORK OF THE BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE

Through the six (6) meetings held, the Board Governance & Risk Management Committee undertook the following principal activities in discharging its responsibilities:

### 1. Governance, ethics and integrity

- a. Reviewed and recommended the policies relating to corporate governance elements which are, External Gift, Entertainment & Hospitality Policy, Asset/Personal Interest Declaration Policy, the Group's Code of Business Conduct and Ethics for employees, Shareholders Communication Policy and the Group's Discretionary Authority Limits. These policies are crucial in developing a strong culture of corporate governance, that allows Management to maintain an effective governance structure to ensure appropriate management of risk and level of internal controls.

- b. Received updates on the status of compliance of Board Governance and Whistleblowing Report in line with Bursa Securities Listing Requirements on the Group's corporate governance disclosure and the principles of MCCG 2012. This reflects the healthiness of governance in the Group and to gauge the effectiveness of the Group's Whistleblowing Policy and Procedures.
- c. Endorsed the execution of FGV Governance & Integrity Award Programme. This programme allows the business units and individuals to exhibit high integrity values and excellent corporate governance attributes. Significant results were achieved as the objectives were met through the assessment scoring, on the maturity level of the organisation for good governance practices.

### 2. Risk management

- a. Received updates on the Group's risk status through the Quarterly Risk Report covering the Group's top ten (10) risks, key enterprise and business risks, project risks, emerging and reputational risks. This ensures the Board is always informed of the Group's risk universe, any significant risks that require closer attention and the prevailing risk profile and outlook.
- b. Approved the creation of new Risk Registers for companies or divisions within the Group yet to have dedicated risk registers. The establishment of these Risk Registers will help ensure that all relevant risks relating to these entities are properly documented.
- c. Deliberated the revised Risk Management Framework with recommendations entailing a two-year implementation roadmap with the objective to institute a robust and enhanced risk culture, controls and processes within the organisation.
- d. Evaluated on the Business Proposal Risk Review Function and Process which institutes necessity of comprehensive risk assessment on business and project proposals, hence instilling the requisite risk culture in business decision-making process.
- e. Appraised the proposed new and revised risk policies and procedures to strengthen risk controls and processes within the organisation.
- f. Reviewed the enhanced risk reporting standard template. The new template makes the Quarterly Risk Reporting more comprehensive and relevant in line with the Company's strategic objectives.

# CORPORATE GOVERNANCE STATEMENT

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## 3. Sustainability

- a. Received quarterly updates on sustainability.
- b. Received progress updates on RSPO certification.
- c. Reviewed the Group Sustainability Policy.

Further details on the sustainability updates presented to the Board Governance & Risk Management Committee are provided in the Sustainability Statement on page 60 of this Annual Integrated Report 2016.

## 4. Reviewed statements included in the Company's Annual Integrated Report 2015

Reviewed the Report on the Board Governance & Risk Management Committee, the Statement on Risk Management and Internal Control and the Statement on Corporate Governance to be included in the Company's Annual Integrated Report 2015 and recommended the same to the Board for approval. The Statement on Risk Management and Internal Control was reviewed reflecting on the reports of the external and internal auditors on the risks and control environment of the Group and related matters that have been brought to the Board Governance & Risk Management Committee and the Board during the related financial year.

## MATTERS CONSIDERED BY THE BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE

The Board Governance & Risk Management Committee Chairman updated the Board on matters deemed to be of major importance deliberated at the Board Governance & Risk Management Committee meetings and its recommendations. The copies of confirmed minutes of each of the Board Governance & Risk Management Committee meeting were also circulated to the Board for noting at the next practicable Board Meeting. Amongst the significant matters considered by the Board Governance & Risk Management Committee during the year 2016:

Significant matters	How these matters were addressed by the Board Governance & Risk Management Committee
Roundtable on Sustainable Palm Oil (RSPO) certification	<ul style="list-style-type: none"><li>• Considered the impact of FGV's withdrawal from RSPO certification on FGV Group's reputation and image.</li><li>• Endorsed management proposal for separate RSPO membership for FGV.</li></ul>
Revised Risk Management Framework	<ul style="list-style-type: none"><li>• Deliberated on recommendations to enhance the Group's Risk Management Framework to instil a stronger risk culture.</li><li>• Considered a two-year implementation roadmap with initiatives to inculcate a more robust risk framework, controls and processes.</li></ul>

## PERFORMANCE REVIEW

On an annual basis, the Board shall evaluate the Board Governance & Risk Management Committee's performance and extent to which the Board Governance & Risk Management Committee has met the requirements of its Terms of Reference, including the term of office and performance of the Board Governance & Risk Management Committee and each of its members. This performance assessment may constitute a part of the annual Board effectiveness assessment, pertaining to the assessment of Board Committees.

This Report is made in accordance with a resolution of the Board of Directors and approved at the Board Meeting dated 29 March 2017.

# CORPORATE GOVERNANCE STATEMENT

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## COMPANY SECRETARIES

Company Secretaries have the prerequisite qualifications and experience to support the Board. Company Secretaries organise and attend all Board and Board Committee meetings and ensure meetings are properly convened; accurate and proper records of the proceedings and resolutions passed are maintained accordingly at the registered office of the Company; and produced for inspection, if required.

Company Secretaries are responsible for advising the Board on issues relating to corporate compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as best practices of governance. The Company Secretaries are also responsible for advising the Directors of their obligations and duties to disclose their interest in securities, disclosure of any conflict of interest in a transaction involving prohibition on dealing in securities and restrictions on disclosure of price sensitive information.

All Directors have unrestricted access to the advice and services of the Company Secretaries. The Board through the Board evaluation assessment questionnaire evaluated the support and services of the Company Secretaries for the financial year under review. The appointment and removal of any of the Company Secretaries is a matter for the Board, as a whole.

## AUTHORITY LIMITS

FGV Board's delegation of powers to the Board Committees, the GP/CEO, the Cluster Boards and the EXCO are aligned to the Board Charter and are expressly set out in an approved FGV Group's Discretionary Authority Limits and Employee Approving Authority (EAA). The Board approved the EAA on 25 March 2015 and the revised FGV Group's Discretionary Authority Limits on 29 March 2017, which is used consistently throughout FGV Group. The Group Discretionary Authority Limits and EAA establishes a sound framework of authority and accountability within the Group, including segregation of duties, which facilitates timely, effective and quality decision-making at the appropriate levels in the Group's hierarchy.

Further details on the Group's Discretionary Authority Limits and EAA are provided in the Statement on Risk Management and Internal Control on page 139 of this Annual Integrated Report 2016.

## CLUSTER BOARDS

The Board appoints its members to sit on subsidiary Boards, in particular the Cluster Boards, namely Felda Global Ventures Plantations Sdn Bhd, Felda Global Ventures Downstream Sdn Bhd, Felda Global Ventures Sugar Sdn Bhd, Felda Holdings Bhd, Felda Global Ventures Rubber Sdn Bhd and FGV R&D and Agri-Services Sdn Bhd to maintain oversight and ensure that the operations of the respective subsidiaries are aligned with the Group's strategies and objectives.

The Cluster Boards are collectively responsible to assist the Board in the proper stewardship of the assigned companies under the respective Business Cluster. The Cluster Boards are responsible to adopt and implement FGV's corporate governance policies and practices for its respective Business Cluster which operate within clearly defined terms of references.

# CORPORATE GOVERNANCE STATEMENT

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The Cluster Boards assume the following responsibilities:

1



## Strategic Direction, Strategic Plan and Annual Business Plan

The Cluster Boards shall review Assigned Companies' proposals on the Annual Business Plan, including budget, taking into account the sustainability of the Assigned Companies' business, including consideration given to the environmental, social and governance aspects of the business. The Cluster Boards shall recommend to the Board the strategic direction, Strategic Plan and the Annual Business Plan of the respective Business Cluster, for the approval of the Board. Upon approval by the Board, the Cluster Boards shall adopt the strategic direction, Strategic Plan and Annual Business Plan for its Assigned Companies. The Cluster Boards shall also monitor the implementation of the strategic direction, Strategic Plan and the Annual Business Plan of its respective Business Cluster.

2



## Business conduct of the Business Cluster

The Cluster Boards shall oversee the conduct of the Business Cluster as a whole, to ensure that the business is properly managed. This includes the financial and non-financial conduct of the Business Cluster. The Cluster Boards shall ensure that there are measures (e.g. key performance indicators, key risk indicators) in place against which Business Cluster's conduct can be assessed. In relation to the monitoring of the Business Cluster's financial conduct, the Cluster Boards are responsible for the following:

1. Monitor financial performance against approved budget;
2. Review the Business Cluster's funding requirements on a continuing basis, including significant treasury matters and its recommendations for financing requirements; and
3. Ensure proper procedures are in place and that the Financial Statements of the Business Cluster are reviewed for integrity and approved for timely lodgement to FGV Group.

3



## Principal risks, internal controls and mitigation measures

The Cluster Boards shall identify principal risks of all aspects of the Business Cluster and ensure the implementation of the internal controls as well as mitigation measures to manage the risks, consistent with the risk appetite of FGV Board.

The Cluster Boards shall be responsible for the following:

1. Continuously appraise the Business Cluster's major, current and emerging risks and oversee that appropriate risk management procedures are in place;
2. Ensure proper implementation of internal control policies and procedures for Business Cluster, to effectively monitor and manage those risks, in line with FGV policies on related matters; and
3. Ensure compliance of the Business Cluster's conduct to the regulatory requirements. The Cluster Head shall be responsible to seek advice from the Cluster Boards on any compliance issues.

In 2017, with the introduction of a new organisation structure which introduces sector groupings, the role of Cluster Boards shall be undertaken by Sector Boards.

# CORPORATE GOVERNANCE STATEMENT

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## EXCO

The EXCO is established to support the GP/CEO in the stewardship of the Group to centrally monitor the Group's performance, co-ordinate and align the Group's management and business operations to achieve FGV Group's vision, mission, strategies, through good corporate governance principles and best business and control practices based on the directions, guidance, decisions and policies of the Board and the Board Committees. The EXCO meets once a month or more frequently as circumstances dictate. The EXCO held 21 meetings in the FYE 2016.

## INSIDER TRADING

In line with the Bursa Securities Listing Requirements and the relevant provisions of the Capital Markets & Services Act 2007, Directors, EXCO Members and principal officers of the Group are prohibited from trading in securities or any kind of property based on price sensitive information and knowledge, which have not been publicly announced. Notices on the closed period for trading in FGV's shares are circulated to Directors, EXCO Members and principal officers who are deemed to have privy to price sensitive information and knowledge, in advance of whenever the closed period is applicable. Further information on prohibitions relating to insider trading is codified in the Directors' CoEC and CoBP.

## CONFLICT OF INTEREST

It has been the practice of the Company to require that members of the Board to make a declaration in the event that they have interests in proposals being considered by the Board, including where such interests arise through close family members, in line with various statutory requirements on the disclosure of Director's interest.

Any interested Directors shall abstain from deliberations and decisions of the Board on the subject proposal and, where appropriate, excuse themselves from being physically present during such deliberations. Further information on conflict of interest is codified in the Directors' CoEC and CoBP.

# CORPORATE GOVERNANCE STATEMENT

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## COMMUNICATING WITH SHAREHOLDERS

We are committed to communicate our strategy and activities clearly to all our Shareholders. The Board recognises the importance of promoting an effective communications channel with all Shareholders while ensuring consistency and clarity of disclosures at all times. An effective communications channel is aimed at providing Shareholders with transparent and accurate information of the Group's financial performance and position. In this respect, the Company thrives in maintaining a high standard for the dissemination of relevant and material information of the Group.

The Group Corporate Disclosure Policy provides the proper framework and guidelines to govern the release of material and sensitive information so as not to mislead the public and Shareholders. Information that is price sensitive or may be regarded as undisclosed material information about the Group is not disclosed to any party until it is already in the public domain through proper disclosure. FGV has in place a Shareholders Communication Policy which was approved by the Board on 25 August 2016 and is published in the Company's corporate website at [www.feldaglobal.com](http://www.feldaglobal.com).

FGV has investor relations programmes which ensure a planned and balanced engagement with its current and potential Shareholders providing a variety of forum including meetings, conference calls, investor conferences and management presentations. All investor relations activities are conducted by Management, including the GP/CEO and/or the Group CFO and/or relevant EXCO Members.

### BRIEFINGS ON THE QUARTERLY RESULTS

The Company holds briefings and/or conference calls with the media and analysts immediately after announcement of quarterly results to Bursa Securities, chaired by the GP/CEO or the Group CFO. The briefings provide a platform for the media and analysts to receive a balanced and complete view of FGV Group's performance and issues faced.

### INVESTOR MEETINGS

The Investor Relations unit has frequent one-on-one and group meetings with analysts, investors and potential investors throughout the year to provide constant communications with the investment community. Reasonable access to EXCO Members is also provided to ensure analysts and important investors are able to meet with EXCO Members. In 2016, FGV conducted 25 engagement sessions with investors and analysts via face-to-face meetings and conference calls. Investor queries may be addressed to the Investor Relations unit through the following contact:

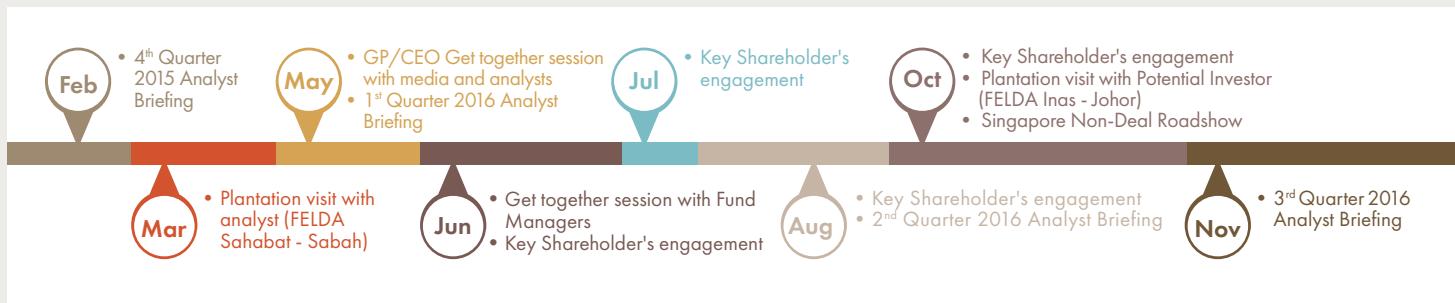
Head of Investor Relations  
Investor Relations and Enquiries  
Felda Global Ventures Holdings Berhad  
Level 45, Menara Felda, Platinum Park  
No. 11, Persiaran KLCC, 50088 Kuala Lumpur  
Malaysia

Tel : +603 2859 0000  
Fax : +603 2859 0016  
E-mail : [fgv.investors@feldaglobal.com](mailto:fgv.investors@feldaglobal.com)



# CORPORATE GOVERNANCE STATEMENT

## Investor Relations Calendar



## GENERAL MEETINGS

The Group's Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) represent the primary platforms for direct two-way interaction between the Shareholders, the Board and the EXCO and act as a principal forum for dialogue with all Shareholders.

For 2016, the Company sent out the notice of the AGM and related Circular to Shareholders more than 21 days. The notice of AGM was also advertised in Malaysian newspapers in dual languages, English and Bahasa Malaysia. The venue of the AGM was in Kuala Lumpur and provided easy access to the Shareholders. The Chairman, the Board members, the EXCO and the external auditors were in attendance and responded to questions raised and provide clarifications as required by the Shareholders.

The Chairman informed Shareholders that in line with the recommended best practices in corporate governance, poll voting will be conducted through electronic voting (e-Polling) as this is a more efficient and transparent process that results in a fair and more accurate reflection of Shareholders' views. The Chairman further informed Shareholders that this practice would enforce greater Shareholders' rights, and it is consistent with the principle of "one share one vote".

The GP/CEO of FGV, Dato' Zakaria Arshad presented the Company's performance report for the FYE 2015 and read the responses to questions submitted by MSWG, Employees Provident Fund and Kumpulan Wang Persaraan (Diperbadankan). All Shareholders were encouraged and were given sufficient opportunity to enquire about the Group's activities and prospects as well as their expectations and concerns. Shareholders were also urged to participate in the question and answer session on the resolutions proposed and the Group's operations in general.

The Chairman demanded a poll voting for all resolutions. Shareholders who were unable to attend were allowed to appoint proxies in accordance with the Company's Articles of Association to attend and vote on their behalf. The outcome of the AGM was announced to Bursa Securities on the same day and the summary of the minutes of the 2016 AGM was made available in the Company's corporate website at [www.feldaglobal.com](http://www.feldaglobal.com).

## CORPORATE WEBSITE

FGV's corporate website at [www.feldaglobal.com](http://www.feldaglobal.com) provides quick access to information about the Group. The information on the Company's corporate website includes corporate profile, the Board and Key Senior Management profiles, announcements released to Bursa Securities, press releases, share and dividend information, presentations to investors, financial results and corporate news. The Company's corporate website is updated periodically to provide current and comprehensive information about FGV Group.

## ANNUAL INTEGRATED REPORT

This Annual Integrated Report (AIR) 2016 is FGV's second AIR and its fifth Annual Report produced since its listing on Bursa Securities on 28 June 2012. The AIR provides a comprehensive report on the Group's operations and financial performance. The AIR is also printed in summary form together with a digital version of the AIR in CD-ROM format. An online version of the AIR is also available on FGV's corporate website.

## MEDIA COVERAGE

Media coverage on the Group through print media or television coverage, is also conducted proactively at regular intervals to provide wider publicity and improve the general understanding of the Group's business among investors and the public.

# CORPORATE GOVERNANCE STATEMENT

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## DIVIDEND POLICY

The Company presently adopts a dividend pay-out ratio of at least 50 percent of its profit after tax (PAT) attributable to Shareholders excluding non-recurring income. As the Company is an investment holding company, its income and ability to pay dividends are dependent upon the dividends received from its subsidiaries, which in turn would be determined by the subsidiaries' distributable profits, operating results, financial condition, capital expenditure plans and other relevant factors. It is the policy of the Board, in recommending dividends, to allow Shareholders to participate in the Company's profit, as well as to retain adequate reserves for future growth.

With the new Companies Act 2016 requirement, the Company shall perform a solvency test to ensure that the Company is solvent and able to guarantee continued operations subsequent to the declaration of the dividend. The Directors shall sign a statutory declaration verifying that the Company is solvent when declaring dividend.

## FINANCIAL REPORTING AND DISCLOSURE

The Board ensures that Shareholders are presented with a clear, balanced and comprehensive view of FGV Group's financial performance and prospects through the audited Financial Statements, quarterly announcement of results, the Chairman's Statement, the Management Discussion and Analysis in the AIR 2016 as well as corporate announcements on significant developments affecting the Company and the Group in accordance with the Bursa Securities Listing Requirements. Timely release of announcements reflects the Board's commitment to provide up-to-date and transparent information on the Group's performance.

In the preparation of the Financial Statements, the Directors have considered compliance with all applicable Financial Reporting Standards, provisions of the Companies Act and relevant provision of laws and regulations in Malaysia and the respective countries in which the subsidiaries, associates and joint venture companies operate. The Audit Committee assists the Board in reviewing both the annual Financial Statements and the quarterly announcement of results to ensure the reports reflect a true and fair view of the state of affairs of the Group and the Company.

## STATEMENT OF DIRECTORS' RESPONSIBILITY IN PREPARING AUDITED FINANCIAL STATEMENTS

The Companies Act requires the Directors to prepare Financial Statements for each financial year in accordance with the Financial Reporting Standards. The Companies Act also places responsibility on the Directors to ensure that the Company's Financial Statements provide a true and fair view of the financial position of the Group and the Company, the financial performance and the cash flows for the financial year ended. The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Group's and the Company's position in the Directors' Report on pages 146-150 and the Financial Statements set out on pages 146-340 of this AIR 2016.

## ENHANCING GOVERNANCE

In our efforts to enhance governance, the Board endorsed the following policies in 2016:

- **Code of Business Conduct and Ethics for Employees (COBCE)**  
The COBCE guides our employees to embrace the Group's values and comply with applicable laws and regulations, through honest, transparent and ethical business practices. The COBCE covers areas such as compliance, integrity, conduct in the work place, business conducts, protection of the Group's assets, confidentiality and conflict of interest.
- **External Gift, Entertainment & Hospitality Policy (GEH Policy)**  
The GEH Policy is modelled based on good practices to govern the giving and receiving of gifts, entertainment and hospitality to or from third parties with emphasis on integrity, ethical standards and adherence to the law. The Group endeavours to maintain a high standard of integrity, transparency and accountability in all aspects of its business through efficient, productive and disciplined behaviour.
- **Asset/Personal Interest Declaration Policy (APID Policy)**  
The APID Policy is intended to reflect the directors and employees' transparency towards the Group. It is also to ensure that the assets and personal interests are acquired through reasonable legal means within their financial ability and free from conflict of interest situation.

# CORPORATE GOVERNANCE STATEMENT

## WHISTLEBLOWING MECHANISM

The Group has in place a Whistleblowing Policy and Procedures (Whistleblowing Policy) to encourage transparent and ethical conduct within the Group. The Company has continuously reviewed the Whistleblowing Policy, and the latest version was approved by the Board on 26 November 2015. The main objectives of the Whistleblowing Policy are:

1. To provide avenues for employees to disclose any acts of wrongdoing.
2. To assure the employees that they will be protected from reprisals, discrimination or victimisation for whistleblowing in good faith.
3. To provide a formal mechanism for action on all reports made.
4. To take necessary action of any matter of wrongdoing reported by other sources.

Matters on which reports of wrongdoing may be made, include:

1. Malpractice, impropriety, fraud and embezzlements.
2. Misappropriation of assets and funds.
3. Criminal breach of trust.
4. Illicit and corrupt practices.
5. Questionable or improper accounting.
6. Misuse of confidential information.
7. Acts or omissions, which are deemed to be against the interest of the Group, laws, regulations or public policies. Breaches of any FGV Group policies or FGV Code of Business Conduct and Ethics for employees.
8. Attempts to deliberately conceal any of the above or other acts of wrongdoing.
9. Abetting any of the above.

Reports of wrongdoing can be channelled via the following :

1. In writing
  - a. Posting through e-Alert form in FGV's corporate website.
  - b. Through written letter to any of the Identified Individuals as per the Whistleblowing Policy.
  - c. E-mail to [alert@feldaglobal.com](mailto:alert@feldaglobal.com) or to any of the Identified Individuals as per the Whistleblowing Policy.

2. Telephone call

Telephone call can be made to the whistleblowing hotline at the following numbers:

Country	Phone Number
Malaysia	1800-888-717
USA	18 555 030 531
Thailand	1800 060 162
Indonesia	001 803 601 940
China South	10 800 260 0730
China North	10 800 6000 146
Pakistan	00800 90 060 009

3. In person by walking in to the Whistleblowing Secretariat

Conclusions and status of cases reported and investigated are presented to the Board Governance & Risk Management Committee on a quarterly basis.

## RELATED PARTY TRANSACTIONS AND RECURRENT RELATED PARTY TRANSACTIONS MECHANISM

The Company has in place a Related Party Transactions and Recurrent Related Party Transactions Policy (RPT and RRPT Policy) which is continuously reviewed. The latest version of the RPT and RRPT Policy was approved by the Board on 24 May 2016. The objectives of the RPT and RRPT Policy are as follows:

1. To set out the framework for the identification, monitoring, evaluation, reporting and approval of related party transactions and recurrent related party transactions of FGV Group.
2. To put in place the guidelines and processes to ensure that related party transactions and recurrent related party transactions are undertaken on terms not more favourable to the related parties than generally available to the public, and are not detrimental to the minority Shareholders and in the best interest of FGV Group.

The Company had sought its Shareholders' mandate at the previous AGM in 2016 for the Group's recurrent related party transactions of a revenue or trading nature and necessary for day-to-day operations from the 2016 AGM date until the next AGM in 2017. At the forthcoming AGM, the Company will seek its Shareholders' mandate for the Group's recurrent related party transactions of a revenue or trading nature from the 2017 AGM date until the next AGM in 2018. The details of the recurrent related party transactions requiring Shareholders' mandate are provided in the Circular to Shareholders which will be sent together with this AIR 2016.

# CORPORATE GOVERNANCE STATEMENT

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## LONG TERM INCENTIVE PLAN

FGV Long Term Incentive Plan (LTIP) was established and approved by the Board on 3 February 2016 for a period of ten (10) years. FGV LTIP consists of Performance Share (PS) and Restricted Share (RS) whereby the main difference is the eligibility of the employees in terms of job grades as well as the performance targets. FGV LTIP serves to reward, retain and motivate employees whose contributions are vital to the Group's business' growth and profitability.

The first LTIP RS Grant which consists of 859,800 ordinary shares was made to selected employees on 1 July 2016. These employees were selected based on their level of contributions and performance in FYE 2015. This RS grant has a three (3) years vesting period and it shall vest automatically every year based on 30:30:40 ratio upon reaching the vesting dates as determined by the LTIP Committee. The LTIP Committee had vested 24,600 and 20,700 ordinary shares on 31 October 2016 and 31 December 2016 respectively to two (2) retiring employees. As at 31 December 2016, there are 814,500 outstanding ordinary shares in FGV.

Under the above-mentioned LTIP RS Grant, the GP/CEO, Dato' Zakaria Arshad was granted 147,100 ordinary shares and no ordinary shares were vested to him in FYE 2016. Selected Key Senior Management was granted an aggregate of 388,300 ordinary shares or equivalent to 45% of total ordinary shares granted. No other RS Grant or PS Grant was made and none of the Non-Executive Directors were granted the LTIP RS Grant in the FYE 2016.

## CORPORATE INTEGRITY

Since the signing of the Malaysian Corporate Integrity Pledge on 9 April 2012, FGV remains committed to uphold the integrity principles and strive towards creating a business environment that is free from corruption in the conduct of its business and in its interactions with its business partners and the authorities. In the journey towards achieving good governance, FGV is committed to a culture of integrity. This is to ensure that FGV Group conducts its businesses globally in compliance with laws and ethical values.

Through the execution of the Directors' CoEC and CoBP, the COBCE, the Code of Ethics and Integrity Policy, GEH Policy, APID Policy, the Corporate Integrity Pledge, the Integrity Pact and FGV Integrity Plan, FGV Group is committed to:

1. Take pride in contributing towards FGV's success;
2. Uphold FGV's core values PRIDE (Partnership, Respect, Integrity, Dynamism and Enthusiasm);
3. Deliver products and services to customers as pledged;
4. Perform to our best ability at global standards, whilst continuously improving the quality of our products and services;
5. Adhere to all sets of laws, policies, procedures, rules, regulations and guidelines; and
6. Adopt an open and honest attitude in all aspects.

## SUSTAINABILITY

The Group conducts its business responsibly by managing the economic, environmental and social risks and opportunities. The Group's commitment to sustainability is embedded in the SP20.

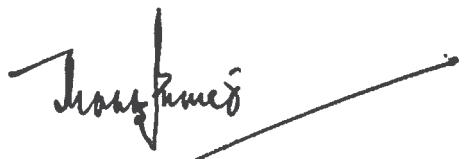
The Group's implementation of the sustainability measures are monitored through proper action plans and ensuring frequent updates to the relevant Stakeholders. The Sustainability Statement is set out on pages 58-81 of this AIR 2016.

The Group has published its second Sustainability Report in 2016 which is available on FGV's corporate website. The Sustainability Report 2016 represents a new chapter in FGV's journey and builds on its legacy and commitment to sustainable business practices.

## STATEMENT BY THE BOARD

This Statement is made in accordance with a resolution of the Board of Directors and approved at the Board meeting dated 29 March 2017.

On behalf of the Board



**Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad**  
Chairman

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## HOW WE APPROACH RISK

In an increasingly fast-paced and complex business environment, it is critical that we understand the link between risk and control. In FGV, this link is formalised through alignment of risk management processes, which supports fulfilment of our strategic priorities, thereby delivering value to all Stakeholders.

## OVERVIEW OF OUR APPROACH

Our business is subject to constant changes that require us to regularly assess risks against our strategy. In our Group, risk management is an integrated discipline. We recognise the pivotal role it plays in balancing strategic planning with business execution and compliance. This facilitates informed decision-making and a conscious evaluation of opportunities and risks.

The matrix for oversight, assurance, risk management and internal control is clearly set up in FGV. Our risk management oversight approach is premised on the four lines of defence model, coordinating various players involved and their activities to effectively monitor the enforcement of risk culture.



## RESPONSIBILITIES AND ACCOUNTABILITIES

Our Board acknowledges its overall responsibility in overseeing the Group's risk management framework and internal control systems and is cognisant that the framework and control systems are designed to manage and reduce, rather than eliminate, the risks identified to an acceptable level of risk appetite.

The Board Committees that support the Board in its risk management and internal control responsibilities, are as follows:

- (i) Board Governance & Risk Management Committee (BGRMC) is tasked to oversee risk management and governance aspects of the Group. The activities of the Board Governance & Risk Management Committee are summarised in the Report on the Board Governance & Risk Management Committee on pages 123-124 in this AIR;
- (ii) Audit Committee is tasked to assess the risks and control environments and oversee financial reporting, through the external and internal audit. The activities of the Audit Committee are summarised in the Report on the Audit Committee on pages 110-112 in this AIR;
- (iii) Investment Committee is tasked to ensure investments undertaken are aligned to the Group's vision and overall risk appetite. The activities of the Investment Committee are summarised in the Report on the Investment Committee on pages 120-121 in this AIR; and
- (iv) Nomination and Remuneration Committee is tasked to ensure that the Group's remuneration framework attracts and retains right talents with appropriate competencies to ensure organisation capability and human resource risks are managed. The activities of the Nomination and Remuneration Committee are summarised in the Report on the Nomination and Remuneration Committee on pages 118-119 in this AIR.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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## RISK MANAGEMENT FRAMEWORK

At management level, FGV Board is supported by a dedicated Group Risk Management Division (GRMD) which undertakes the following responsibilities:

- Reviewing, assessing, enhancing and monitoring the Group's Risk Management Framework including risk management policies and procedures;
- Maintaining the Risk Registers of the Group;
- Providing guidance to all Group's operations in identifying and assessing risks, developing relevant and effective mitigation strategies to manage the risks;
- Preparing risk reports to BGRMC and Board;
- Undertaking analysis on specific risks and where necessary, reporting the same to BGRMC and the Board; and
- Overseeing the Group's Business Continuity Management.

GRMD is divided into three (3) units, namely Strategic Risk Management (SRM), Enterprise Risk Management (ERM) and Business Continuity Management (BCM). The role of SRM is to facilitate risks identification process and assist the development of risk mitigation plans so that the Group could achieve its strategic vision and aspirations, whilst ERM facilitates business units in establishing their respective risk registers and assist the business units to identify their respective enterprise risks and develop the necessary risk mitigation plan to manage those risks. The BCM's primary function is to assist the companies within the Group to develop continuity planning to ensure operations or enterprises will have minimal downtime and appropriate disaster recovery processes are in place.

GRMD liaises with the Risk Owners, who are customarily the heads of Business Clusters and Corporate Centres. The Risk Owners are supported by their respective Cluster Risk Champions and Risk Champions. The Cluster Risk Champions and Risk Champions are individuals nominated as representatives of the respective clusters, subsidiaries or corporate centres, to coordinate with the Risk Owners in identifying, evaluating, managing and monitoring their respective key risks. They are also tasked with ensuring the implementation of the action plans to effectively mitigate the risks identified.

Matters related to risks and mitigation plans are deliberated in the EXCO meeting prior to them being escalated and tabled to the BGRMC and subsequently to the Board.

An overview of the Group's Risk Management Framework is depicted below:-



## RISK MANAGEMENT PROCESSES

We manage risks by incorporating measures into corporate and operating plans to require mitigation of risks if they exceed our appetite and tolerance.

Our Risk Management Processes are supported by policies and procedures which are consistent with the ISO 31000 Risk Management Standard, developed to aid relevant personnel in undertaking their risk management responsibilities. The process detailed below, is rolled out across the Group, and risk profiles are developed at business clusters, corporate centres, and subsidiaries.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## MONITORING AND REVIEW

The monitoring and review process tracks the current status of the risk profile, detects changes in the risk context and ensures that the controls are adequate in both design and operation.

### RISK ASSESSMENT

#### Phase 1 Establish context

Establish the strategic, organisational and risk management process context by considering the environment within which the risks are present.

#### Phase 2 Risk identification

Identify all uncertain future events that may impact the achievement of objectives, which form the basis for further analysis.

#### Phase 3 Risk analysis

Assess risks in terms of impact and probability, and plot them on the FGV risk matrix to derive a prioritised list of risks for further action.

#### Phase 4 Risk evaluation

Establish an understanding of the risks by considering the relationship between the causes, risks and consequences and thus enable us to evaluate key risk mitigating controls.

#### Phase 5 Risk treatment

Identify controls and responses to manage inherent risks to an acceptable residual risk level. Assess the effectiveness of mitigating controls in collaboration with the relevant risk and control owners.

### RISK REPORTING

Communicate and consult with internal and external Stakeholders, as appropriate, at each stage of the risk management process.

## REVIEW OF RISK MANAGEMENT

In the spirit of ensuring continuous improvement of Risk Management, FGV conducted the following review processes in 2016:

### • Risk Controls Assessment

All risks identified are reviewed on a quarterly basis by the Risk Owners and Risk Champions. These quarterly updates are then reviewed by the Cluster Heads, subsidiaries' CEOs and Corporate Centre Heads respectively.

### • Risk Registers Review

GRMD conducts periodic review on the Group's Risk Registers to ensure the risks and their mitigation measures are relevant. Additionally, GRMD conducted specific risk register reviews on selected subsidiaries and corporate centres to identify and communicate improvement opportunities in those risk registers. In 2016, GRMD conducted 29 specific Risk Registers reviews.

### • Risk Reporting Enhancement

In 2016, GRMD has revised its risk reporting template to make the reporting more dynamic. The new reporting template consists of new sections apart from the usual top ten risks e.g. key enterprise & business risks, emerging risks, project risks and reputational risks.

### • Risk Management Framework Review

FGV engaged an external consultant to review FGV Group Risk Management Framework. The findings and recommendations of the consultant were tabled to BGRMC and the Board. On 24 May 2016, the Board approved a two-year roadmap for GRMD to implement and put the recommendations in place.

### • Risk Management Process Review

Annually Group Internal Audit undertakes audit of the risk management process of the Group. GRMD obtains advice from Group Internal Audit in regards to any improvement required to enhance the effectiveness of the risk management process.

### • Business Continuity Plan (BCP) Documentation Review

GRMD has conducted review on the effectiveness of the BCP Documentation, together with Business Continuity Management (BCM) Coordinators across the Group. The BCP Documentation is designed to cater for every business stream. Business mitigation strategy is reviewed and revised according to the business operation environment annually. These practices ensure the Group are well versed with their BCP Strategy and thus, be able to respond efficiently in the event of a disaster.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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## KEY RISK MANAGEMENT ACTIVITIES

During 2016, the Group undertook a purposeful shift in how we approach risk management - a shift that has made us more focused towards achieving vision and mission. This requires an even greater emphasis on strategic risk management. We have begun to better integrate our strategies and risk management, thereby enabling us to take the appropriate mitigation measures to optimise value.

Listed below are the key risk management activities undertaken by GRMD in 2016 to inculcate and embed risk management culture in the Group:

<b>Quarterly Risk Report for FGV Group</b>	Expanded the scope of the Quarterly Risk Report to cover risks from a group wide perspective. The enhanced report highlights new risk segments covering Key Enterprise & Business Risks, Emerging Risks, Project Risks and Reputational Risks
<b>FGV Risk Management Framework Review</b>	Obtained external views on the comprehensiveness of the Group's Risk Management framework. The recommendations and implementation roadmap was tabled to the Board and duly approved on 24 May 2016.
<b>SP20 Risk Analysis</b>	The Group challenged the robustness of our SP20 by identifying the risks and formulating related mitigation plans.
<b>Policies &amp; Procedure Review</b>	The Group reviewed its policies and procedures to better manage risks exposure especially in commodities trading and forex policy.
<b>Project/Business Proposal Risk Review</b>	Key project/business proposals were considered with a view of related risks and mitigation plans were derived.
<b>Risk Appetite Statement</b>	GRMD has initiated the formulation of FGV Group Risk Appetite Statement. GRMD is hopeful that FGV Group Risk Appetite Statement will be approved and adopted by the Board by mid 2017.
<b>Project/Business Proposal Risk Review Function and Process</b>	The Project/Business Proposal Risk Review Function and Process was tabled and duly approved by the Board on 22 November 2016.
<b>Training and Awareness</b>	16 risk management, 25 ISO 9001:2015 risks based thinking awareness and 47 BCM training sessions were conducted. In 2016 FGV was accorded the " <b>Continuity Awareness Award 2016</b> " for its Business Continuity Awareness programmes during the Regional BCM Conference & Awards of Excellence by the Disaster Recovery Institute International.
<b>BCM Testing</b>	28 BCM testing exercises were conducted across the Group.

## RISK PROFILE AND KEY RISKS

Our key risks for 2016 are as follows:

Risk Category	Description & Impact	Mitigation Measures	Cluster Affected
<b>Operational Risk:</b> Escalating operational costs	Escalating operational costs due to external factors e.g. weak Ringgit, increase in inflation and interest rates and also due to increase in the size of the Group and commercial undertakings.	We apply close monitoring and adherence to the approved budget to keep our costs in check.	Group-wide
<b>Operational Risk:</b> Inability to achieve optimum oil yield per hectare due to ageing palm tree profile affecting overall palm oil yield	The factors that influence the yield of Fresh Fruit Bunch (FFB) are the age and maturity of oil palms. Their prime productive period is at year 10 through 20 after planting. Thus, it is advisable for plantation companies to undertake replanting approximately every 25 years to ensure continuous long term efficient production and sustainable yields. However, newly planted oil palms do not yield FFB until they reach harvestable age, which is about two and a half years after planting, and the yield of young trees is significantly lower than the yield of mature trees. Our replanting programme has a short to medium term impact on the FFB produced which in turn may affect our revenue and margins.	We structured our replanting programme on a rolling basis to minimise the effect on FFB production in any given year. We have embarked on the programme since 2007 and will continue until the age profile of our plantation is fully optimised.	Palm Upstream
<b>Commodity Price Risk:</b> Fluctuation of local and international commodity prices affecting prices of FFB, CPO and other palm oil based products	Our profit may be impacted by the fluctuation of CPO prices which sometimes are lower than breakeven point resulting in a lower profit. A prolonged and significant low CPO price would have a material adverse effect on FGV cash flows and profits.	Cost Control Unit was established at Headquarters to monitor estate costs and a steering committee for costs saving initiative was formed, to mitigate during periods of depressed CPO prices.	Palm Upstream, Palm Downstream and TMLO

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Category	Description & Impact	Mitigation Measures	Cluster Affected
<b>Commodity Price Risk:</b> Volatility of raw sugar price	The price of raw sugar is volatile and in the recent years is on an increasing trend.	A robust hedging policy is adopted and implemented.	Sugar
<b>Environmental Risk :</b> Erratic Weather Conditions Impacting Operation	Our supply of FFB is affected by adverse weather such as prolonged hot weather in early part of the year and flooding at the end of the year.	We have formed a Task Committee to specifically look into and address the issue. Our estates practice "Best Management Practices" and we have also increased the maintenance of infrastructure within our estates . Our estates continuously explore new methods and innovation e.g., piping systems were introduced to mitigate drought conditions.	Palm Upstream, Palm Downstream & Sugar
<b>Human Resource Risk:</b> Our plantation is highly dependent on foreign labour	Our plantation is highly dependent on foreign workers especially from Indonesia for its operations. Additionally, policy changes, increased competition and intensified scrutiny of labour management may impact our operations, which in turn leads to decrease in sales and profit.	To reduce dependency on human labour, our estates have since 2015, implemented increased mechanization techniques. We have taken several initiatives to improve the relationship with local and foreign authorities so that we are viewed as preferred employer.	Palm Upstream
<b>Organisation Capability Risk:</b> Ensuring Group has a talent pool with right competency and skill-sets	Pool of talent with right skill-sets and competency is necessary to ensure continuous growth of the Group.	Apart from external trainings, in-house training programmes were developed for our employees to bridge the competency gap.	Group-wide
<b>Market Risk:</b> Volatile FOREX movement may result in losses or loss of opportunity gain	As a substantial portion of our revenues from CPO trading, sugar exports and raw materials are denominated in USD, fluctuation in exchange rate between USD and Ringgit Malaysia and a weak Ringgit, could have adverse effect on FGV operations and financial condition.	As a measure to manage FOREX exposure, FGV implemented a strict hedging policy. The Group also strengthened its controls and monitoring oversight by enhancing the Group FOREX Policy to ensure risks on FOREX transactions are constantly mitigated.	Group-wide
<b>Compliance &amp; Reputational Risk:</b> Risks related to meeting global sustainability standards and certifications	FGV is committed to achieving compliance to RSPO Guidelines, labour laws and other quality standards to achieve excellence in quality management of our businesses. Compliance to these standards will ensure wider market reach with the current demand for sustainable palm oil. However, challenges to keep up with certification requirements for a wide range of businesses and increased allegations on non-conformity may lead to reputational issues that need to be managed.	FGV has set up a Sustainability Division in 2016 and the Group Sustainability Policy was approved by the Board on 25 August 2016 to ensure corporate, environmental and other sustainability requirements are determined, structurally implemented and managed.	Palm Upstream, Palm Downstream and TMLO
<b>Competition Risk:</b> Shrinking market share locally and globally	<ul style="list-style-type: none"> <li>The palm oil industry is highly competitive. FGV faces competition from palm oil producers both locally and globally.</li> <li>Our palm oil also competes with other edible oils, such as soya.</li> <li>Our downstream cluster faces stiff competition from established brands as well as uncertainty of consumer acceptance for new products and uncertain volume growth of current (slow-moving) products.</li> </ul>	FGV has progressively reviewed and strengthened our marketing strategy and approach. Our Downstream cluster has also embarked on innovation of downstream products.	Palm Downstream and TMLO

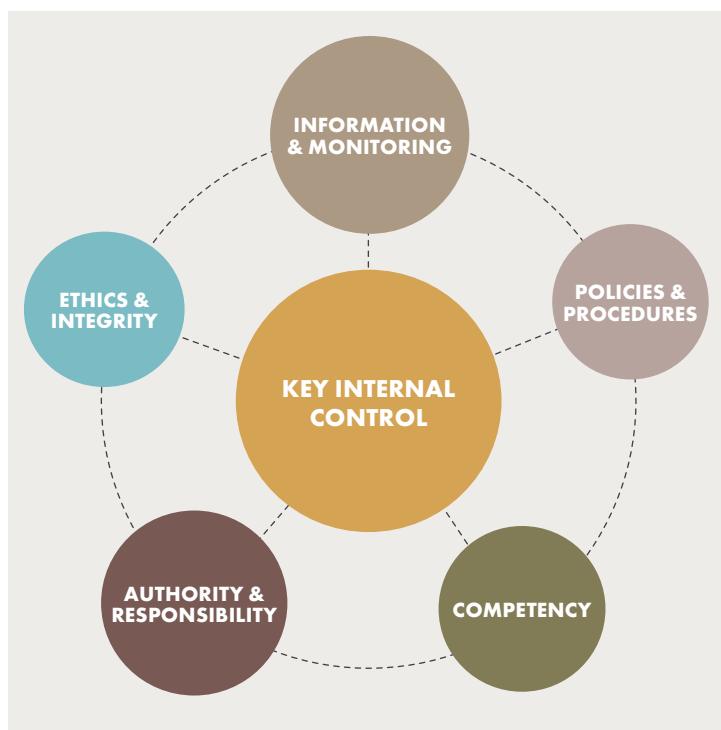
# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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## OUR KEY INTERNAL CONTROL STRUCTURE

We have in place an integrated framework of internal controls which applies to all subsidiaries within the Group except for joint venture companies and associates not managed by FGV. However, we ensure that our interests and investments are safeguarded by having board representation(s) and/or nominated appointee(s) in the respective joint ventures and/or associates.

The key elements of our internal control structure are as follows:



## Policies and Procedures

Our expectations regarding duty and integrity are clearly spelt out in formal policy manuals, which include the Company's Code of Conduct and Management Control Standards Manual. Such controls are extended and implemented at our subsidiaries. These policies and procedures are established with reference to International Standards such as, *inter alia*, ISO 9001, ISO 14001, OSHAS 18001, RSPO, HACCP, HALAL. The latest version of ISO 9001:2015 has given greater emphasis in managing risk within its operations. The Operational Policies and Procedures are reviewed periodically to remain effective and relevant to support the Group's business activities at all times as it continues to grow and transform locally and across borders. Both Group and Operational Policies also facilitate compliance to regulations, listing and governance requirements.

## Ethics and Integrity

Ethics and integrity values are fundamental base of our internal control system. In the spirit of continuous improvement and enhance the internal control system, FGV has developed and enhanced the following policies:

- Code of Business Conduct and Ethics for employees (COBCE)
- External Gift, Entertainment & Hospitality Policy (GEH)
- Asset/Personal Interest Declaration Policy (APID)
- Whistleblowing Policy and Procedures

## Information and Monitoring

Our performance against our business plan and annual budget is measured and monitored through the following mechanisms:

- **Tableau Online Performance Dashboard**

Selected key employees use the Tableau as an online performance dashboard to monitor the monthly business performance, to analyse and make appropriate business decisions with the view to achieve the Group's organisational goals.

Tableau performance dashboard was introduced in April 2016 and covers both financial and operational parameters.

- **Financial and Operational Review**

The GP/CEO and the Group CFO present the Group Quarterly Financial Statements and the Operational Performance analysis to the Audit Committee and the Board for approval and subsequently released to Bursa Malaysia.

## Authority and Responsibility

- **Organisation Structure**

We organise our operations into six (6) Business Clusters, which are supported by Corporate Centre Divisions at FGV level. In achieving our strategic and business objectives, the Group has undergone several key transformational changes and an effective organisational architecture has been designed which combines employees in functions and product structures, across the Group's Business Clusters and Corporate Centre Divisions. A matrix reporting model has been designed and implemented within FGV Group which provides the following benefits:

- a. Clear segregation of roles and accountabilities which allowed a better focus and more efficient utilisation of resources.
- b. Centralisation and consolidation of key functions based on the Group Support Function's strategy and framework.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## • **Group Discretionary Authority Limits (DAL)**

In line with the effort of continually improving internal controls, the Group DAL is continuously reviewed and updated to promote organisational efficiency whilst ensuring that it is aligned to the Group's way of doing business and tolerance for risk. The Group DAL establishes a sound framework of authority and accountability within the Group, including segregation of duties, which facilitates timely, effective and quality decision-making in addition to stricter financial controls. The last review of Group DAL was recently undertaken, and approved by the Board on 22 November 2016.

## • **Employee Approving Authority (EAA)**

Group EAA has been implemented in April 2015 to ensure accountability across Business Clusters, Corporate Centre Divisions and subsidiaries. It defines the delegation of authority in respect of HR related processes and shall be read together with the Group DAL.

## • **Job Description**

Each role in the organisation structure is supported by clear description of job responsibilities which are linked to the vision and goals of the Group. A well developed and effective job description has been designed for clarity of responsibilities and relationship between functions which will enhance collaboration across the Group moving towards operational efficiency besides supporting the future people planning. It can retain and motivate the best talents by ensuring that employee's expectations are aligned with business expectations.

## Competency

FGV's learning and development strategy aims to develop our workforce capabilities, skills and competencies to create a sustainable and successful organisation. It is an important part of our overall business strategy which supports the management of change, enhances employee engagement and helps drive high performance culture.

The learning and development programmes are based on FGV's three-pronged transformation strategy:

- Enhancing Revenue
- Cost Optimisation
- Operational Excellence

To meet the demands of the business and the industry, FGV requires a continuous supply of competent workforce. The following are training programmes developed for each level of FGV's workforce:

### a. **Top Leadership**

Programmes for C-Suite encompassing Leadership Talk Series, In-House Courses and courses at renowned leadership centers.

### b. **Senior Leaders Programme (SLP)**

This programme is designed primarily for FGV's senior management.

### c. **Functional Leaders Programme (FLP)**

Middle Managers programme to upskill them to the next competency level.

## d. **Trainee Programmes**

These programmes are designed to ensure continuation of talent especially in critical areas as follows:

- i. The Cadetship in Plantation Management Course (Cadet Planters) and Cadetship in Palm Oil Mill Engineering Programme (Cadet Mill Engineers).
- ii. The Accountant Trainees programme towards achieving certifications of ACCA, CIMA, ICAEW or a Certified Internal Auditor.
- iii. The Management Trainees programme.

## e. **Supervisors Programme**

Supervisors are the backbone of Palm Upstream Cluster. We ensure they are properly trained in their functional areas. Their role as front line leaders are very important in driving FGV's primary workforce is well led, engaged, productive and creates an innovative supportive culture.

## RISK MANAGEMENT APPROACH FOR FGV LISTED SUBSIDIARY

MSM Holdings, as a listed subsidiary of FGV, undertakes its risk management and internal control responsibilities through MSM's Audit Committee, MSM's Investment Committee and MSM's Board Governance & Risk Management Committee for subsequent deliberation at MSM Board. Any risks identified as having significant impact on FGV group is reported to BGRMC and where it has direct impact to the financial of the Group, is reported directly to Audit Committee, and subsequently to FGV Board.

## REVIEW OF STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the External Auditors have reviewed this Statement for inclusion in the 2016 Annual Integrated Report. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants.

The External Auditor had reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy of the risk management and system of internal control.

## STATEMENT BY THE BOARD

Based on the processes and measures undertaken by the Board and its Committees during the financial year and assurance provided by the GP/CEO and the Group CFO, the Board is of the view that the risk management framework and internal control system as described in this Statement is operating adequately and effectively in all material aspects to safeguard the interests of our Stakeholders.

This Statement is made in accordance to the resolution of the Board dated 29 March 2017.

# STATEMENT ON DIRECTORS' RESPONSIBILITY

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The Directors are required by the Companies Act, 1965 (Act) to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the results and the cash flows of the Group and the Company for the financial year. As required by the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the Financial Reporting Standards issued by the Malaysian Accounting Standards Board and the provisions of the Act.

The Directors consider that in preparing the financial statements for the financial year ended 31 December 2016 set out on pages 162-339, the Group has used the appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors have responsibility for ensuring that proper accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Group and the Company to enable the Directors to ensure that the financial statements comply with the Act. The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This statements is made in accordance with a resolution of the Board of Directors dated 17 April 2017.

# GROUP CHIEF FINANCIAL OFFICER'S STATEMENT



**AHMAD TIFLI**  
**DATO' HAJI MOHD TALHA**  
GROUP CHIEF FINANCIAL OFFICER

## Dear Shareholders,

The adverse conditions from 2015 continued into 2016 resulting in a challenging operating environment for the Group. While we have remained resilient during this difficult year, we managed to deliver on our target of maintaining revenue growth and also managed to implement initiatives to further consolidate our position.

### OVERVIEW OF FINANCIAL YEAR 2016

Our performance in 2016 was affected by adverse plantation yields due to a longer than expected El Nino weather phenomenon, a volatile forex market and a general slowdown in the global economy. Uncertain demand from key CPO markets also lowered CPO prices with the commodity only recovering to the RM3,000 threshold in the last month of 2016. Volatility in prices also affected our trading activities, particularly in our ability to hedge our forex exposure.

In light of these changes in the external environment, senior management implemented a number of initiatives to shore up our position. As a direct result of these initiatives, we were able to achieve the following:

- i. Administrative cost savings of approximately RM131.37 million
- ii. Reduced palm estate cost by RM36.80 million without compromising GAP
- iii. Opened new product markets in China, Indochina, Indonesia, the Philippines and Russia

These initiatives have made a direct contribution to our 2016 financial performance and will continue to yield positive results for the Group going forward.

# GROUP CHIEF FINANCIAL OFFICER'S STATEMENT

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## FINANCIAL PERFORMANCE

The Group recorded total revenue of RM17.24 billion for 2016 (2015: RM15.56 billion). The increase of 11% is due primarily to the higher average price of CPO, increase in our sugar sales volume and the higher average price of CPKO and RBKPO. FFB production fell 15% to 3.91 million MT from 4.63 million MT during the year as a result of the drought stemming from the El Nino weather phenomenon. The Group recorded Profit after Tax and Minority Interest (PATAMI) of RM31.47 million (2015: RM182.32 million) mainly due to the following factors:

- Higher CPO production cost due to lower utilisation factor
- Higher cost of raw sugar due to the weaker Ringgit
- Write-downs of assets stemming from our rationalisation programme
- Losses from our share of results from Felda Iffco Sdn Bhd due to misappropriations at its subsidiary

## STREAMLINING OUR COSTS

The year under review saw FGV recognise cost savings of RM131.37 million. The bulk of our cost savings stemmed from the cessation of M&A activities thereby ending all related activities, e.g. asset searches, due diligences conducted, etc. Meanwhile, we have also implemented a number of other administrative cuts elsewhere in the company. The consolidation of our core business and rationalisation of our non-performing assets is a key part of our SP20 agenda to develop operational excellence in our business.

## ENHANCING OUR SYSTEMS AND PROCESSES

We introduced a number of improvements into our existing systems and processes in 2016 to better optimise internal operational efficiency which is a key priority under the SP20. Three (3) initiatives, in particular, stand out as achievements for the year under review:

- i. Introducing counter-measures to volatility
- ii. Implementing a bidding system for our treasury operations
- iii. Increasing usage of centralised shared services by the Group

The last year also saw us changing the accounting policy for bearer plants to be in line with FRS116 where expenditure on new replanting and replanting of bearer plants are capitalised at cost and amortised over its economic useful lives. Further information about the impact of the adoption of these Standards can be found in Note 58 of our financial statements.

### Introducing Counter-Measures To Volatility

We introduced greater flexibility into our forex hedging operations in 2016 to mitigate some of the volatility in the market. Prior to the implementation of our initiative in 2016, our hedging policy called for our forex positions to be hedged within 48 hours. As this can work adversely against us in periods of volatility, we have amended our hedging policy allowing our traders to leave a portion of our position unhedged during times of volatility. This new policy is expected to help us mitigate the impact of sudden changes in the exchange rate.

Additionally, FGV introduced a policy in 2017 to stop trading in external oil. As a result of this policy, our traders will no longer purchase CPO from external sellers for trading purposes until CPO markets settle. In previous year, we purchase a total of 1,055,000 MT oil from external sellers for trading purposes.

### Bidding System for Treasury Operations

We implemented a bid system in relation to our placement of funds in 2016 to obtain the best terms for our operations. This includes both our deposit placements and our forex operations. Under this system, we will seek real-time terms from a panel of banks through our banking terminals and decide on the bank that provides terms that best suit our needs. This system will help us with rate discovery and contributes to our commitment towards greater transparency in our operations.

### Increasing the Use of Central Shared Services

We increased the utilisation of central shared services by our subsidiaries in the areas of Finance and HR. The consolidation of our services through a central channel will ensure greater savings from the reduction in cheque use and to take advantage of the rates provided by our central shared services provider. Our target is to have 70% of all transactions in our Accounts Payable and Accounts Receivable go through shared systems.

# GROUP CHIEF FINANCIAL OFFICER'S STATEMENT

## Enhancing our Procurement Process

Work has commenced on our business consolidation system, with the budget and planning module already implemented. By having everything online, we hope to achieve greater savings for all companies within the group. We have also implemented a Master Data Governance policy, which standardises the coding of all materials used in the group. This coding system, which adheres to the United Nations Standard Products and Services Code, enables better cost comparisons and enhances our budgeting and procurement processes.

## RESTRUCTURING OUR DEBT

In 2016, we finalised the process of restructuring RM500.0 million worth of conventional debt that we had inherited through the acquisition of Asian Plantations Ltd (APL) in 2014. Through this process, we restructured the debt into a Shariah-compliant loan which comes with a lower cost of financing. We will be looking at other opportunities to do the same in 2017 to further reduce our financing costs.

## OUR PRIORITIES IN 2017-2020

We are exploring several initiatives over the next few years to further strengthen our balance sheet and to optimise our treasury operations.

- The Group will prioritise the centralisation of treasury services thereby encouraging greater utilisation of Group Treasury by our subsidiaries and associate companies. In effect, this move turns our treasury into an in-house bank which will help us better manage cash in the long-term.
- Group Finance will support the strategic intents of SP20 by enhancing supporting elements such as restructuring debt, searching for optimal deposit and lending rates and to ensure our funds are placed as effectively as possible.

Moving forward, we will continue to centrally monitor the Group's cashflow and working capital requirements to ensure that our overall financial standing remains robust.

- As part of the Group's overall commitment towards greater governance, we will look to establish Risk Management Committees in all our JV to enhance oversight. We will also work on standardising systems and policies in our JVs and associate companies to allow for better benchmarking and comparisons.

Moving forward, we will continue to centrally monitor the Group's cashflow and working capital requirements to ensure that our overall financial standing remains robust.

replanting programme in 2017, the aggressive replanting exercise will contribute positively to our P&L by 2020. The Group also expects to see a continued reduction in our administrative costs as we continue to implement our strategic initiatives.



**Ahmad Tifli Dato' Haji Mohd Talha**  
Group Chief Financial Officer

## 2017 OUTLOOK

We expect 2017 to be a better year for FGV. Our initiatives to optimise the use of our existing assets and the disposal of assets from our rationalisation programme will transform us into a leaner organisation going into 2017. We also expect better production numbers as the impact of El Nino should diminish by the end of the first quarter of 2017 to give us better plantation volumes.

We are cautiously optimistic that CPO prices will stabilise in 2017 thereby easing pressure on our Group's profit margins. While we do not expect to see immediate production yields from our

# FGV'S TREASURY MANAGEMENT CENTRE

The Group's treasury activities are managed by a MIDA-approved Treasury Management Centre (TMC), FGV Capital Sdn Bhd (FGV Cap), which functions as an intermediary between the business units within the Group and the external banking system. As a special status company, the TMC is accorded flexibility by Bank Negara Malaysia to perform specific monetary activities including forex transactions not accorded to regular companies.

The TMC enables FGV to enjoy the advantages of scale and centrally manage the Group's funds and asset to meet the working capital and trade financing requirements of the individual units within the Group. The TMC deploys three (3) key products: Group Asset Management, Group Funding Management and Group Forex Management.

Through Group Asset Management, funds from the Group's companies are deposited into the TMC and deployed to other units within the organisation. These activities are typically done to maintain the liquidity of the Group and its business units, which have typical working capital requirements of between 90 and 120 days. As an intermediary between the Group and the banks, the TMC is authorised to borrow from external banks on behalf of the Group should internal funds be insufficient. As part of the Group's Standard of Procedures (SOP), transactions between the Group's business units and the TMC are done at least with a 5-basis point (bps) advantage to the business unit. E.g. internal borrowings from the TMC are done at the best market rate minus 5bps, while deposits are placed at the best market rate plus 5bps.

In respect to Group Funding Management, FGV Cap acts as the Group's representative in dealing with external banks and secures banking facilities on behalf of the Group. As the TMC represents the entire Group, it enjoys better terms than an individual Group company would on the basis of its larger

balance sheet and better credit rating. These banking facilities are subsequently made available to the rest of the Group through the TMC acting as an intermediary resulting in substantially greater cost savings. Thereby, should an FGV unit need external financing—e.g. for term loans—it is mandated to do so through the facilities secured by the TMC.

FGV governs the operations of the TMC through a set of stringent treasury policies to eliminate conflicts of interest in carrying out its transactions. Some of the key policies are:

- All transactions are to be undertaken at an arm's-length from the Group with rates benchmarked electronically via data terminals to ensure that the Group obtains the best rate when placing deposits and or borrowing from the external banking market. The TMC is also required to always select the highest available rate when placing deposits and the lowest possible rate when borrowing
- All banking transactions are conducted through the SWIFT system, which provides secure, standard and reliable information about transactions to all counterparties
- TMC is presently working on deploying a counterparties screening programme to further enhance its compliance with Malaysia's Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA) to ensure that recipients of monies have not been blacklisted

- The TMC deploys the FIS Integrity Treasury Management System, which completely segregates the various treasury duties both physically and operationally. Under this system, dealing and settlement are conducted by different parties occupying different areas of the office, while a middle office with no access to the dealing or settlement platforms overlook the entire system

FGV's TMC has been hailed as a leading example of treasury management in Malaysia and has been benchmarked by a number of leading organisations in the country. It has also been invited to make representations overseas to share and discuss operational issues and successes with other key international conglomerates.

# Financial Statements



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# DIRECTORS' REPORT

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The Directors have pleasure in submitting their annual report to the members together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2016.

## PRINCIPAL ACTIVITIES

The Company is principally an investment holding company with investments primarily in oil palm plantation and its related downstream activities, sugar refining, trading, logistics, marketing, rubber processing, research and development activities and related agribusiness activities. The principal activities of the subsidiaries are stated in Note 22 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and the Company during the financial year.

## FINANCIAL RESULTS

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit/(loss) attributable to owners of the Company	31,466	(70,935)
Non-controlling interests	34,993	-
Profit/(loss) for the financial year	66,459	(70,935)

## DIVIDENDS

Dividends on ordinary shares paid or declared by the Company since 31 December 2015 are as follows:

	<b>RM'000</b>
In respect of the financial year ended 31 December 2015:	
- Final single tier dividend of 2.0 sen per share, paid on 30 June 2016	72,963

The Board of Directors are recommending the payment of a final single tier dividend of 1.0 sen per ordinary share amounting to RM36.48 million, which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967, and which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

## RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements.

# DIRECTORS' REPORT

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## LONG TERM INCENTIVE PLAN

The Company established a long term incentive plan ("LTIP") in the form of employee share grant scheme which is governed by the By-Laws which was approved on 3 February 2016.

Pursuant to the LTIP, the Company shall award the grant of up to 10% of the issued and paid-up ordinary share capital of the Company (excluding treasury shares, if any) at any point of time during the duration of the LTIP, to the employees of the Company and its subsidiaries ("Group") and Executive Directors of the Company who fulfil the eligibility criteria as eligible employees and is administered by the LTIP Committee.

The LTIP comprises restricted share ("RS") grant and performance share ("PS") grant which shall be in force for a period of 10 years commencing from 3 February 2016, being the effective date of the implementation of the LTIP.

Details of the LTIP are disclosed in Note 53 to the financial statements.

During the financial year, 859,800 RS under the LTIP were granted to eligible employees of the Group. Subject to the terms and conditions of the By-Laws, the employees shall be awarded of ordinary shares of RM1.00 each in the Company, after meeting the vesting conditions as set out in the letter of offer for the shares under the LTIP. This RS grant has a three years vesting period and the first vesting date was on 31 March 2017.

The Company was granted a relief by the Companies Commission of Malaysia on 5 December 2016 from having to disclose in this Report, the names of employees who have been granted share grant in aggregate of less than 18,200 share grant during the financial year.

The employees who have been granted share grant in aggregate of 18,200 or more than 18,200 share grant during the financial year are as follows:

	Number of share grant			
	At 1.1.2016	Granted	Exercised	At 31.12.2016
Dato' Zakaria Arshad	-	147,100	-	147,100
Dato' Khairil Anuar Aziz	-	36,200	-	36,200
Ahmad Tifli Dato' Mohd Talha	-	28,900	-	28,900
Mohd Najid Md Yahya	-	28,900	-	28,900
Palaniappan A/L M.S Swaminathan	-	26,100	-	26,100
Datuk Abd Halim Hamid	-	24,600	(24,600)	-
Koo Shuang Yen	-	21,000	-	21,000
Dato' Shaharuddin Khalid	-	20,700	(20,700)	-
Abu Bakar Isa Ramat	-	20,500	-	20,500
Ab Aziz Ismail	-	18,200	-	18,200

# DIRECTORS' REPORT

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## DIRECTORS

The Directors who have held office since the date of the last report are as follows:

Tan Sri Hj Mohd Isa Dato' Hj Abdul Samad	(Chairman)
Tan Sri Dr. Sulaiman Bin Mahbob	
Dato' Zakaria Arshad	(Appointed on 1 April 2016)
Datuk Dr. Omar Salim	
Dato' Yahaya Abd Jabar	
Datuk Noor Ehsanuddin Mohd Harun Narrashid	
Dato' Mohd Zafer Bin Mohd Hashim	
Dato' Mohamed Suffian Bin Awang	
Dato' Siti Zauyah Md Desa	(Appointed on 7 April 2016)
Dato' Mohd Emir Mavani Abdullah	(Resigned on 1 April 2016)
Datuk Nozirah Bahari	(Resigned on 7 April 2016)

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from the LTIP as disclosed in Directors' Interest in Shares and Debentures.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than as disclosed in Note 12 to the financial statements) by reason of a contract made by the Company or a related corporation with the Directors or with a firm of which he/she is a member, or with a company in which he/she has a substantial financial interest.

## DIRECTORS' INTEREST IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings, the Directors who held office at the end of the financial year and their interests in shares of the Company and its related corporations are as follows:

### Shareholdings in Felda Global Ventures Holdings Berhad

	<b>Number of ordinary shares of RM1.00 each</b>			
	<b>At 1.1.2016</b>	<b>Acquired</b>	<b>(Disposed)</b>	<b>At 31.12.2016</b>
Tan Sri Hj Mohd Isa Dato' Hj Abdul Samad	180,000	-	-	180,000
Tan Sri Dr. Sulaiman Bin Mahbob	50,000	-	-	50,000
Dato' Zakaria Arshad	165,000	-	-	165,000
Datuk Dr. Omar Salim	150,000	-	-	150,000
Datuk Noor Ehsanuddin Mohd Harun Narrashid	5,000	-	-	5,000

# DIRECTORS' REPORT

## DIRECTORS' INTEREST IN SHARES AND DEBENTURES (CONTINUED)

	Number of ordinary shares of RM1.00 each granted under LTIP					
	Grant Date	Type Grant	At 1.1.2016	Granted	(Forfeited)	At 31.12.2016
Dato' Zakaria Arshad	1.7.2016	RS	-	147,100	-	147,100

At the date of the report, 44,100 RS of the Director has vested pursuant to the first vesting date on 31 March 2017.

### Shareholdings in MSM Malaysia Holdings Berhad, a subsidiary of the Group

	Number of ordinary shares of RM0.50 each			
	At 1.1.2016	Acquired	(Disposed)	At 31.12.2016
Tan Sri Hj Mohd Isa Dato' Hj Abdul Samad	20,000	-	-	20,000
Tan Sri Dr. Sulaiman Bin Mahbob	20,000	-	-	20,000
Datuk Dr. Omar Salim	20,000	-	-	20,000

Other than as disclosed above, according to the Register of Directors' Shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares and options over shares in the Company, or shares, options over shares and debentures of its related corporations during the financial year.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

# DIRECTORS' REPORT

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## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in Note 2(i), 19, 26, 58 and 59 to the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

## AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution dated 17 April 2017.



**TAN SRI HJ MOHD ISA DATO' HJ ABDUL SAMAD**  
CHAIRMAN



**DATO' ZAKARIA ARSHAD**  
DIRECTOR

Kuala Lumpur

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Hj Mohd Isa Dato' Hj Abdul Samad and Dato' Zakaria Arshad, two of the Directors of Felda Global Ventures Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 162 to 339 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards in Malaysia.

The supplementary information set out in Note 61 on page 340 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with a resolution dated 17 April 2017.



**TAN SRI HJ MOHD ISA DATO' HJ ABDUL SAMAD**  
CHAIRMAN



**DATO' ZAKARIA ARSHAD**  
DIRECTOR

Kuala Lumpur

# STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Ahmad Tifli Dato' Mohd Talha, the Officer primarily responsible for the financial management of Felda Global Ventures Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 162 to 339 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

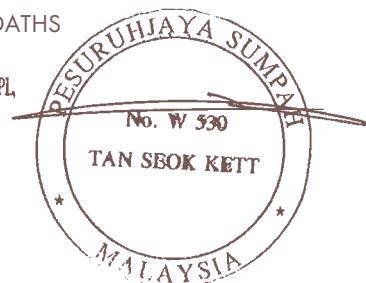


**AHMAD TIFLI DATO' MOHD TALHA**

Subscribed and solemnly declared by the abovenamed Ahmad Tifli Dato' Mohd Talha in Kuala Lumpur on 17 April 2017, before me.

COMMISSIONER FOR OATHS

Lot 350, 3rd Floor, Wisma MPL,  
Jalan Raja Chulan,  
50200 Kuala Lumpur.



# **INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF FELDA GLOBAL VENTURES HOLDINGS BERHAD

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### Our opinion

In our opinion, the financial statements of Felda Global Ventures Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 162 to 339.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of Group and the Company. In particular, we considered where the Directors made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FELDA GLOBAL VENTURES HOLDINGS BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p><b>Land Lease Agreement ("LLA") Liability assessment</b></p> <p>As at 31 December 2016, the LLA liability for the Group amounted to RM4.4 billion.</p> <p>We focused on this area as the fair value of the LLA liability is determined based on cash flows projections, which require judgment on the part of management on the assumptions used in the calculations, in particular, prices of Crude Palm Oil ("CPO") and Fresh Fruit Bunch ("FFB"), average FFB yield, estate replanting costs and land lease term.</p> <p>Refer to Notes 3(i), 5(i) and 47 to the financial statements.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We checked the fair value model and assessed the reasonableness of management's key assumptions used in the cash flows projections comprising discount rate, prices of CPO and FFB, average FFB yield, estate replanting costs and land lease term, by comparing against business plans, historical results and industry data;</li> <li>• We evaluated the reliability of management's cash flows projections by comparing the actual past financial performance against previous forecasted results; and</li> <li>• We assessed the adequacy of sensitivity analysis and related disclosures in the financial statements.</li> </ul> <p>Based on our procedures, we noted no significant exceptions.</p>

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FELDA GLOBAL VENTURES HOLDINGS BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<b>Accounting for bearer plants</b>  During the financial year, the Group changed its accounting policy for bearer plants from capital maintenance method to amortisation method. The change in accounting policy had been applied retrospectively in accordance with FRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, prior year adjustments had been made as if the new accounting policy had always been applied from the beginning. In establishing the planting costs to be capitalised, management had used data collated from the accounting system and records. Where estimated average cost per hectare had been used, this was an area of focus for our audit.  Refer to Notes 2(i), 5(ii) and 58 to the financial statements.	We have performed the following audit procedures: <ul style="list-style-type: none"><li>• We evaluated management's assessment of planting costs directly attributable to planting activities identified for capitalisation, previously expensed off in the income statement. We assessed if these costs met the recognition criteria under FRS 116 "Property, Plant and Equipment" ("PPE");</li><li>• We assessed the costs capitalised during the planting period until maturity. We also assessed the period from maturity until the next replanting to determine the reasonableness of the estimated useful lives of the bearer plants;</li><li>• We checked the reasonableness of estimated average cost per hectare used by management by comparing the costs capitalised against average planting cost per hectare for the same estate or neighbouring areas incurred by the Group in the same year of planting;</li><li>• We checked the adjustments made to the prior years in accordance with FRS 108, to reflect the planting costs which had been capitalised as PPE, the related depreciation charges and reclassification of bearer plants from biological assets to PPE and the impact of relevant deferred tax.</li></ul> Based on our procedures, we noted no significant exceptions.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FELDA GLOBAL VENTURES HOLDINGS BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<b>Fraud losses in a subsidiary of a joint venture</b>	<p>During the financial year, the Group discovered fraud losses in Felda Ifffco Gida Sanayi ("FIGS"), a subsidiary of a joint venture, Felda Ifffco Sdn Bhd ("FISB"), located in Turkey, of which RM52.9 million being the Group's 50% share of the total losses identified. The fraud losses resulted from overstatements of inventories and receivables in FIGS's current and prior years' financial statements.</p> <p>It was also discovered that the fraud had been committed by previous management of FIGS from the financial years 2011 to 2016, which resulted in material errors in the preparation of the financial statements of FIGS. Accordingly, the impact of the errors relating to the fraud perpetrated in prior financial years had been corrected as prior year's adjustments in accordance with FRS 108. The impact of the prior year adjustments of RM10.4 million and RM26.4 million had been adjusted against the results for the financial year ended 31 December 2015 and periods prior to 1 January 2015 respectively.</p> <p>The assessment of the nature of the fraud and the quantification of the fraud losses by management required significant audit attention.</p> <p>The audits of the financial statements of FISB and FIGS are carried out by another firms of auditors in Malaysia and Turkey respectively.</p> <p>Refer to Notes 5(iii) and 58 to the financial statements.</p> <p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We evaluated management's assessment of the fraud losses as material errors in the preparation of the financial statements, in particular, quantification of the Group's share of the adjustments of the losses relating to the financial years ended 31 December 2016, 31 December 2015 and periods prior to 1 January 2015;</li> <li>• We read board and Audit Committee minutes of FIGS, FISB and the Company which set out the outcome of discussions on the fraud and the losses incurred from the financial years 2011 to 2016. We also discussed with management of the Company, FISB and FIGS to obtain understanding on the fraud losses;</li> <li>• We read the reports on forensic investigation and understand the procedures performed by another firm of auditors to assess the amount of fraud losses quantified by management; and</li> <li>• We reviewed the work papers of component auditors for FISB and FIGS and assessed the audit procedures performed based on our group audit instructions, in particular, on inventories, revenue, receivables and journal adjustments made by FIGS' management. We also reviewed their work performed on the verification of the fraud losses carried out by another firm of auditors in Turkey and the prior year adjustments disclosed in FISB's and FIGS's financial statements.</li> <li>• We assessed the adequacy of the disclosure on this matter in the financial statements.</li> </ul> <p>Based on our procedures, we noted no significant exceptions.</p>

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FELDA GLOBAL VENTURES HOLDINGS BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters						
<b>Goodwill impairment assessment</b>  As at 31 December 2016, the Group's carrying value of goodwill of RM1,315.9 million comprised goodwill in relation to sugar business in Malaysia of RM576.2 million and palm upstream operations in Malaysia of RM739.7 million.  Goodwill is subject to annual impairment testing. We focused on this area as the determination of recoverable amounts of the assets in the two Cash Generating Units ("CGUs") based on discounted cash flows projections prepared by management involved a significant degree of judgment and assumptions in particular selling price and sales volume, raw sugar price and terminal value growth rate for sugar business and prices of CPO and FFB, average FFB yield and estate replanting fixed costs for palm upstream operations.  Refer to Notes 5(iv) and 21 to the financial statements.	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"><li>• We assessed the reliability of management's forecast through the comparison of actual past financial performances against previous forecasted cash flows;</li><li>• We assessed the reasonableness of the key assumptions below, which were used by management in developing the discounted cash flows projections, by comparing against historical results and market data;</li></ul> <table border="1"><thead><tr><th>Business</th><th>Assumptions</th></tr></thead><tbody><tr><td>Sugar business</td><td>Selling price and sales volume, raw sugar price and terminal value growth rate</td></tr><tr><td>Palm upstream operations</td><td>CPO price, FFB price, average FFB yield, estate replanting fixed costs</td></tr></tbody></table> <ul style="list-style-type: none"><li>• We examined sensitivity analysis performed by management on selling price and sales volume, raw sugar price and discount rate for sugar business, and CPO and FFB price, average FFB yield and estate replanting fixed costs for palm upstream operations to evaluate the impact on the impairment assessment; and</li><li>• We assessed the adequacy and reasonableness of the disclosures in the financial statements</li></ul>	Business	Assumptions	Sugar business	Selling price and sales volume, raw sugar price and terminal value growth rate	Palm upstream operations	CPO price, FFB price, average FFB yield, estate replanting fixed costs
Business	Assumptions						
Sugar business	Selling price and sales volume, raw sugar price and terminal value growth rate						
Palm upstream operations	CPO price, FFB price, average FFB yield, estate replanting fixed costs						

Based on our procedures, we noted no significant exceptions.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FELDA GLOBAL VENTURES HOLDINGS BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<b>Impairment assessments of non-current assets other than goodwill</b>	
Management performed impairment assessments of certain non-current assets of the Group and Company, other than goodwill, which had impairment indicators. As a result, the following impairment losses were recognised during the financial year ended 31 December 2016:	We have performed the following audit procedures:
<ul style="list-style-type: none"> <li>• Impairment of RM102.2 million in respect of PPE, intangible assets other than goodwill and prepaid lease payments of the Group;</li> <li>• Impairment of RM80.2 million in respect of the Company's investment in a subsidiary in China.</li> </ul>	<ul style="list-style-type: none"> <li>• We evaluated the reliability of management's cash flows projections through the review of past trends of actual financial performances against previous forecasted cash flows;</li> <li>• We assessed the reasonableness of the key assumptions used by management in the discounted cash flows projections, in particular, revenue growth rate, gross margin and terminal value growth rate, by comparing against historical results and market data; and</li> <li>• We assessed the adequacy of the disclosures in the financial statements, including sensitivity analysis based on gross margin, terminal year growth rate and discount rate, to evaluate the impact on the impairment assessment.</li> </ul>
We focused on this area as the recoverable amounts of the non-current assets are determined based on discounted cash flows projections, which require judgment on the part of management on the future financial performance and the key assumptions used, in particular, revenue growth rate, gross margin and terminal growth rate.	Based on the above procedures performed, we noted no significant exceptions.
Refer to Notes 5(v), 19, 21, 22(d) and 25 to the financial statements.	
<b>Recoverability of deferred tax assets</b>	
As at 31 December 2016, the Group has deferred tax assets amounted to RM779.4 million which include deferred tax assets recognised in respect of unused tax losses of certain loss making subsidiaries of the Group amounted to RM219.1 million.	We have performed the following audit procedures:
Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. This involves judgments regarding the future financial performance of the subsidiaries in which the deferred tax assets have been recognised and hence, an area of focus for our audit.	<ul style="list-style-type: none"> <li>• We assessed the reasonableness of the key assumptions used in the future taxable profit in particular, revenue growth rates and contribution margins by comparing against historical results and market data;</li> <li>• We assessed the reliability of management's future taxable profits by comparing past trends of actual financial performances against previous forecasted results; and</li> <li>• We evaluated whether it is probable that the future taxable profits will be available by assessing approved budgets, cost management plans and increase in production to support the progress made by the loss making subsidiaries in improving the profitability of the businesses.</li> </ul>
Refer to Notes 5(vi) and 50 to the financial statements.	Based on our procedures, we noted no significant exceptions.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FELDA GLOBAL VENTURES HOLDINGS BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<b>Purchase price allocation for acquisition of Yapidmas group of companies</b>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"><li>• We assessed management's identification and valuation of identifiable assets acquired and liabilities assumed by way of understanding the rationale of the acquisition and benchmarking to other acquisitions of plantation operations;</li><li>• We checked the valuation of the identifiable assets acquired and liabilities assumed as follows:<ul style="list-style-type: none"><li>- We evaluated the appropriateness of the methodology adopted by management to determine the fair values of identifiable assets acquired and liabilities assumed;</li><li>- We assessed the reasonableness of the fair value model and key assumptions used, in particular, CPO price, FFB price, estate costs, and average FFB yield, used by an independent external valuer engaged by management in determining the fair value of bearer plants and PPE, by comparing against historical results of the acquired businesses and market data on certain key assumptions;</li></ul></li><li>• We read Share Purchase Agreements ("SPAs") for the acquisitions and board minutes to agree the purchase consideration; and</li><li>• We checked the adequacy of the related disclosures in the financial statements.</li></ul>

Refer to Notes 5(vii), 21 and 22(b)(i) to the financial statements.

Based on our procedures, we noted no significant exceptions.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FELDA GLOBAL VENTURES HOLDINGS BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Company's Corporate Information, Chairman's Statement, Management Discussion and Analysis (including Group President/Group Chief Executive Officer's Message and Cluster Performance), Corporate Governance Statement, Statement of Risk Management and Internal Control, Directors' Report, and other sections of the 2016 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FELDA GLOBAL VENTURES HOLDINGS BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FELDA GLOBAL VENTURES HOLDINGS BERHAD

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 22 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any material qualification or any adverse comment made under Section 174(3) of the Act.

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 61 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

  
**PRICEWATERHOUSECOOPERS**  
 (No. AF: 1146)  
 Chartered Accountants

Kuala Lumpur  
 17 April 2017

  
**AZIZAN ZAKARIA**  
 (No. 2930/05/18 (J))  
 Chartered Accountant

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000
<u>Continuing operations</u>					
Revenue	6	17,241,275	15,558,769	354,958	674,884
Cost of sales		(15,671,481)	(13,612,650)	(79,451)	(79,415)
Gross profit		1,569,794	1,946,119	275,507	595,469
Other operating income	7	136,108	182,849	2,303	6,456
Selling and distribution costs		(308,790)	(302,161)	-	-
Administrative expenses		(933,014)	(1,064,388)	(136,169)	(208,600)
Other operating expenses	8	(15,852)	(48,378)	(80,156)	(4,164)
Other losses, net	9	(70,448)	(192,812)	-	-
Operating profit		377,798	521,229	61,485	389,161
Finance income	10	56,793	47,237	-	-
Finance costs	10	(181,814)	(174,972)	(107,547)	(104,658)
Share of results from associates	23	29,767	19,036	-	-
Share of results from joint ventures	24	(19,478)	40,022	-	-
Profit/(loss) before zakat and taxation		263,066	452,552	(46,062)	284,503
Zakat	13	(17,765)	(23,900)	-	-
Taxation	14	(176,078)	(136,171)	(24,873)	(1,499)
Profit/(loss) for the financial year from continuing operations		69,223	292,481	(70,935)	283,004
<u>Discontinued operations</u>					
(Loss)/profit from discontinued operations	15	(2,764)	74,643	-	-
Profit/(loss) for the financial year	11	66,459	367,124	(70,935)	283,004

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000
Profit/(loss) for the financial year (continued)		66,459	367,124	(70,935)	283,004
Other comprehensive income/(loss):					
<u>Item that will not be reclassified to profit or loss</u>					
Actuarial loss on defined benefit plan		(9,788)	(327)	(344)	-
<u>Items that may be subsequently reclassified to profit or loss</u>					
Currency translation differences		21,930	150,879	-	-
Share of other comprehensive (loss)/income of associate		(2,619)	5,413	-	-
Share of other comprehensive income/(loss) of joint ventures		3,662	(13,433)	-	-
Fair value changes in available- for-sale financial assets		(4,618)	20,692	-	-
Realisation on foreign exchange on disposal of subsidiary		-	37,945	-	-
		18,355	201,496	-	-
Total other comprehensive income for the financial year, net of tax		8,567	201,169	(344)	-
<u>Total comprehensive income/(loss) for the financial year</u>		<u>75,026</u>	<u>568,293</u>	<u>(71,279)</u>	<u>283,004</u>
Profit/(loss) attributable to:					
Owners of the Company		31,466	182,316	(70,935)	283,004
Non-controlling interests		34,993	184,808	-	-
		66,459	367,124	(70,935)	283,004
Total comprehensive income/(loss) attributable to:					
Owners of the Company		41,094	364,833	(71,279)	283,004
Non-controlling interests		33,932	203,460	-	-
		75,026	568,293	(71,279)	283,004
Total comprehensive income/(loss) attributable to equity shareholders arises from:					
- Continuing operations		43,858	290,190	(71,279)	283,004
- Discontinued operations		(2,764)	74,643	-	-
		41,094	364,833	(71,279)	283,004
Basic and diluted EPS (sen)	17				
- From continuing operations		0.9	3.0		
- From discontinued operations		-	2.0		
		0.9	5.0		

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group			Company		
		31.12.2016 RM'000	31.12.2015 RM'000 (Restated)	1.1.2015 RM'000 (Restated)	31.12.2016 RM'000	31.12.2015 RM'000	
<b>ASSETS</b>							
<u>Non-current assets</u>							
Property, plant and equipment	19	10,073,774	9,238,170	8,868,463	34,418	38,561	
Investment properties	20	127,017	137,334	144,544	7,772	8,207	
Intangible assets	21	1,576,033	1,544,022	1,547,316	33,043	27,794	
Investment in subsidiaries	22	-	-	-	8,752,406	9,331,164	
Interests in associates	23	260,700	239,640	215,754	-	-	
Interests in joint ventures	24	628,071	661,347	718,603	-	-	
Prepaid lease payments	25	75,710	78,210	49,961	-	-	
Receivables	26	107,661	459,325	165,273	-	-	
Amounts due from subsidiaries	27	-	-	-	-	12,602	
Amount due from a joint venture	27	20,914	34,807	-	-	-	
Biological assets	28	29,044	29,112	29,187	-	-	
Deferred tax assets	50	779,421	843,891	824,026	-	24,873	
Available-for-sale financial assets	29	154,810	314,861	243,685	-	-	
Loan due from a joint venture	32	54,222	-	-	-	-	
		13,887,377	13,580,719	12,806,812	8,827,639	9,443,201	
<u>Current assets</u>							
Inventories	30	2,189,255	2,078,372	1,763,695	-	-	
Receivables	26	1,755,127	1,894,271	1,089,410	22,267	11,244	
Amount due from a significant shareholder	27	182,531	101,555	79,233	20	-	
Amounts due from subsidiaries	27	-	-	-	609,851	173,631	
Amounts due from joint ventures	27	524,429	212,502	328,941	-	-	
Amount due from an associate	27	214	85	36	-	-	
Amounts due from other related companies	27	172,625	102,636	63,964	216	234	
Loans due from subsidiaries	31	-	-	-	206,013	1,062	
Tax recoverable		189,700	184,442	129,407	17,229	17,307	
Available-for-sale financial assets	29	159,431	-	-	-	-	
Financial assets at fair value through profit or loss	33	58,322	65,905	21,431	-	-	
Derivative financial assets	34	5,489	1,388	15,337	-	-	
Deposits, cash and bank balances	35	1,854,054	2,503,035	3,673,415	79,197	507,672	
		7,091,177	7,144,191	7,164,869	934,793	711,150	
Assets held for sale	36	48,132	16,420	28,619	-	-	
		7,139,309	7,160,611	7,193,488	934,793	711,150	
<b>Total assets</b>		<b>21,026,686</b>	<b>20,741,330</b>	<b>20,000,300</b>	<b>9,762,432</b>	<b>10,154,351</b>	

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group			Company		
		31.12.2016 RM'000	31.12.2015 RM'000 (Restated)	1.1.2015 RM'000 (Restated)	31.12.2016 RM'000	31.12.2015 RM'000	
<b>EQUITY AND LIABILITIES</b>							
<u>Capital and reserves</u>							
Share capital	37	3,648,152	3,648,152	3,648,152	3,648,152	3,648,152	
Share premium	38	3,371,685	3,371,685	3,371,685	3,371,685	3,371,685	
Treasury shares	39	(1,059)	-	-	(1,059)	-	
Foreign exchange reserve	40	215,241	193,521	(12,865)	-	-	
Reorganisation reserve	41	(3,060,790)	(3,060,790)	(3,060,790)	-	-	
Other reserves	42	14,319	18,937	42,508	10,052	10,052	
Retained earnings	43	1,606,827	1,655,798	1,692,669	135,267	279,509	
Equity attributable to owners of the Company		5,794,375	5,827,303	5,681,359	7,164,097	7,309,398	
Non-controlling interests		2,403,166	2,511,674	2,430,067	-	-	
<b>Total equity</b>		<b>8,197,541</b>	<b>8,338,977</b>	<b>8,111,426</b>	<b>7,164,097</b>	<b>7,309,398</b>	
<u>Non-current liabilities</u>							
Borrowings	44	198,992	407,549	434,461	-	-	
Loans due to a significant shareholder	45	1,475,799	1,684,702	1,980,405	1,475,799	1,684,702	
Loans due to subsidiaries	46	-	-	-	252,109	786,680	
Land lease agreement ("LLA") liability	47	4,125,032	4,312,277	4,309,308	-	-	
Provision for asset retirement	48	32,129	32,229	30,610	-	-	
Provision for defined benefit plan	49	71,907	46,034	39,720	1,583	621	
Deferred tax liabilities	50	832,908	724,619	723,398	-	-	
		<b>6,736,767</b>	<b>7,207,410</b>	<b>7,517,902</b>	<b>1,729,491</b>	<b>2,472,003</b>	

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group			Company	
		31.12.2016 RM'000	31.12.2015 RM'000 (Restated)	1.1.2015 RM'000 (Restated)	31.12.2016 RM'000	31.12.2015 RM'000
<u>Current liabilities</u>						
Payables	51	1,460,240	1,281,648	1,417,503	40,907	87,493
Loans due to a significant shareholder	45	213,206	208,588	222,515	213,206	208,588
Loans due to subsidiaries	46	-	-	-	48,896	46,449
Amount due to a significant shareholder	27	399,190	140,113	240,444	6,568	6,963
Amount due to an associate		167	-	-	-	-
Amounts due to subsidiaries	27	-	-	-	18,302	23,390
Amounts due to joint ventures	27	6	31	-	-	-
Amounts due to other related companies	27	11,433	98,524	9,136	65	67
Derivative financial liabilities	34	19,434	1,858	32,392	-	-
Borrowings	44	3,692,140	3,142,870	2,065,545	540,900	-
Provision for asset retirement	48	718	687	87	-	-
Current tax liabilities		7,715	5,706	11,829	-	-
LLA liability	47	282,532	314,918	371,521	-	-
		6,086,781	5,194,943	4,370,972	868,844	372,950
Liabilities related to assets held for sale	36	5,597	-	-	-	-
		6,092,378	5,194,943	4,370,972	868,844	372,950
Total liabilities		12,829,145	12,402,353	11,888,874	2,598,335	2,844,953
Total equity and liabilities		21,026,686	20,741,330	20,000,300	9,762,432	10,154,351

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Note	Share capital (Note 37) RM'000	Share premium (Note 38) RM'000	Treasury shares (Notes 39) RM'000	Foreign exchange reserve (Note 40) RM'000	Reorganisation reserve (Note 41) RM'000	Other reserves (Note 42) RM'000	Retained earnings (Note 43) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
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	2(l), 58	-	-	-	-	(971,821)	-	389,096	(582,725)	(26,948)	(609,673)
Effects of correction of error	58	-	-	-	-	-	(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	1,655,798	5,827,303	2,511,674	8,338,977
Profit for the financial year	-	-	-	-	-	-	-	31,466	31,466	34,993	66,459
Other comprehensive income/(loss) for the financial year, net of tax											
Item that will not be reclassified to profit or loss											
- actuarial loss on defined benefit plan		-	-	-	-	-	-	(7,474)	(7,474)	(2,314)	(9,788)
Items that may be subsequently reclassified to profit or loss											
- currency translation differences					20,071	-	-	-	20,071	1,859	21,930
- fair value changes in available-for-sale financial assets					-	-	(4,618)	-	(4,618)	-	(4,618)
- share of other comprehensive loss of associate					-	(2,013)	-	-	(2,013)	(606)	(2,619)
- share of other comprehensive income of joint ventures					-	3,662	-	-	3,662	-	3,662
					-	21,720	-	(4,618)	-	17,102	1,253
Total comprehensive income/ (loss) for the financial year		-	-	-	21,720	-	(4,618)	23,992	41,094	33,932	75,026
Transactions with owners											
Treasury shares						(1,059)	-	-	(1,059)	-	(1,059)
Accretion of interest in a subsidiary						-	-	-	-	1,800	1,800
Liquidation of a subsidiary						-	-	-	-	(29,053)	(29,053)
Dividends paid for the financial year ended	16					-	-	-	(72,963)	(72,963)	-
- 31 December 2015 (final)						-	-	-	-	-	(72,963)
Dividends paid to non-controlling interests of subsidiaries						-	-	-	-	-	(115,187)
Total transactions with owners						-	-	-	-	-	(115,187)
At 31 December 2016		3,648,152	3,371,685	[1,059]	215,241	(3,060,790)	14,319	1,606,827	5,794,375	2,403,166	8,197,541

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Note	Share capital (Note 37) RM'000	Share premium (Note 38) RM'000	Foreign exchange reserve (Note 40) RM'000	Reorganisation reserve (Note 41) RM'000	Other reserves (Note 42) RM'000	Retained earnings (Note 43) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
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	2(i), 58	-	-	-	(971,821)	-	303,386	(668,435)	(17,465)	(685,900)
Effects of correction of error	58	-	-	-	-	-	(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	1,692,669	5,681,359	2,430,067	8,111,426
Profit for the financial year	-	-	-	-	-	-	182,316	182,316	184,808	367,124
Other comprehensive income/(loss) for the financial year, net of tax										
Item that will not be reclassified to profit or loss										
- actuarial loss on defined benefit plan		-	-	-	-	-	(298)	(298)	(29)	(327)
Items that may be subsequently reclassified to profit or loss										
- currency translation differences		-	148,685	-	-	-	-	148,685	2,194	150,879
- fair value changes in available-for-sale financial assets		-	-	-	-	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	
-	-	206,386	-	(23,571)	-	(23,571)	-	182,815	18,681	201,496
Total comprehensive income/(loss) for the financial year		-	206,386	-	(23,571)	182,018	364,833	203,460	568,293	
Transactions with owners										
Accretion of interest in subsidiaries		-	-	-	-	-	-	-	20,637	20,637
Dividends paid for the financial year ended	16	-	-	-	-	-	(145,926)	(145,926)	-	(145,926)
- 31 December 2014 (final)		-	-	-	-	-	(72,963)	(72,963)	-	(72,963)
- 31 December 2015 (interim)		-	-	-	-	-	-	-	(142,490)	(142,490)
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	(218,889)	(218,889)	(121,553)	(340,742)
Total transactions with owners		-	-	-	-	-	18,937	1,655,798	5,827,303	2,511,674
At 31 December 2015		3,648,152	3,371,685	193,521	(3,060,790)	18,937	1,415,722	6,376,233	2,447,532	8,338,977

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Company	Note	Non-distributable				Distributable	Total RM'000
		Share capital (Note 37) RM'000	Share premium (Note 38) RM'000	Treasury shares (Note 39) RM'000	Other reserves (Note 42) RM'000		
<u>2016</u>							
At 1 January 2016		3,648,152	3,371,685	-	10,052	279,509	7,309,398
Loss for the financial year		-	-	-	-	(70,935)	(70,935)
<u>Item that will not be reclassified to profit or loss</u>							
- actuarial loss on defined benefit plan		-	-	-	-	(344)	(344)
Total comprehensive loss for the financial year		-	-	-	-	(71,279)	(71,279)
<u>Transactions with owners</u>							
Treasury shares		-	-	(1,059)	-	-	(1,059)
Dividends paid for the financial year ended							
- 31 December 2015 (final)	16	-	-	-	-	(72,963)	(72,963)
Total transactions with owners		-	-	(1,059)	-	(72,963)	(74,022)
At 31 December 2016		3,648,152	3,371,685	(1,059)	10,052	135,267	7,164,097

Company	Note	Non-distributable				Distributable	Total RM'000
		Share capital (Note 37) RM'000	Share premium (Note 38) RM'000	Other reserves (Note 42) RM'000	Retained earnings (Note 43) RM'000		
<u>2015</u>							
At 1 January 2015		3,648,152	3,371,685	10,052	215,394	7,245,283	
Profit and total comprehensive income for the financial year		-	-	-	283,004	283,004	
<u>Transactions with owners</u>							
Dividends paid for the financial year ended:							
- 31 December 2014 (final)	16	-	-	-	(145,926)	(145,926)	
- 31 December 2015 (interim)		-	-	-	(72,963)	(72,963)	
Total transactions with owners		-	-	-	(218,889)	(218,889)	
At 31 December 2015		3,648,152	3,371,685	10,052	279,509	7,309,398	

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(loss) for the financial year	66,459	367,124	(70,935)	283,004
Adjustments for:				
Taxation	176,078	136,171	24,873	1,499
Zakat	17,765	23,900	-	-
Depreciation of property, plant and equipment	677,792	619,791	5,954	5,261
Impairment loss on property, plant and equipment	89,098	10,856	-	-
Reversal of impairment of property, plant and equipment	(1,277)	(165,801)	-	-
Property, plant and equipment written off	17,973	37,561	3	1
Gain on disposal of property, plant and equipment	(244)	(470)	-	(2)
Loss on disposal of property, plant and equipment	7	121	-	-
Depreciation of investment properties	11,912	11,770	435	435
Amortisation of intangible assets	33,275	47,188	6,227	4,533
Impairment loss on intangible assets	11,818	40,243	-	-
Intangible assets written off	-	27	-	-
Amortisation of prepaid lease payments	5,122	3,581	-	-
Impairment loss on prepaid lease payments	2,515	-	-	-
Reversal of impairment loss on prepaid lease payments	-	(76)	-	-
Prepaid lease payments written off	-	1,166	-	-
Amortisation of biological assets	128	150	-	-
Accelerated depreciation of assets held for sale	586	2,326	-	-
Impairment loss on amount due from a significant shareholder	-	3,425	-	2,308
Impairment loss on amount due from a joint venture	13,893	3,481	-	-
Impairment loss on amounts due from other related companies	-	2,244	-	1,725
Balance carried forward	1,122,900	1,144,778	(33,443)	298,764

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)</b>				
Balance brought forward	1,122,900	1,144,778	(33,443)	298,764
Biological assets written off	68	49	-	-
(Gain)/loss on disposal of assets held for sale	(1,414)	1,414	-	-
Impairment loss in a subsidiary	-	-	80,152	-
Gain on liquidation of a subsidiary	(26,124)	-	-	-
Gain on disposal of a subsidiary	-	(13,016)	-	-
Realisation of foreign exchange on disposal of a subsidiary	-	37,945	-	-
Gain on disposal of available-for-sale financial assets	-	(1,899)	-	-
Financial assets at fair value through profit or loss written off	6,433	-	-	-
Impairment of receivables (net)	37,040	1,814	-	-
Write down of inventory to net realisable value	411	6,649	-	-
Share of results from associates	(29,767)	(19,036)	-	-
Share of results from joint ventures	19,478	(40,022)	-	-
Net unrealised foreign exchange loss/(gain)	993	34,320	(2,393)	(277)
Dividends from subsidiaries	-	-	(254,002)	(549,492)
Dividends from available-for-sale financial assets	(2,873)	(2,459)	-	-
Finance expense	184,007	182,528	107,547	104,658
Finance income	(56,796)	(47,251)	(2,540)	(3,594)
Other losses, net	70,448	199,156	-	-
Provision for defined benefit plan	18,115	7,850	648	81
(Reversal of provision)/provision for asset retirement	(1,000)	500	-	-
Provision for onerous contract	19,367	30,067	-	-
Operating profit/(loss) before working capital changes	1,361,286	1,523,387	(104,031)	(149,860)

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company		
		2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)</b>						
Changes in working capital:						
Inventories		(128,673)	(531,943)	-	-	
Receivables		101,605	(889,397)	(11,017)	8,889	
Intercompany		(284,956)	(1,491)	(394,838)	(140,263)	
Payables		126,598	(141,480)	(44,798)	34,411	
Cash generated from/(used in) operation		1,175,860	(40,924)	(554,684)	(246,823)	
Finance income		56,796	42,763	2,533	3,541	
Taxation paid		(95,302)	(229,198)	78	85	
Zakat paid		(17,765)	(23,900)	-	-	
Retirement benefit paid		(2,002)	(1,836)	(30)	-	
Net cash generated from/(used in) operating activities		1,117,587	(253,095)	(552,103)	(243,197)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of property, plant and equipment		(942,777)	(1,143,613)	(1,814)	(33,592)	
Purchase of investment properties		(1,595)	(4,560)	-	-	
Purchase of prepaid lease payments		(5,850)	(210)	-	-	
Additions of biological assets		(128)	(124)	-	-	
Purchase of intangible assets		(16,860)	(57,447)	(11,476)	(26,183)	
Purchase of assets held for sale		-	(161)	-	-	
Additions of financial assets at fair value through profit or loss		(601)	(42,029)	-	-	
Advances to subsidiaries		-	-	-	(150,219)	
Net cash outflow from acquisition of subsidiaries	22	(278,618)	(92,903)	-	(94,714)	
Net cash inflow from disposal of a subsidiary	22	-	548,239	-	-	
Net cash outflow from liquidation of subsidiaries		(916)	-	-	-	
Balance carried forward		(1,247,345)	(792,808)	(13,290)	(304,708)	

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES (CONTINUED)</b>				
Balance brought forward	(1,247,345)	(792,808)	(13,290)	(304,708)
Additional investment in subsidiaries	-	-	(27,394)	(226,458)
Additions of available-for-sale financial assets	(5,611)	(69,613)	-	-
Payment for asset retirement obligations	(62)	(72)	-	-
Proceeds from disposal of property, plant and equipment	748	7,261	-	48
Proceeds from assets held for sale	5,535	4,900	-	-
Proceeds from sales of available-for-sale financial assets	-	21,028	-	-
Deposits for acquisition of subsidiaries	-	(365,500)	-	-
Dividend received from subsidiaries	-	-	254,002	450,269
Dividend received from joint ventures	11,558	76,263	-	-
Dividend received from associates	6,360	270	-	-
Dividend received from available-for-sale financial assets	2,873	2,459	-	-
Decrease/(increase) in restricted cash	494,496	(382,904)	494,496	(382,904)
Net cash (used in)/from investing activities	(731,448)	(1,498,716)	707,814	(463,753)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of loans to a significant shareholder	(204,286)	(304,286)	(204,286)	(304,286)
Repayment of loan to subsidiaries	-	-	(44,643)	-
Loan to a subsidiary	-	-	(204,951)	-
Loan to a joint venture	(54,222)	-	-	-
Drawdown of loan from subsidiaries	-	-	-	831,322
Drawdown of borrowings	7,773,855	6,400,783	540,900	-
Repayment of borrowings	(7,432,387)	(5,106,034)	-	-
Repayment of LLA liability	(287,906)	(278,495)	-	-
Dividends paid to shareholders	(72,963)	(218,889)	(72,963)	(218,889)
Dividends paid to non-controlling interests	(115,187)	(142,490)	-	-
Finance expense paid	(164,124)	(168,057)	(105,081)	(105,825)
Purchase of treasury stock	(1,059)	-	(1,059)	-
Net cash (used in)/generated from financing activities	(558,279)	182,532	(92,083)	202,322

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(172,140)	(1,569,279)	63,628	(504,628)
Effect of foreign exchange rate changes		19,686	15,995	2,393	277
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>		2,008,539	3,561,823	13,176	517,527
Less: Reclassified to assets held for sale	36	(2,031)	-	-	-
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	35	1,854,054	2,008,539	79,197	13,176

The effect of the discontinued operations to the Statements of Cash Flows is as disclosed in Note 15 (iv).

Significant non-cash transactions:

(a) Financial year ended 31 December 2016

Company

- (i) On 21 October 2016, the Company subscribed for 225,000 ordinary shares of USD1.00 each from FGV Investment (L) Pte Ltd. ("FGVI"), a wholly owned subsidiary of the Company, by a conversion of an amount due from FGVI of USD225,000 equivalent to RM942,411.
- (ii) 23 November 2016, the Company redeem its RCPS of 526,000,000 preference shares at a nominal value of RM0.01 each and at a premium of RM0.99 each in Felda Global Ventures Downstream Sdn. Bhd. ("FGVD"), a wholly owned subsidiary of the Company, by a total redemption of RM526,000,000.

(b) Financial year ended 31 December 2015

Company

- (i) On 28 April 2015, the Company subscribed for 28,268,328 ordinary shares of RM1.00 each from Felda Global Ventures Plantations Sdn. Bhd. ("FGVP"), a wholly owned subsidiary of the Company, by conversion of an amount due from FGVP of RM28,268,328. Subsequently, on 28 September 2015, the Company further subscribed for an additional 52,746,644 ordinary shares of RM1.00 each from FGVP, by conversion of an amount due from FGVP of RM52,746,644.
- (ii) On 26 May 2015, the Company received dividend income from Felda Global Ventures Perlis Sdn. Bhd. ("FGV Perlis"), a wholly owned subsidiary of the Company, by conversion of an amount due to FGV Perlis of RM99,222,916.
- (iii) On 7 September 2015, the Company subscribed for 111,332,252 ordinary shares of RM1.00 each from Felda Global Ventures Downstream Sdn. Bhd. ("FGVD"), a wholly owned subsidiary of the Company, by conversion of an amount due from FGVD of RM111,332,252.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 1 GENERAL INFORMATION

The Company is principally an investment holding company with investments primarily in oil palm plantation and its related downstream activities, sugar refining, trading, logistics, marketing, rubber processing, research and development activities and related agribusiness activities. The principal activities of the subsidiaries are stated in Note 22 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

The Company is incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company is located at Level 45, Menara Felda, Platinum Park, No.11 Persiaran KLCC, 50088 Kuala Lumpur.

## 2 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRS") and the requirements of the Companies Act, 1965 in Malaysia.

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".

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the individual policy statements in Note 3 to the financial statements.

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period.

It also requires Directors to exercise their judgment in the process of applying the Group and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

During the financial year, the Group has changed an accounting policy and considered the new accounting pronouncements in the preparation of the financial statements.

### (i) 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 profit or loss in the financial year in which the expenditure was incurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 BASIS OF PREPARATION (CONTINUED)

### (i) Change in accounting policy (continued)

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".

Forest and livestock which do not meet the definition of bearer plants continue to be presented as biological assets (see Note 3(m)).

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) (see Note 2(iii)).

The change in the accounting policy has been applied retrospectively and the impact on the current year and the comparative figures are disclosed in Note 58.

### (ii) Accounting pronouncements that are effective and have been adopted by the Group and the Company as at 1 January 2016:

- Amendments to FRS 11 "Joint Arrangements" - Accounting for Acquisition of Interests in Joint Operations
- Amendments to FRS 101 "Presentation of Financial Statements" - Disclosure Initiative
- Amendments to FRS 127 "Separate Financial Statements" - Equity Method in Separate Financial Statements
- Amendments to FRS 10 "Consolidated Financial Statements", FRS 12 "Disclosures of Interests in Other Entities" and FRS 128 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception
- Amendments to FRS 116 "Property, Plant and Equipment" and FRS 138 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation
- Annual Improvements to FRS 2012 – 2014 Cycle (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 financial statements of the Group and Company.

### (iii) Accounting pronouncements that are not yet effective and have not been early adopted by the Group and the Company:

Effective for annual periods beginning on or after 1 January 2017 with earlier application permitted

- Amendments to FRS 107 "Statement of Cash Flows" - Disclosure Initiative
- Amendments to FRS 112 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to FRS 12 "Disclosures of Interests in Other Entities"

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2 BASIS OF PREPARATION (CONTINUED)

(iii) Accounting pronouncements that are not yet effective and have not been early adopted by the Group and the Company: (continued)

Effective for annual periods beginning on or after 1 January 2018 with earlier application permitted

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue"
- Amendments to MFRS 141 "Agriculture" and MFRS 116 "Property, Plant and Equipment" (effective 1 January 2016, but adopted by the Group after 1 January 2018 upon MFRS adoption)
- Amendments to MFRS 2 "Share-based Payment" - Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 140 "Investment Property" - Clarification on Change in Use - Assets transferred to, or from, Investment Properties
- Annual Improvements to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards"
- Annual Improvements to MFRS 128 "Investments in Associates and Joint Ventures"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

Effective for annual periods beginning on or after 1 January 2019 with earlier application permitted

- MFRS 16 "Leases"

The effects of the above new accounting standards, amendments to existing standards and other accounting pronouncements are currently being assessed by the Directors.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of consolidation and investment in subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of financial year. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

### Acquisition accounting

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of the non-controlling interests. The Group recognises any non-current controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. At the end of reporting period, non-controlling interests consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (a) Basis of consolidation and investment in subsidiaries (continued)

#### Acquisition accounting (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss (Note 3(d)).

#### Predecessor accounting

Acquisitions of subsidiaries and businesses under common control that meet the conditions of a merger are accounted for using the predecessor basis of accounting. The acquisitions of Felda Global Ventures Indonesia Sdn. Bhd. ("FGVI"), Felda Global Ventures North America Sdn. Bhd. ("FGVNA") and plantation estates owned by Federal Land Development Authority ("FELDA") in prior financial years, which met the conditions of a merger have been accounted for using that basis.

Under the predecessor basis of accounting, the results of subsidiaries and businesses under common control are presented as if the business combination had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the business combination is cancelled with the values of the shares received. Any resulting credit or debit difference is classified as reorganisation reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the combined entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated, unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with the policies adopted by the Group.

Non-controlling interests is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interests in the acquiree at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interests consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences or other reserves that relate to the subsidiary and is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

(a) Basis of consolidation and investment in subsidiaries (continued)

Predecessor accounting (continued)

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interests, even if the attribution of losses to the non-controlling interests results in a debit balance in the non-controlling interests.

In the Company's financial statements, investments in subsidiaries are shown at cost less accumulated impairment losses.

Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (Note 3(h)).

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, associates and joint ventures over the Group's share of the fair value of their identifiable net assets including contingent liabilities at the date of acquisition. Goodwill on acquisition in respect of a subsidiary is included in the consolidated statement of financial position as intangible assets, or if arising in respect of an associate or joint ventures, is included in investments in associates or joint ventures. Negative goodwill represents the total of consideration transferred, non-controlling interest recognised and previously held interest measured being less than where the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. See significant accounting policies Note 3(o) on impairment of non-financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (e) Associates

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

Where necessary, in applying the equity method, appropriate adjustments are made to the associates' financial statements to ensure consistency with the Group's accounting policies.

In the Company's financial statements, investments in associates are shown at cost less accumulated impairment losses.

Where an indication of impairment exists, the carrying amount of the investments in associates is assessed and written down immediately to its recoverable amount.

On disposal of the associates, the difference between net disposal proceeds and its carrying amount is charged/credited to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (f) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

#### Joint ventures

The Group's interest in joint ventures is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### Joint operations

In relation to the Group's interest in joint operations, the Group recognises its assets (including its share of any assets held jointly), liabilities (including its share of any liabilities incurred jointly), revenue from the sale of its share of the output arising from the joint operation (including share of the revenue from the sale of the output by the joint operation) and expenses (including its share of any expenses incurred jointly).

Where necessary, appropriate adjustments are made to the joint arrangements' financial statements to ensure consistency with the Group's accounting policies.

In the Company's financial statements, investments in joint arrangements are shown at cost.

Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

On disposal of a joint arrangement, the difference between net disposal proceeds and its carrying amount is charged/credited to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (g) Financial assets

#### Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group did not apply hedge accounting during the financial year.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables are as disclosed in Note 54.

##### (iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or Directors intends to dispose of it within 12 months of the end of the reporting period.

#### Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (g) Financial assets (continued)

#### Subsequent measurement - gains and losses

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, finance and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 3(h)) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value changes.

Finance and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Dividend income on available-for-sale financial assets are recognised in profit or loss when the Group's right to receive payment is established.

#### De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

#### Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### (h) Impairment of financial assets

#### Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (h) Impairment of financial assets (continued)

#### Assets carried at amortised cost (continued)

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective finance rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable finance rate, the discount rate for measuring any impairment loss is the current effective finance rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

#### Assets classified as available-for-sale financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

The Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. In addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in the available-for-sale reserve is removed and recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (h) Impairment of financial assets (continued)

#### Assets classified as available-for-sale financial assets (continued)

The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

### (i) Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective finance method except for the LLA liability and derivatives in a loss position which are measured at fair value through profit or loss.

For financial liabilities other than the LLA liability and derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Gains or losses arising from changes in fair value of the LLA liability and derivatives are recognised in profit or loss within other gains/losses, net. Net gains or losses on derivatives include exchange differences.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Foreign exchange differences are capitalised to the extent of the capitalisation of the related borrowing costs.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (i) Financial liabilities (continued)

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### (j) Property, plant and equipment

Property, plant and equipment are initially stated at cost. All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. See significant accounting policies Note 3(i) on borrowing costs. To the extent a legal or constructive obligation to a third party exists, the acquisition cost includes estimated cost of dismantling and removing the assets and restoring the site.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably. The carrying amount of replaced parts are derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Major spare parts, stand-by equipment and servicing equipment are classified as property, plant and equipment rather than inventory when they are expected to be used during more than one period.

Freehold land is not depreciated as it has an infinite life. Spare parts or servicing equipment recognised as property, plant and equipment would be depreciated over a period that does not exceed the useful life of the assets to which they relate. All property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to their residual values over their estimated useful lives as follows:

<u>Property, plant and equipment</u>	<u>Estimated useful lives (years)</u>
Leasehold land	50 to 933
Buildings, structures and renovations	3 to 60
Plant and machinery	3 to 30
Motor vehicles	3 to 30
Office equipment, tools and other equipment	2 to 33
Bearer plants	
- Oil palm	22, or the lease term if shorter
- Rubber	20, or the lease term if shorter

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (i) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The effects of any revision of the residual values and useful lives are included in profit or loss for the financial year in which the changes arise. In previous financial year, the Group has revised the useful life of certain plant and equipment from 14 years to an average of 20 years. The revision was accounted for as a change in accounting estimate and as a result, the depreciation charge for previous period was reduced by RM9,892,000.

Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale. Depreciation on assets under construction commences when the assets are ready for their intended use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in "other operating income" in profit or loss.

At each statement of financial position date, the Group assess whether there is any indication of impairment. If such an indication exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies Note 3(o) on impairment of non-financial assets.

### (k) Investment properties

Investment properties are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group. Investment property is measured initially at its cost, including related transaction costs and borrowing costs if the investment property meets the definition of qualifying asset.

After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. Freehold land is not depreciated as it has an infinite life. All investment properties are depreciated on a straight line basis to write off the cost of each asset to their residual values over their estimated useful lives as follows:

<u>Investment properties</u>	<u>Estimated useful lives (years)</u>
Leasehold land	50 to 99
Buildings	20 to 50

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are included in "other operating income" in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (k) Investment properties (continued)

At each statement of financial position date, the Group assess whether there is any indication of impairment. If such an indication exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies Note 3(o) on impairment of non-financial assets.

### (l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. If such an indication exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies Note 3(o) on impairment of non-financial assets.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each statement of financial position date.

Intangible assets with indefinite useful lives and intangible assets under development are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Intangible assets are amortised using the straight line basis over their estimated useful lives as follows:

Brand	20-26 years
Licenses	9-18 years
Lease agreement	18 years
Customer relationships	9 years
Software	3 - 5 years
Intellectual property rights	10 years
Land use rights	35 years

Amortisation on intangible assets under development commences when the assets are ready for their intended use.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (l) Intangible assets (continued)

The nature of the intangible assets are as follows:

- (i) Brand relates to sugar brand 'Prai' and consumer brands 'Saji', 'Seri Pelangi', 'SunFlower', 'SunBear', and 'Yangambi' acquired as part of the acquisition of the related business.
- (ii) Licenses is related to a license for subsidiaries to use certain technologies.
- (iii) Lease agreement is related to a lease agreement for a subsidiary to lease several assets to a customer, acquired as part of a business combination. Twin Rivers Technologies Holdings, Inc. ("TRTH"), is the lessor of a portion of its facility to a tenant under a non-cancellable operating lease. This property includes natural oil tanks and an oil pipeline system.
- (iv) Customer relationships are related to contracts for a subsidiary to sell its product to several customers.
- (v) Software relates to information technology ("IT") used within the Group.
- (vi) Intellectual property rights relates to patents for the commercialisation of high quality graphene.
- (vii) Land use rights relates to oil palm plantations in Indonesia.
- (viii) Intangible assets under development relates to IT system under development.

### (m) Biological assets

#### Forest

Standing timber on privately held forest land is characterised as biological asset. The Group recognised forest as biological asset subsequent to the acquisition of plantation estates owned by FELDA pursuant to the Land Lease Agreement (Note 47), where the plantation estates acquired included timber which already existed on these estates. Under the capital maintenance method, forest is capitalised and not amortised, and are shown as a non-current asset net of accumulated impairment losses.

Biological assets will be subject to accelerated depreciation if the forest area has been earmarked by the Directors for replanting with a different crop, after writing down the carrying amount to its recoverable amount.

When the forest area is replanted with a different crop, the carrying value of the existing biological assets is expensed off in profit or loss and the planting development costs is recognised in accordance with FRS 116 "Property, Plant and Equipment" (Note 3(j)).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

(m) Biological assets (continued)

### Livestock

(i) Cattle

Cattle are raised for grazing purposes, of which there is no management over the transformation of the biological assets. Purchased cattle are initially stated at cost. Cattle are stated at cost less accumulated depreciation and impairment losses. The cost of a cattle initially recognised includes its purchase price and any cost that is directly attributable to bringing the cattle to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition or production of a qualifying asset.

New-born cattle are stated at standard cost based on market value of cattle ageing below 3 months as at valuation date. Cattle are depreciated on a straight line basis to write off the cost over their estimated useful lives of 5 years.

(ii) Canine

Canine are bred and trained for security purposes. All direct costs for canine are accumulated until it matures. Subsequent to that, the costs that have been capitalised are amortised based on a straight line method over its expected useful productive life. The estimate maturity period for canine are 2 years old, having completed all required training and applying 8 years as the period of amortisation.

Where an indication of impairment exists, the carrying amount of the biological asset is assessed and written down immediately to its recoverable amount. See significant accounting policies Note 3(o) on impairment of non-financial assets.

(n) Inventories

Inventories which consist of commodities based products and their related derivatives are stated at the lower of cost and net realisable value. Cost is determined using the weighted average and first-in first-out basis.

The cost of raw materials comprises direct costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity. It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(o) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible asset not ready to use, are not subject to amortisation and are tested annually for impairment, or when events or circumstances occur indicating that impairment may exist. Property, plant and equipment and other non-current non-financial assets, including intangible assets with definite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (o) Impairment of non-financial assets (continued)

The impairment loss is charged to profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impaired assets, except goodwill, are reviewed for possible reversal of impairment at each reporting date.

### (p) Zakat

The Group recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised as and when the Group has a current zakat obligation as a result of a zakat assessment. The amount of zakat expense shall be assessed when a company within the Group has been in operation for at least 12 months, i.e. for the period known as "haul (eligible period)".

Zakat expense is determined based on the Group's financial results for the year. The amount of zakat paid is recognised as an expense in the financial year in which it is incurred.

### (q) Current and deferred income tax

Tax expenses for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current and deferred tax is measured using the tax rates that have been enacted or substantially enacted at the statement of financial position date in the countries where the Group's subsidiaries, joint ventures and associates operate generate taxable income.

Deferred tax is provided for on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax benefits arising from reinvestment allowance and investment tax allowance is recognised when the tax credit is utilised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

(r) Foreign currencies

### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional and presentation currency, and the Group's presentation currency.

### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

### Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are translated at average rate (unless this average is not reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in the foreign exchange reserve as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and long-term advances are taken to the foreign exchange reserve within equity. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (s) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate.

Government grants relating to the purchase of assets are presented as a reduction of the carrying amount of the related assets. The government grant is recognised in profit or loss over the life of the related property, plant and equipment as a reduced depreciation expense.

### (t) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is presented net of goods and services tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

The following specific recognition criteria must also be met before revenue is recognised:

#### (i) Revenue from sales of goods

Revenue is typically recognised upon the delivery of goods, when significant risks and rewards from ownership of the goods are transferred to the buyer.

Bill and hold sales are sales contract which, at customers' request, transfer legal title of inventories to customers before the inventories leave the warehouse. Bill and hold sales are recognised as revenue when legal title is transferred, on condition that it is probable that delivery will be made, the inventories are ready for delivery, are physically segregated from unsold inventories, the customer has specifically acknowledged deferred delivery instructions and usual payment terms apply.

#### (ii) Revenue from rendering of services

Revenue from rendering of services, including management fees, tolling arrangements and construction are recognised when the related services are performed, by reference to completion of the specific services.

#### (iii) Subsidy from Government

Subsidy received from the Government of Malaysia for certain products sold relates to the difference between estimated market price and the controlled price determined by the Government for sale of the product in the domestic market, limited to the amount agreed with the Government on an annual basis. This subsidy is credited to profit or loss and recognised as part of revenue in the accounting period in which the corresponding sales of goods are recognised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

(t) Revenue recognition (continued)

(iv) Dividend income

Dividend income is recognised when the right to receive is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(v) Finance income

Finance income is recognised using the effective finance method. When a loan or a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective finance rate of the instrument, and continues unwinding the discount as finance income. Finance income on impaired loan and receivables are recognised using the original effective finance rate.

(vi) Rental income

Rental income related to rental of properties and plants are recognised over the period of tenancy or usage, as appropriate.

(vii) Compensation receivable

Compensation receivable is estimated based on areas reclaimed by FELDA, recognised when vacant possession of the land is transferred.

(u) Dividend distribution

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the statement of financial position date. A dividend proposed or declared after the statement of financial position date, but before the financial statements are authorised for issue, is not recognised as a liability at the statement of financial position date.

(v) Deposits, cash and bank balances

Deposits, cash and bank balances includes cash in hand, deposit held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(w) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (w) Leases (continued)

#### (ii) Operating leases – the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Initial direct costs incurred by the Company in negotiating and arranging operating leases are recognised in profit or loss when incurred.

Payment for rights to use land and buildings over a predetermined period is classified as prepaid lease payments and is stated at cost less accumulated amortisation and accumulated impairment losses. The prepaid lease payments are amortised on a straight-line basis over the lease period of up to 49 years.

#### (iii) Operating leases – the Group as lessor

Assets leased out under operating leases are presented on the statement of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 3(t)(vi)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### (iv) Finance leases – the Group as lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of finance on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The finance element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of finance on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (x) Employee benefits

#### (i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### (ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred.

#### (iii) Defined benefit plan

A defined benefit plan is a retirement plan that defines an amount of retirement benefits to be paid, usually as a function of one or more factors such as age, years of service or compensation.

Certain companies within the Group operate non-funded defined benefit retirement plans. Under the plan, retirement benefits are determinable by reference to employees' earnings, designation and years of service and payable upon attaining the normal retirement age.

The liabilities in respect of defined benefit plans are the present value of the defined benefit obligations at the statement of financial position date less the fair value of plan assets, together with adjustments for actuarial gains/losses and unrecognised past service costs. The Group determines the present value of the defined benefit obligations with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the statement of financial position date.

The defined benefit obligations, calculated using the projected unit credit method, are determined by independent actuaries, considering the estimated future cash outflows using market yields at statement of financial position date of government securities that are denominated in the currency in which the benefits will be paid and that have terms of maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Current service costs, past service costs and finance costs are recognised in immediately in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (x) Employee benefits (continued)

#### (iv) Termination benefits

The Group pays termination benefits in cases of termination of employment within the framework of a restructuring. Termination benefits are recognised as a liability and an expense when the Group has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

#### (v) Share-based compensation

The Company operates an equity-settled, share-based compensation plan for the Group's employees. Employee services received in exchange for the grant of the Company's shares are recognised as an expense in the profit or loss over the vesting period of the grant, with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.

Non-market vesting conditions are included in the assumptions to arrive at the number of shares that are expected to vest. At the end of the reporting period, the Group and the Company revise its estimates of the number of shares that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the profit or loss, with a corresponding adjustment to equity.

The fair value of shares granted to employees of subsidiaries are recharged by the Company to the subsidiaries.

### (y) Contingent liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence and non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However contingent liabilities do not include financial guarantee contracts.

### (z) Equity instruments

Ordinary shares and special share are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

The transaction costs of an equity transactions are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (aa) Segment reporting

Segment information is presented in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee.

### (ab) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with FRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantee contracts in relation to loans and payables are granted to subsidiaries, joint ventures and associates by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries, joint ventures and associates.

### (ac) Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate of the amount can be made.

When it is probable that costs will exceed total contract revenue, a provision for onerous contract is recognised.

Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (ad) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups (a group of assets to be disposed of in a single transaction and liabilities directly associated with those assets) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for sale in its immediate condition. Management must be committed to the sale, which should be expected within one year from the date of classification as held for sale.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter, the assets (or disposal group) are recognised at the lower of their carrying amount and fair value less cost to sell. Assets classified as held for sale, or included within a disposal group that is classified as held for sale, are not depreciated. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are included in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

Results from operations qualifying as discontinued operations are presented separately as a single amount on the income statement. Results from operations qualifying as discontinued operations as of the balance sheet date for the latest period presented, that have previously been presented as results from continuing operations, are represented as results from discontinued operations for all periods presented.

In case conditions for classification of non-current assets and disposal groups as held for sale are no longer met, classification as held for sale ceases. Accordingly, results of operations, previously presented in discontinued operations, are reclassified and included in result from continuing operations for all periods presented. Non-current assets that ceases to be classified as held for sale are remeasured at the lower of their carrying amount before classification as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale, and its recoverable amount at the date of the subsequent decision to sell.

### (ae) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated based on the consolidated profit after taxation attributable to equity shareholders of the Company and divided by the weighted number of ordinary shares in issue. Diluted EPS is calculated based on the consolidated profit after taxation attributable to equity shareholders of the Company and divided by the weighted number of ordinary shares in issue, assuming conversion of the outstanding RCPS and RCCPS into ordinary shares of RM1 each.

### (af) Construction contracts

Contracts costs are recognised when incurred. When the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised over the period of the contract as revenue and expenses respectively. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to recognise in a given period. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total costs for the contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. (continued)

### (af) Construction contracts (continued)

When the outcome of construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable; contract costs are recognised when incurred.

When it is probable that contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent agreed with the customer and are capable of being reliably measured.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amounts due from customers on construction contracts under trade receivables. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amounts due to customers on construction contracts under payables.

### (ag) Fair value measurement

Fair value measurement prescribes that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 4 FINANCIAL RISK MANAGEMENT

### (a) Financial risk management policies

The Group is exposed to market risk (including foreign currency risk, equity price risk, commodity price risk and finance rate risk), credit risk and liquidity risk arising from its business activities. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses relevant derivative financial instruments to hedge the risk of such commercial exposure. Such derivative financial instruments are generally not held for trade or speculative purposes.

The Board of Directors has overall responsibility for the oversight of financial risk management which include risk identification, operational or strategic, and the subsequent action plans to manage these risks. Management is responsible for identifying, monitoring and managing the Group's risk exposures.

#### Market risk

##### (i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("USD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations but excludes interest in foreign joint ventures and associates. The Group generally manages its currency exposure through foreign currency forward contracts.

A 10% strengthening/weakening of the USD against the Malaysian Ringgit ("RM") at the date of statement of financial position would have a lower/higher impact to Group's profit after tax of approximately of RM66,410,000 lower/higher (2015: RM72,945,000 lower/higher).

The above exposure mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated deposits, cash and bank balances, trade receivables and payables and foreign exchange losses/gains on translation of foreign currency denominated borrowings. The analysis assumes that all other variables remain constant.

##### (ii) Price risk

Price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than finance or exchange rates).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Financial risk management policies (continued)

#### Market risk (continued)

##### (ii) Price risk (continued)

###### Equity price risk

The Group is exposed to equity price risk arising from its investment in quoted and unquoted equity instruments. The quoted equity investments are listed on the Bursa Malaysia and foreign stock exchanges and classified as available-for-sale financial assets or financial asset at fair value through profit or loss based on the purpose for which the quoted equity investments were acquired. Unquoted investments are valued using the Price Earnings ("PE")/Price to Book ("PB") comparative method and classified as available-for-sale financial assets. The sensitivity analysis in relation to equity price risk is as follows:

###### Group

Financial assets	Sensitivity factor	2016		2015	
		Impact to profit after tax RM'000	Impact to equity RM'000	Impact to profit after tax RM'000	Impact to equity RM'000
Available-for-sale:					
- unquoted	Comparable PE multiple and PB multiple variance by 5%	-	12,377	-	12,568
- quoted	Share price variance by 5%	-	3,335	-	3,176
Fair value through profit or loss					
- quoted	Share price variance by 5%	2,216	-	2,471	-
Total impact		2,216	15,712	2,471	15,744

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Financial risk management policies (continued)

#### Market risk (continued)

##### (ii) Price risk (continued)

###### Commodity price risk

The Group is exposed to commodity price risk since the prices of crude palm oil ("CPO"), sugar and their derivatives are subject to fluctuations due to unpredictable factors such as weather, changes in global demand and production, crude oil prices and global production of similar and competing crops.

Revenue of the Group is therefore subject to price fluctuations in the commodity market. The Group uses derivative contracts to mitigate a portion of such risks.

As at 31 December 2016, sensitivity analysis had been performed based on the Group's exposure to commodity prices as at settlement date for the Group's LLA liability and commodity derivative portfolios. A 10% increase in certain commodity price indexes or a RM100 increase in CPO prices assumed in calculating the LLA liability, with all other variables being held constant, would increase or decrease the Group's profit after tax, by type of significant commodity and financial liability, by approximately:

	2016 RM'000	2015 RM'000
- Palm oil	28,813	27,443
- LLA liability	(113,511)	(124,361)
Net decrease	(84,698)	(96,918)

A 10% decrease in certain commodity price indexes or a RM100 decrease in CPO prices assumed in calculating the LLA liability, with all other variables being held constant, would increase or decrease the Group's profit after tax, by type of significant commodity and financial liability, by approximately:

	2016 RM'000	2015 RM'000
- Palm oil	(28,813)	(27,443)
- LLA liability	117,092	130,361
Net increase	88,279	102,918

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Financial risk management policies (continued)

#### Market risk (continued)

##### (iii) Finance rate risk

The Group's finance rate risk mainly arises from LLA liability and short term trade financing. LLA liability and short term trade financing issued at variable rates expose the Group to cash flow finance rate risk.

The finance rate profile of the Group's finance bearing financial assets, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Financial assets</u>				
<u>At fixed rate</u>				
Fixed deposits	1,311,826	1,905,793	74,485	506,283

The finance rate profile of the Group's finance bearing financial liabilities, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Financial liabilities</u>				
<u>At fixed rate</u>				
Loans due to a significant shareholder	1,689,005	1,893,290	1,689,005	1,893,290
Loans due to subsidiaries	-	-	28,895	520,629
Islamic short term trade financing	3,105,723	2,594,021	-	-
Short term trade financing	41,694	521,283	-	-
Islamic term loans	199,366	13,322	-	-
Term loans	-	253,049	-	-
Finance lease liabilities	2,423	3,143	-	-
	5,038,211	5,278,108	1,717,900	2,413,919

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Financial risk management policies (continued)

#### Market risk (continued)

##### (iii) Finance rate risk (continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Financial liabilities</u> (continued)				
<u>At floating rate (exposed to cash flow finance rate risk)</u>				
LLA liability	4,407,564	4,627,195	-	-
Loans due to subsidiaries	-	-	272,110	312,500
Islamic short term trade financing	540,900	-	540,900	-
Term loans	1,026	165,601	-	-
	4,949,490	4,792,796	813,010	312,500
	9,987,701	10,070,904	2,530,910	2,726,419

If discount rate on LLA liability increased/decreased by 50 basis points and finance rate on borrowings increased/decreased by 10 basis points with all other variables held constant, the profit after tax of the Group will increase by RM179,983,000 (2015: RM207,551,000) and decrease by RM201,425,000 (2015: RM235,901,000) respectively.

Other financial assets and financial liabilities are non-finance bearing, and therefore are not affected by changes in finance rates.

#### Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing with customers with an appropriate credit history, and obtaining sufficient security where appropriate, including payments in advance, to mitigate credit risk. The financial assets exposure can be illustrated as follows:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Financial risk management policies (continued)

#### Credit risk (continued)

	Financial assets RM'000	Collateral held as security RM'000	Net exposure RM'000
<u>2016</u>			
<u>Group</u>			
Trade receivables	1,309,955	437,983	871,972
Other receivables and deposits	339,742	-	339,742
Amount due from a significant shareholder	182,531	-	182,531
Amounts due from joint ventures	545,343	-	545,343
Loan due from a joint venture	54,222	-	54,222
Amount due from an associate	214	-	214
Amounts due from other related companies	172,625	-	172,625
Derivative financial assets	5,489	-	5,489
Available-for-sale financial assets	314,241	-	314,241
Financial assets at fair value through profit and loss	58,322	-	58,322
<u>Company</u>			
Other receivables and deposits	21,936	-	21,936
Amounts due from subsidiaries	609,851	-	609,851
Amounts due from other related companies	216	-	216
Loan due from a subsidiary	206,013	-	206,013
<u>2015</u>			
<u>Group</u>			
Trade receivables	1,346,162	515,922	830,240
Other receivables	743,896	-	743,896
Amount due from a significant shareholder	101,555	-	101,555
Amount due from joint ventures	247,309	-	247,309
Amount due from an associate	85	-	85
Amounts due from other related companies	102,636	-	102,636
Derivative financial assets	1,388	-	1,388
Available-for-sale financial assets	314,861	-	314,861
Financial assets at fair value through profit and loss	65,905	-	65,905

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Financial risk management policies (continued)

#### Credit risk (continued)

	Financial assets RM'000	Collateral held as security RM'000	Net exposure RM'000
<b>2015</b>			
<u>Company</u>			
Other receivables	10,914	-	10,914
Amounts due from subsidiaries	186,233	-	186,233
Amounts due from other related companies	234	-	234
Loan due from a subsidiary	1,062	-	1,062

Receivables, amounts due from a significant shareholder, an associate, joint ventures and other related parties exposure are closely monitored and continuously followed up. The Group generally has no significant concentration of credit risk due to the Group's large number of customers other than sales transactions made to certain related parties as disclosed in Note 27 and Note 55.

The Group's deposits, cash and bank balances were largely placed with major financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions, including those non-rated financial institutions, is remote on the basis of their financial strength.

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations due to shortage of funds. The Group maintains a sufficient level of cash and cash equivalents to meet the Group's working capital requirements by closely monitoring its cash flows. Due to the nature of its business, the Group has adopted prudent liquidity risk management in maintaining and obtaining sufficient credit facilities from financial institutions.

Cash flow forecasting is performed in the operating entities of the Group and then aggregated by management. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statements of financial position ratio targets and, if applicable, external regulatory or legal requirements – for example, currency restrictions. As at 31 December 2016, the Group has undrawn committed borrowing facilities amounting to RM785 million (2015: RM1.16 billion).

Surplus cash is invested in profit bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining maturity periods at the reporting date to the contractual maturity dates. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The table below summarises the maturity profile of the Group's and Company's financial liabilities based on the remaining maturity periods at the statement of financial position date. The amounts disclosed in the table below are based on contractual undiscounted cash flows:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Financial risk management policies (continued)

#### Liquidity risk (continued)

##### Group

	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000
<u>At 31 December 2016</u>					
Loans due to a significant shareholder	283,915	273,734	366,812	1,170,660	2,095,121
LLA liability	375,302	325,266	1,023,023	48,470,714	50,194,305
Amount due to a significant shareholder	399,190	-	-	-	399,190
Amounts due to other related companies	11,433	-	-	-	11,433
Amount due to an associate	167	-	-	-	167
Amounts due to joint venturers	6	-	-	-	6
Derivative financial liabilities	19,434	-	-	-	19,434
Borrowings	3,981,738	1,195	182,950	3,131	4,169,014
Payables	1,460,240	-	-	-	1,460,240
<b>Total undiscounted financial liabilities</b>	<b>6,531,425</b>	<b>600,195</b>	<b>1,572,785</b>	<b>49,644,505</b>	<b>58,348,910</b>
<u>At 31 December 2015</u>					
Loans due to a significant shareholder	294,097	283,915	588,916	1,222,290	2,389,218
LLA liability	327,702	363,902	1,033,981	87,658,457	89,384,042
Amount due to a significant shareholder	140,113	-	-	-	140,113
Amounts due to other related companies	98,524	-	-	-	98,524
Amounts due to joint venturers	31	-	-	-	31
Derivative financial liabilities	1,858	-	-	-	1,858
Borrowings	3,142,870	209,848	237,572	153,848	3,744,138
Payables	1,281,648	-	-	-	1,281,648
<b>Total undiscounted financial liabilities</b>	<b>5,286,843</b>	<b>857,665</b>	<b>1,860,469</b>	<b>89,034,595</b>	<b>97,039,572</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Financial risk management policies (continued)

#### Liquidity risk (continued)

##### Company

	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000
<u>At 31 December 2016</u>					
Loans due to a significant shareholder	283,915	273,734	366,812	1,170,660	2,095,121
Loans due to subsidiaries	59,107	56,696	155,645	47,054	318,502
Amounts due to subsidiaries	18,302	-	-	-	18,302
Amount due to a significant shareholder	6,568	-	-	-	6,568
Amounts due to other related companies	65	-	-	-	65
Borrowings	540,900	-	-	-	540,900
Payables	40,907	-	-	-	40,907
<b>Total undiscounted financial liabilities</b>	<b>949,764</b>	<b>330,430</b>	<b>522,457</b>	<b>1,217,714</b>	<b>3,020,365</b>
<u>At 31 December 2015</u>					
Loans due to a significant shareholder	294,097	283,915	588,916	1,222,290	2,389,218
Loans due to subsidiaries	73,166	70,677	691,336	96,518	931,697
Amounts due to subsidiaries	23,390	-	-	-	23,390
Amount due to a significant shareholder	6,963	-	-	-	6,963
Amounts due to other related companies	67	-	-	-	67
Payables	87,493	-	-	-	87,493
<b>Total undiscounted financial liabilities</b>	<b>485,176</b>	<b>354,592</b>	<b>1,280,252</b>	<b>1,318,808</b>	<b>3,438,828</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Capital risk management policies

The Group's primary objectives on capital management policies are to safeguard the Group's ability to maintain healthy capital ratios to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity attributable to owners of the Company. The Group includes borrowings, loans due to a significant shareholder and LLA liability within its total debt while loans due to subsidiaries are additionally included for the Company's total debt. Equity attributable to owners of the Company includes share capital, redeemable preference shares, share premium, reserves and retained earnings.

The gearing ratio analysis for the Group and the Company are as disclosed below:

Group

With LLA liability

	2016 RM'000	2015 RM'000 (Restated)
Borrowings	3,891,132	3,550,419
Loans due to a significant shareholder	1,689,005	1,893,290
LLA liability	4,407,564	4,627,195
Total debt	9,987,701	10,070,904
Equity attributable to owners of the Company	5,794,375	5,827,303
Gearing ratio	172%	173%

As at 31 December 2016, the Group had complied with all external financial covenants.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Capital risk management policies (continued)

#### Group (continued)

##### Without LLA liability

	2016 RM'000	2015 RM'000 (Restated)
Borrowings	3,891,132	3,550,419
Loans due to a significant shareholder	1,689,005	1,893,290
Total debt	5,580,137	5,443,709
Equity attributable to owners of the Company	5,794,375	5,827,303
Gearing ratio	96%	93%

The increase in the gearing ratio during the financial year ended 31 December 2016 resulted primarily from net increase in borrowings for working capital requirements.

#### Company

	2016 RM'000	2015 RM'000
Loans due to a significant shareholder	1,689,005	1,893,290
Loans due to subsidiaries	301,005	833,129
Borrowings	540,900	-
Total debt	2,530,910	2,726,419
Total equity	7,164,097	7,309,398
Gearing ratio	35%	37%

### (c) Fair value estimation

Amounts that are measured in the statement of financial position at fair value are disclosed by the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016 and 31 December 2015:

Group

2016

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Assets</u>				
Financial assets at fair value through profit or loss:				
(i) Derivatives				
- Foreign exchange forward contracts	-	80	-	80
- Commodities futures contract	5,409	-	-	5,409
(ii) Trading securities				
58,322	-	-	-	58,322
Available-for-sale financial assets	66,699	-	247,542	314,241
Total assets	130,430	80	247,542	378,052
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
(i) LLA liability				
-	-	-	4,407,564	4,407,564
(ii) Derivatives				
- Foreign exchange forward contracts	-	19,237	-	19,237
- Commodities futures contracts	197	-	-	197
Total liabilities	197	19,237	4,407,564	4,426,998

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016 and 31 December 2015: (continued)

Group

2015

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
--	-------------------	-------------------	-------------------	-----------------

Assets

Financial assets at fair value through profit or loss:

(i) Derivatives

- Foreign exchange forward contracts	-	1,388	-	1,388
(ii) Trading securities	65,905	-	-	65,905
Available-for-sale financial assets	3,510	60,000	251,351	314,861
<b>Total assets</b>	<b>69,415</b>	<b>61,388</b>	<b>251,351</b>	<b>382,154</b>

Liabilities

Financial liabilities at fair value through profit or loss:

(i) LLA liability

(ii) Derivatives	-	-	4,627,195	4,627,195
- Foreign exchange forward contracts	-	590	-	590
- Commodities futures contracts	1,268	-	-	1,268
<b>Total liabilities</b>	<b>1,268</b>	<b>590</b>	<b>4,627,195</b>	<b>4,629,053</b>

Disclosures for property, plant and equipment and investment in a joint venture measured at fair value are disclosed at Note 19 and Note 24 respectively.

The Company has no financial assets and liabilities that are measured at fair value at 31 December 2016 and 31 December 2015.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Fair value estimation (continued)

There were no transfers between levels 1 and 2 during the year.

#### (i) Financial instruments in Level 1

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 Malaysia Derivatives Exchange ("MDEX") for palm oil and other foreign commodity exchanges.

#### (ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market 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-sales 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.

#### (iii) Financial instruments in Level 3

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

	<b>Group</b>	
	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
<u>LLA liability</u>		
At 1 January	4,627,195	4,680,829
Fair value changes charged to profit or loss	68,275	224,861
Repayment during the year	(287,906)	(278,495)
At 31 December	4,407,564	4,627,195
<u>Available for sale financial assets</u>		
At 1 January	251,351	218,839
Additions	5,488	9,613
Liquidation of a subsidiary	(1,613)	-
Fair value changes transferred to available-for-sale reserves	(7,684)	22,899
At 31 December	247,542	251,351

### (d) Offsetting financial assets and financial liabilities

There are no offsetting of financial assets and financial liabilities during the year for the Group and Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated by Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### (i) LLA liability

The fair value of the LLA liability is measured using a discounted cash flow calculation using cash flow projections based on financial budgets approved by the Directors covering a 95 year period. As a result of the fair value assessment, the Group has recognised a LLA liability of RM4,407,564,000 (2015: RM4,627,195,000). The key assumptions and the sensitivity analysis are as disclosed in Note 47 to the financial statements.

### (ii) Accounting for bearer plants

The Group changed its accounting policy for bearer plants from capital maintenance method to amortisation method. The change in accounting policy had been applied retrospectively in accordance with FRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, prior year adjustments had been made as if the new accounting policy had always been applied from the beginning.

The impacts of the change in the policy include an increase in property, plant and equipment ("PPE") from RM7,039,041,000 to RM10,073,774,000 and retained earnings from RM1,197,452,000 to RM1,659,769,000 as at 31 December 2016. In addition, the impact on the results for the financial year ended 31 December 2016 was a higher profit by RM63,087,000 due to the reversal of direct replanting costs previously expensed off in the income statement offset by depreciation charge for the cost of bearer plants capitalised in PPE.

In establishing the planting costs to be capitalised, management had used data collated from the accounting system and records. Where limited information such as actual breakdown of costs incurred for certain areas was available, average cost per hectare estimates had been used. Refer to Note 58 to the financial statements.

### (iii) Fraud losses in a subsidiary of a joint venture

During the financial year, stock losses of TL71,960,000 (RM91,320,000) and overstatements of receivables of TL11,480,000 (RM14,560,000) had been identified by the Group due to the manipulation of financial statements perpetrated by previous management of Felda Iffco Gida Sanayi ("FIGS"), a subsidiary of Felda Iffco Sdn. Bhd., a joint venture of the Group which arose from overstatements of inventories and receivables in FIGS, from the beginning financial year 2011 to 2016, which were considered as deliberate misrepresentation of facts and fraud.

The impact of fraud relating to current financial year of RM16,123,000 had been included in the Group's share of results from joint ventures for the current financial year, while the impact of errors relating to the fraud perpetrated in prior financial years amounting to RM10,380,000 and RM26,439,000 had been adjusted against the results for the financial year ended 31 December 2015 and periods prior to 1 January 2015 respectively. Refer to Note 58 to the financial statements.

### (iv) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units ("CGU") to which the goodwill is allocated. Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amounts of CGUs were determined based on the higher of fair value less cost to sell or value in use ("VIU") calculations. The fair value less cost to sell or VIU is the net present value of the projected future cash flows derived from the CGU discounted at an appropriate discount rate. Projected cash flows are estimates made based on historical and industry trends, general market and economic conditions and other available information.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### (iv) Goodwill (continued)

As a result of these impairment assessments, the Group did not recognise any impairment loss (2015: impairment charge on goodwill of RM12,770,000) during the financial year. The key assumptions and the sensitivity analysis are as disclosed in Note 21 to the financial statements.

### (v) Impairment of non-financial assets

The Group tests its non-financial assets for impairment if there is any objective evidence of impairment. Management have assessed that certain non-financial assets may be potentially impaired or the existing impairment may be reversed. The recoverable amounts of these assets were determined based on the higher of fair value less cost to sell or VIU calculations. The fair value less cost to sell or VIU is the net present value of the projected future cash flows derived from the CGU discounted at an appropriate discount rate. Projected cash flows are estimates made based on historical and industry trends, general market and economic conditions and other available information.

As a result of the assessment, the Group has recognised a net impairment of RM102,154,000 (2015: net reversal of impairment of RM114,778,000) against certain property, plant and equipment, intangible assets (other than goodwill) and prepaid lease payments. The key assumptions and the sensitivity analysis are as disclosed in Notes 19 and 21 to the financial statements.

In addition, the Company also tests its investment in a subsidiary in China for impairment as the subsidiary recorded losses during the financial year. The recoverable amount was determined based on fair value less cost to sell, which is the net present value of the projected future cash flows derived from the CGU discounted at 13%. The key assumptions and results of the impairment assessment are disclosed in Notes 19 and 22(d) to the financial statements.

### (vi) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgment regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised. As at 31 December 2016, the Group has deferred tax assets of RM219,088,000 (2015: RM202,848,000) in respect of unused tax losses of certain loss making subsidiaries of the Group. The taxable profit projections for the loss making subsidiaries include the effects of cost management plans and increase in productions to improve the performance of the businesses. Other key assumptions, in particular, average revenue growth rates between 5% to 19% were applied with contribution margins projected based on industry trends.

In evaluating whether it is probable that future taxable profits will be available in future periods, all available evidence was considered, including approved budgets and business plans, continuous effective cost management plans and analysis of historical operating results. These forecasts are consistent with those prepared and used internally for business planning and impairment testing purposes.

### (vii) Purchase price allocation for acquisition of Yapidmas group of companies

Purchase prices related to business combinations and asset acquisitions are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value requires the Group to make assumptions, estimates and judgments regarding future events, including the determination of fair values of bearer plants and other assets using key assumptions including CPO price, FFB price, estate costs, and average FFB yield. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts the Group's reported assets and liabilities, future net earnings due to the impact on future depreciation and amortisation expense and impairment tests.

The effects of the acquisition of Yapidmas group is presented in Note 22(b)(i) to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 6 REVENUE

	2016 RM'000	2015 RM'000
<u>Group</u>		
Sales of crude palm oil ("CPO")	5,694,117	4,945,939
Sales of refined bleached deodorised ("RBD") products	5,030,380	4,587,215
Sales of refined sugar and molasses	2,657,481	2,307,259
Sales of fertiliser, packed products and others	1,054,618	1,248,227
Sales of fatty acids	866,521	775,149
Sales of rubber products	704,545	683,951
Sales of crude palm kernel oil ("CPKO")	368,129	305,353
Sales of biodiesel products	125,460	136,187
Sales of palm kernel ("PK")	277,889	23,264
Services rendered	428,333	509,777
Sales of fresh fruit bunches ("FFB")	20,081	24,792
Others	13,721	11,656
	17,241,275	15,558,769
<u>Company</u>		
Dividend from subsidiaries:		
- unquoted	235,486	529,433
- quoted	18,516	20,059
Management fees	97,010	121,780
Finance income from financial institutions	2,540	3,594
Others	1,406	18
	354,958	674,884

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 7 OTHER OPERATING INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Rental income	5,497	13,343	-	-
Gain on disposal of property, plant and equipment	244	470	-	2
Gain on disposal of a subsidiary (Note 22(c)(iii))	-	13,016	-	-
Gain on liquidation of subsidiaries (Note 22(b))	26,124	-	-	-
Gain on disposal of available-for-sale financial assets	-	1,899	-	-
Dividend income from available-for-sale financial assets	2,873	2,459	-	-
Income from sale of scrap	7,270	5,972	-	-
Income from sludge oil	2,698	3,275	-	-
Compensation from legal suit	-	5,700	-	-
Income from Green Palm Certificate	-	3,772	-	-
Reversal of impairment of property, plant and equipment	1,277	32,409	-	-
Income from penalties charges	9,755	5,516	-	-
Roundtable Sustainable Palm Oil (RSPO) premium income	3,471	582	-	-
Foreign currency exchange gains	34,411	57,552	-	5,182
Other operating income	42,488	36,884	2,303	1,272
	136,108	182,849	2,303	6,456

## 8 OTHER OPERATING EXPENSES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Impairment loss on amount due from a joint venture	13,893	3,481	-	-
Impairment loss on amount due from a significant shareholder	-	3,425	-	2,308
Impairment loss on amounts due from other related companies	-	2,244	-	1,725
Impairment loss on investment in a subsidiary	-	-	80,152	-
Realisation of foreign exchange on disposal of a subsidiary	-	37,945	-	-
Other operating expenses	1,959	1,283	4	131
	15,852	48,378	80,156	4,164

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 9 OTHER LOSSES, NET

	Group	
	2016 RM'000	2015 RM'000
Land Lease Agreement ("LLA"):		
- Fair value losses (Note 47)	(68,275)	(224,861)
Foreign currency forward contracts:		
- Fair value gains	(7,027)	8,038
Financial assets at fair value through profit or loss		
- Fair value losses (Note 33)	(1,106)	(886)
Sugar, oil palm and rubber futures contracts:		
- Fair value gains	5,960	24,897
	(70,448)	(192,812)

## 10 FINANCE INCOME AND COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Finance income:				
- finance income from financial institutions	56,793	47,237	-	-
Total finance income	56,793	47,237	-	-
Finance costs:				
- loan from a significant shareholder	(89,812)	(95,797)	(89,812)	(95,797)
- loans from subsidiaries	-	-	(16,921)	(1,807)
- islamic short term trade financing	(31,404)	(26,656)	(80)	-
- short term trade financing	(14,076)	(25,729)	-	-
- unwinding of discount	-	(5,834)	-	-
- islamic term loans	(10,043)	(1,533)	-	-
- term loans	(35,265)	(18,658)	-	-
- amount due to a subsidiary	-	-	(429)	(6,615)
- finance lease	(1,214)	(765)	(305)	(439)
Total finance costs	(181,814)	(174,972)	(107,547)	(104,658)
Net finance costs	(125,021)	(127,735)	(107,547)	(104,658)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 11 PROFIT/(LOSS) FOR THE FINANCIAL YEAR

Profit/(loss) for the financial year is stated after charging/(crediting):

	Group		Company	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000 (Restated)
Matured estates operating expenses (collection, upkeep, cultivation and general charges)	318,684	397,590	-	-
Cost of raw materials and chemicals for production and manufacturing	10,170,446	9,794,520	-	-
Cost of purchasing CPO	2,823,308	2,267,330	-	-
Cost of petrol, diesel and natural gas	132,522	172,171	-	-
Service charge on CPO trading	10,161	4,997	-	-
Property, plant and equipment (Note 19):				
- Depreciation	677,792	619,791	5,954	5,261
- Impairment loss	89,098	10,856	-	-
- Reversal of impairment	(1,277)	(165,801)	-	-
- Write offs	17,973	37,561	3	1
- Loss on disposal	7	121	-	-
Investment properties (Note 20):				
- Depreciation	11,912	11,770	435	435
Intangible assets (Note 21):				
- Impairment	11,818	40,243	-	-
- Amortisation	33,275	47,188	6,227	4,533
- Write offs	-	27	-	-
Prepaid lease payments (Note 25)				
- Amortisation	5,122	3,581	-	-
- Provision for/(reversal of) impairment loss	2,515	(76)	-	-
- Write offs	-	1,166	-	-
Biological assets (Note 28):				
- Amortisation	128	150	-	-
- Write offs	68	49	-	-
Assets held for sale:				
- Accelerated depreciation	586	2,326	-	-
- (Gain)/Loss on disposal	(1,414)	1,414	-	-
Impairment of receivables (net)	37,040	1,814	-	-
Write down of inventory to net realisable value	411	6,649	-	-
Rental				
- land and buildings	57,306	36,017	13,208	8,838
- plant, machinery and storage tanks	20,464	22,133	-	-
- other equipment	32,171	22,935	7,373	255
Repair and maintenance of refining plants and mills	99,853	99,034	-	-
Repair and maintenance of motor vehicles	29,749	25,054	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 11 PROFIT/(LOSS) FOR THE FINANCIAL YEAR (CONTINUED)

Profit for the financial year is stated after charging/(crediting): (continued)

	Group		Company	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000 (Restated)
Principal auditors' remuneration:				
- Audit fee	4,280	3,626	836	518
- Other assurance services	1,441	1,293	1,168	1,278
- Non-audit fee				
- current year	201	1,084	195	637
- prior year	503	852	306	459
Member firms of principal auditors' remuneration:				
- Audit fee	1,627	1,434	-	-
Other firms of auditors' remuneration:				
- Audit fee	146	247	-	-
- Non-audit fee	2,554	4,771	2,126	3,804
Staff costs*	1,492,059	1,617,504	94,337	95,093
Professional and technical fees	10,276	74,895	10,212	73,375
Contribution to Yayasan Felda	4,934	7,328	4,487	5,677
Net realised foreign exchange loss/(gain)	42,277	108,874	6,531	(4,905)
Net unrealised foreign exchange loss/(gain)	993	34,320	(2,393)	(277)
Research and non-capitalised development costs	27,575	29,308	-	-
Construction cost recognised as an expense	9,350	19,192	-	-
Provision for onerous contract (net)	19,367	30,067	-	-
Management fees charged by a subsidiary	-	-	-	2,811
(Reversal of provision)/provision for asset retirement (net)	(1,000)	500	-	-
Transportation, loading and handling	226,224	167,905	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 11 PROFIT/(LOSS) FOR THE FINANCIAL YEAR (CONTINUED)

Profit for the financial year is stated after charging/(crediting): (continued)

\* Staff costs (excluding Directors' remuneration) are analysed as follows:

	Group		Company	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000 (Restated)
Wages, salaries and bonuses	1,064,775	1,198,726	60,519	60,835
Defined contribution plan	118,893	122,034	12,174	11,322
Defined benefit plan	18,115	7,850	648	81
Employee share grant	429	-	215	-
Other employee benefits	289,847	288,894	20,781	22,855
	1,492,059	1,617,504	94,337	95,093

Staff costs included in costs of sales amounted to RM1,142,975,000 (2015: RM1,247,414,000) and RM36,262,000 (2015: RM26,220,000) for the Group and Company respectively.

## 12 DIRECTORS' REMUNERATION

	Group		Company	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000 (Restated)
Fees:				
- Independent Non-Executive	1,014	997	883	893
- Non-Independent Non-Executive	1,545	2,140	848	908
- Executive Director	378	537	-	-
	2,937	3,674	1,731	1,801
Salaries, bonuses and allowances :				
- Executive Director	1,218	1,663	1,218	1,663
Defined contribution plan:				
- Executive Director	249	272	249	272

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 12 DIRECTORS' REMUNERATION (CONTINUED)

	Group		Company	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000 (Restated)
Benefit in kind:				
- Independent Non-Executive	44	44	14	44
- Non-Independent Non-Executive	1,427	1,661	1,427	1,661
- Executive Director	652	1,244	652	1,244
	2,123	2,949	2,093	2,949
End of service gratuity				
- Executive Director	500	-	500	-
Other benefits:				
- Independent Non-Executive	335	319	315	272
- Non-Independent Non-Executive	177	203	133	167
- Executive Director	43	53	-	-
	555	575	448	439
	7,582	9,133	6,239	7,124

## 13 ZAKAT

	Group	
	2016 RM'000	2015 RM'000
Movement of zakat liability:		
At beginning of financial year	-	-
Current financial year's zakat expense	17,765	23,900
Zakat paid	(17,765)	(23,900)
At end of financial year	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 14 TAXATION

	Group		Company	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000
Malaysian income tax:				
- In respect of current financial year	117,293	183,832	-	-
- In respect of prior financial year	(25,240)	(15,792)	-	1,499
Foreign income tax:				
- In respect of current financial year	8,470	7,950	-	-
Deferred tax (Note 50)	75,555	(39,819)	24,873	-
Tax expense	176,078	136,171	24,873	1,499

A reconciliation of income tax expense applicable to profit before taxation after zakat at the Malaysian statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000
Profit/(loss) before taxation after zakat	245,301	428,652	(46,062)	284,503
Malaysian corporate tax rate of 24% (2015: 25%)	58,872	107,163	(11,055)	71,126
Tax effect of:				
- different tax rates in other countries	6,258	3,196	-	-
- expenses not deductible for tax purposes	93,514	107,442	58,349	64,464
- changes in tax rate	-	3,219	-	-
- income not subject to tax	(52,602)	(48,405)	(59,766)	(139,572)
- (over)/under provision of income tax in prior year	(25,240)	(15,792)	-	1,499
- deferred tax assets not recognised	44,060	-	12,472	-
- tax incentive	(6,734)	(7,327)	-	-
- temporary differences previously not recognised as deferred tax	57,031	(14,084)	24,873	-
- others	919	759	-	3,982
Tax expense	176,078	136,171	24,873	1,499

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 15 (LOSS)/PROFIT FROM DISCONTINUED OPERATIONS

### (i) Disposal of Twin Rivers Technologies Enterprises De Transformation De Graines Oleagineuses Du Quebec Inc. ("TRT ETGO")

In the previous financial year, the Group disposed off Twin Rivers Technologies Enterprises De Transformation De Graines Oleagineuses Du Quebec Inc. ("TRT ETGO"), an indirect wholly-owned subsidiary of the Group for a total consideration of CAD172.15 million (RM567.1 million) which resulted in a gain on disposal of RM13.02 million (Note 22(c)(iii)).

### (ii) Cessation of Malaysia Cocoa Manufacturing Sdn. Bhd.

In 2013, the Group approved a proposal to exit the cocoa business of its wholly-owned subsidiary company, Malaysia Cocoa Manufacturing Sdn. Bhd. ("MCM").

Operations ceased with effect from 1 September 2014 and certain property, plant and equipment were reclassified as assets held for sale.

### (iii) The results of the discontinued operations are as follows:

	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
Revenue	-	913,136
Cost of sales	-	(960,169)
Gross loss	-	(47,033)
Reversal of impairment loss on property, plant and equipment	-	133,392
Other operating income	110	14,062
Administrative expenses	(684)	(11,792)
Other operating expenses	-	(87)
Other losses – net	-	(6,344)
Finance costs	(2,193)	(7,556)
Finance income	3	14
(Loss)/profit before taxation	(2,764)	74,656
Taxation	-	(13)
(Loss)/profit for the financial year	(2,764)	74,643

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 15 (LOSS)/PROFIT FROM DISCONTINUED OPERATIONS (CONTINUED)

(iv) The cash flows of the discontinued operations are as follows:

	2016 RM'000	2015 RM'000
Net cash generated from operating cash flows	70,991	261,475
Net cash used in investing cash flows	-	(102,735)
Net cash used in from financing cash flows	(71,002)	(231,340)
Net decrease in cash and cash equivalents	(11)	(72,600)
Effect of foreign exchange rate changes	-	842
Cash and cash equivalents at beginning of financial year	86	71,844
Cash and cash equivalents at end of financial year	75	86

(v) (Loss)/profit before taxation from discontinued operations is stated after charging/(crediting) the following:

	2016 RM'000	2015 RM'000
Property, plant and equipment:		
- depreciation	-	38,000
- write offs	-	1,242
- gain on disposal	-	(38)
- reversal of impairment loss of property, plant and equipment (net)	-	(133,392)
Staff costs	512	34,735
Gain on disposal of a subsidiary	-	(13,016)
Cost of raw materials and consumables used	-	937,023

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 16 DIVIDEND PER SHARE

Dividends declared and paid are as follows:

	Group and Company			
	2016		2015	
	Dividend per share Sen	Amount of dividend RM'000	Dividend per share Sen	Amount of dividend RM'000
Final single-tier dividend for the financial year ended 31 December 2015, paid on 30 June 2016 (2015: final single-tier dividend for the financial year ended 31 December 2014, paid on 10 July 2015)	2.0	72,963	4.0	145,926
No interim dividend was declared and paid for the financial year ended 31 December 2016 (2015: interim single-tier dividend for the financial year ended 31 December 2015, paid on 28 December 2015)	-	-	2.0	72,963
	2.0	72,963	6.0	218,889

At the forthcoming Annual General Meeting of the Company, a final single tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2016 will be proposed for shareholders' approval. This final dividend will be accrued as a liability in the financial year ending 31 December 2017 when approved by the shareholders.

## 17 EARNINGS PER SHARE

	Group	
	2016	2015 (Restated)
Basic and diluted EPS (sen)		
- From continuing operations	0.9	3.0
- From discontinued operations	-	2.0
	0.9	5.0

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 17 EARNINGS PER SHARE (CONTINUED)

The basic earnings per share ("EPS") has been calculated based on the consolidated profit after taxation attributable to equity shareholders of the Company and divided by the weighted number of ordinary shares in issue during the financial year. There are no potential ordinary shares as at 31 December 2016 and 31 December 2015.

	Group	
	2016	2015 (Restated)
Profit from continuing operations attributable to equity shareholders (RM'000)	34,230	107,673
(Loss)/profit from discontinued operations attributable to equity shareholders (RM'000)	(2,764)	74,643
Profit for the financial year attributable to equity shareholders (RM'000)	31,466	182,316
Weighted average number of ordinary shares in issue (thousands)	3,648,152	3,648,152

## 18 SEGMENT REPORTING

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 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, sale of planting materials.

The reportable segments have changed from the previous financial year 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 did not form part of the reportable segments.

The discontinuing 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.

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

	<b>2016</b>	<b>Palm Upstream RM'000</b>	<b>Palm Downstream RM'000</b>	<b>Sugar RM'000</b>	<b>Trading, Marketing, Logistics and Others RM'000</b>	<b>Others RM'000</b>	<b>Reconciliation RM'000</b>	<b>Total RM'000</b>	<b>Discontinued operations RM'000</b>	<b>Total RM'000</b>
Total segment revenue	9,422,156	3,846,002	4,192,517	7,967,630	1,649,422	(9,836,452)	17,241,275	-	17,241,275	
Less: Inter-segment revenue	(7,320,254)	(91,673)	(1,529,457)	(413,658)	(481,410)	9,836,452	-	-	-	-
Revenue from external customers	2,101,902	3,754,329	2,663,060	7,553,972	1,168,012	-	17,241,275	-	17,241,275	
Profit/(loss) before taxation for the financial year	360,959	(104,676)	151,808	(15,210)	5,316	(135,131)	263,066	(2,764)	260,302	260,302
Zakat							(17,765)	-	(17,765)	
Taxation							(176,078)	-	(176,078)	
Profit/(loss) after taxation for the financial year							69,223	(2,764)	66,459	66,459
<i>Other information:</i>										
Finance income	13,761	3,999	10,082	11,457	3,969	13,525	56,793	3	56,796	
Finance costs	(58,539)	(6,929)	(12,439)	(6,165)	(4,569)	(93,173)	(181,814)	(2,193)	(184,007)	
Depreciation and amortisation	(461,824)	(78,174)	(50,369)	(80,500)	(41,306)	(16,506)	(728,679)	(136)	(728,815)	
Write-offs/ write-down	(10,909)	(7,593)	(608)	(3,862)	(1,908)	(5)	(24,885)	-	(24,885)	
Reversal of/ (impairment loss)	(33,012)	(121,033)	-	-	958	-	(153,087)	-	(153,087)	
Fair value changes in LLA liability	(68,275)	-	-	-	-	-	(68,275)	-	(68,275)	
Share of results of joint ventures	(12,715)	(14,578)	-	7,799	16	-	(19,478)	-	(19,478)	
Share of results of associates	1,605	-	-	26,094	-	2,068	29,767	-	29,767	
Capital expenditure	479,463	77,766	301,557	63,406	36,716	9,538	968,446	-	968,446	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 18 SEGMENT REPORTING (CONTINUED)

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

	<b>2015 (restated)</b>	<b>Palm Upstream RM'000</b>	<b>Palm Downstream RM'000</b>	<b>Sugar RM'000</b>	<b>Trading, Marketing, Logistics and Others RM'000</b>	<b>Others RM'000</b>	<b>Reconciliation RM'000</b>	<b>Total RM'000</b>	<b>Discontinued operations RM'000</b>	<b>Total RM'000</b>
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	1,805,735	3,460,785	2,307,263	6,754,978	1,230,008	-	15,558,769	913,136	16,471,905	
Profit/(loss) before zakat and taxation for the financial year	358,508	(62,507)	363,048	(32,399)	232	(174,330)	452,552	74,643	527,195	
Zakat							(23,900)	-	(23,900)	
Taxation							(136,171)	-	(136,171)	
Profit after taxation for the financial year							292,481	74,643	367,124	
<u>Other information:</u>										
Finance income	12,261	4,835	15,623	7,618	6,331	569	47,237	14	47,251	
Finance costs	(41,683)	(15,772)	(6,616)	(4,728)	(10,004)	(96,169)	(174,972)	(7,556)	(182,528)	
Depreciation and amortisation	(376,283)	(93,219)	(39,794)	(84,504)	(40,334)	(12,672)	(646,806)	(38,000)	(684,806)	
Write-offs/ write-down	(21,740)	(5,126)	(1,431)	(5,032)	(8,862)	(2,019)	(44,210)	(1,242)	(45,452)	
Reversal of/ (impairment loss)	(1,368)	(28,032)	2,958	(842)	3,245	(5,539)	(29,578)	133,392	103,814	
Fair value changes in LIA 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	19,036	-	19,036	
Capital expenditure	539,636	238,035	235,500	89,547	64,357	56,269	1,223,344	-	1,223,344	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 18 SEGMENT REPORTING (CONTINUED)

The revenue from external parties reported to the EXCO is measured in a manner consistent with that in the statement of comprehensive income.

Revenues from external customers are derived from sales of goods and provisions of services as disclosed in Note 6.

The analysis of external revenue by end customer geographical location is as follows:

	2016 RM'000	2015 RM'000
Malaysia	12,673,538	7,935,488
Overseas:		
- India	1,671,461	2,236,235
- China	525,689	1,316,247
- Pakistan	308,268	1,126,466
- Asia (excluding Malaysia, China, Pakistan, Indonesia and India)	755,314	1,355,347
- United States and Canada	726,590	732,641
- Europe	121,820	346,796
- Indonesia	51,198	120,330
- Others	407,397	389,219
	17,241,275	15,558,769

Segment assets and segment liabilities are not disclosed as it is not reported to the CODM.

The analysis of non-current assets (excluding financial assets and deferred tax assets) by geographical location is as follows:

	2016 RM'000	2015 RM'000 (Restated)
Malaysia	12,169,591	11,232,983
Overseas:		
- United States and Canada	307,770	303,955
- China	128,219	200,429
- United Kingdom	29,354	81,864
- Indonesia	83,389	67,081
- Pakistan	23,616	18,884
- Cambodia	18,402	16,464
- Others	10,008	6,175
	12,770,349	11,927,835

In the current financial year, two (2015: two) major customers in the Palm Upstream and Palm Downstream segments contributed 18% (2015: 16%) of the Group's total revenues.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Freehold land RM'000	Leasehold land RM'000	Buildings, structures and renovations RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, tools and other equipment RM'000	Assets under construction RM'000	Bearer plants RM'000	Total RM'000
<u>2016</u>									
Cost									
At 1 January, as previously stated	49,361	1,819,955	2,107,538	2,508,110	348,077	239,523	631,752	-	7,704,316
Effects of change in accounting policy (Note 2(l))	-	-	-	-	-	-	-	-	4,120,702 4,120,702
At 1 January, as restated	49,361	1,819,955	2,107,538	2,508,110	348,077	239,523	631,752	4,120,702	11,825,018
Acquisition of a subsidiary (Note 22(b)(i))	-	369,268	21,813	24,243	455	41,665	1,199	201,010	659,653
Additions	1,777	18,112	56,657	80,237	9,535	28,650	387,942	368,548	951,458
Disposals	-	-	-	(596)	(1,748)	(273)	-	-	(2,617)
Write offs	-	-	(37,925)	(31,974)	(12,232)	(8,901)	(1,352)	(88,982)	(181,366)
Reclassification	-	-	75,624	144,325	2,987	4,556	(227,492)	-	-
Transfer to assets held for sale	-	-	(8,388)	(3,834)	-	(175)	(38)	-	(12,435)
Exchange differences	920	620	6,146	12,510	203	1,500	836	4,637	27,372
Transfer from intangible asset (net) (Note 21)	-	-	341	-	-	4,430	-	-	4,771
At 31 December	52,058	2,207,955	2,221,806	2,733,021	347,277	310,975	792,847	4,605,915	13,271,854

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Freehold land RM'000	Leasehold land RM'000	Buildings, structures and renovations RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, tools and other equipment RM'000	Assets under construction RM'000	Bearer plants RM'000	Total RM'000
<b>2016 (continued)</b>									
Accumulated depreciation/ impairment									
At 1 January, as previously stated	236	78,167	369,289	483,317	127,897	111,878	783	-	1,171,567
Effects of change in accounting policy (Note 2(l))	-	-	-	-	-	-	-	-	1,415,281
At 1 January, as restated	236	78,167	369,289	483,317	127,897	111,878	783	1,415,281	2,586,848
Charge for the financial year	-	32,397	123,609	211,015	43,719	33,632	-	233,420	677,792
Impairment loss	-	-	6,905	80,399	-	1,794	-	-	89,098
Disposals	-	-	-	(389)	(1,517)	(200)	-	-	(2,106)
Write offs	-	-	(36,765)	(31,587)	(11,144)	(6,378)	-	(77,519)	(163,393)
Reclassification	-	-	39,162	(45,008)	2,202	3,644	-	-	-
Reversal of impairment loss	-	(319)	(845)	(69)	-	(44)	-	-	(1,277)
Exchange differences	-	12	5,480	6,289	96	2,227	(783)	-	13,321
Transfer to assets held for sale	-	-	(648)	(1,466)	-	(89)	-	-	(2,203)
At 31 December	236	110,257	506,187	702,501	161,253	146,464	-	1,571,182	3,198,080
Net book value at 31 December 2016	51,822	2,097,698	1,715,619	2,030,520	186,024	164,511	792,847	3,034,733	10,073,774

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings, structures and renovations RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, tools and other equipment RM'000	Assets under construction RM'000	Bearer plants RM'000	Total RM'000
<u>2015</u>									
At 1 January, as previously stated	57,467	1,737,987	2,177,264	2,335,776	343,297	193,016	615,841	-	7,460,648
Effects of change in accounting policy (Note 21)]	-	-	-	-	-	-	-	-	3,903,267
At 1 January, as restated	57,467	1,737,987	2,177,264	2,335,776	343,297	193,016	615,841	3,903,267	3,903,267
Acquisition of subsidiaries (Note 22(b)(i))	-	28,428	120,977	126	626	928	-	-	151,085
Additions	-	87,025	61,790	121,362	37,137	498,755	312,665	1,156,709	
Disposals	-	-	(4,073)	(692)	(3,554)	(11,488)	-	-	(19,807)
Write offs	-	(10,161)	(25,295)	(50,267)	(18,712)	(8,949)	(3,902)	(97,911)	(215,197)
Reclassification	-	-	188,221	272,294	(7,449)	13,419	(466,485)	-	-
Transfer from/(to) assets held for sale	-	4,600	(402)	-	(30)	-	-	-	4,168
Exchange differences	4,827	504	63,577	108,340	914	6,838	2,841	2,681	190,522
Transfer from intangible asset (net) (Note 21)	-	-	-	-	-	10,846	-	-	10,846
Disposal of a subsidiary	(12,933)	-	(381,972)	(399,680)	(3,652)	(2,760)	(16,226)	-	(817,223)
At 31 December	49,361	1,819,955	2,107,538	2,508,110	348,077	239,523	631,752	4,120,702	11,825,018

Group	Freehold land RM'000	Leasehold land RM'000	Buildings, structures and renovations RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, tools and other equipment RM'000	Assets under construction RM'000	Bearer plants RM'000	Total RM'000
<b>2015 (continued)</b>									
Accumulated depreciation/ impairment	-	50,010	409,702	501,951	108,186	80,452	23	-	1,150,324
At 1 January, as previously stated	-	-	-	-	-	-	-	-	1,345,128
Effects of change in accounting policy (Note 2(i))	-	-	-	-	-	-	-	-	1,345,128
At 1 January, as restated	-	50,010	409,702	501,951	108,186	80,452	23	1,345,128	2,495,452
Charge for the financial year	-	26,030	129,930	217,722	46,220	38,421	685	160,783	619,791
Impairment loss	236	-	4,297	6,237	-	86	-	-	10,856
Disposals	-	-	(4,028)	(642)	(3,053)	(5,172)	-	-	(12,895)
Write offs	-	(6,666)	(12,515)	(43,172)	(18,234)	(6,419)	-	(90,630)	(177,636)
Reclassification	-	11,817	(9,682)	327	(2,605)	111	32	-	-
Reversal of impairment loss	-	(3,036)	(77,975)	(84,517)	-	(248)	(25)	-	(165,801)
Transfer from intangible asset (net) (Note 21)	-	-	-	-	-	691	-	-	691
Exchange differences	-	12	16,085	49,916	460	5,488	68	-	72,029
Disposal of a subsidiary	-	-	(86,525)	(164,505)	(3,077)	(15,532)	-	-	(255,639)
At 31 December	236	78,167	369,289	483,317	127,897	111,878	783	1,415,281	2,586,848
Net book value at 31 December	49,125	1,741,788	1,738,249	2,024,793	220,180	127,645	630,969	2,705,421	9,238,170

Included in the additions of property, plant and equipment were RM6,651,000 (2015: RM Nil) in relation to grant received from Government for plant and machinery, RM2,030,000 (2015: RM2,237,000) in relation to capitalised finance cost for bearer plants and RM Nil (2015: RM10,859,000) in relation to assets injected by a non-controlling interest.

As at 31 December 2016, the carrying amount of property, plant and equipment under land arrangements with FELDA amounted to RM466,425,000 (2015: RM480,705,000). FELDA is in the midst of applying the land titles from respective state authorities.

Net book value of the property, plant and equipment pledged as security to borrowings is to RM96,709,000 (2015: RM10,735,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (a) Bearer plants

Bearer plants comprise oil palm and rubber trees. Immature bearer plants are capitalised in capital work in progress.

Group	Mature			Immature			Nursery RM'000	Total bearer plants RM'000
	Oil palm RM'000	Rubber trees RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Total RM'000		
<u>2016</u>								
<u>Cost</u>								
At 1 January, as previously reported	-	-	-	-	-	-		
Effects of change in accounting policy (Note 2(i))	2,253,886	53,094	2,306,980	1,635,972	120,256	1,756,228	57,494	4,120,702
At 1 January, as restated	2,253,886	53,094	2,306,980	1,635,972	120,256	1,756,228	57,494	4,120,702
Acquisition of subsidiaries (Note 22(b)(i))	187,074	-	187,074	13,936	-	13,936	-	201,010
Additions	9,343	-	9,343	294,252	27,408	321,660	37,545	368,548
Write offs	(77,814)	(10,698)	(88,512)	(470)	-	(470)	-	(88,982)
Reclassification from/(to):								
- mature	235,580	5,727	241,307	(235,580)	(5,727)	(241,307)	-	-
- planting	-	-	-	52,733	-	52,733	(52,733)	-
Exchange differences	-	-	-	4,637	-	4,637	-	4,637
At 31 December	2,608,069	48,123	2,656,192	1,765,480	141,937	1,907,417	42,306	4,605,915
Accumulated depreciation								
At 1 January, as previously reported	-	-	-	-	-	-		
Effects of change in accounting policy (Note 2(i))	1,391,478	23,803	1,415,281	-	-	-	-	1,415,281
At 1 January, as restated	1,391,478	23,803	1,415,281	-	-	-	-	1,415,281
Charge for the financial year	231,147	2,273	233,420	-	-	-	-	233,420
Write offs	(71,064)	(6,455)	(77,519)	-	-	-	-	(77,519)
At 31 December	1,551,561	19,621	1,571,182	-	-	-	-	1,571,182
Net book value at 31 December 2016	1,056,508	28,502	1,085,010	1,765,480	141,937	1,907,417	42,306	3,034,733

## (a) Bearer plants (continued)

Group	Mature			Immature			Nursery RM'000	Total bearer plants RM'000
	Oil palm RM'000	Rubber trees RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Total RM'000		
<u>2015</u>								
<u>Cost</u>								
At 1 January, as previously reported	-	-	-	-	-	-	-	-
Effects of change in accounting policy (Note 2(j))	2,170,835	58,221	2,229,056	1,527,244	96,270	1,623,514	50,697	3,903,267
At 1 January, as restated	2,170,835	58,221	2,229,056	1,527,244	96,270	1,623,514	50,697	3,903,267
Additions	12,664	-	12,664	238,989	27,467	266,456	33,545	312,665
Write offs	(89,303)	(8,608)	(97,911)	-	-	-	-	(97,911)
Reclassification from/(to):								
- mature	159,690	3,481	163,171	(159,690)	(3,481)	(163,171)	-	-
- planting	-	-	-	26,748	-	26,748	(26,748)	-
Exchange differences	-	-	-	2,681	-	2,681	-	2,681
At 31 December	2,253,886	53,094	2,306,980	1,635,972	120,256	1,756,228	57,494	4,120,702
Accumulated depreciation								
At 1 January, as previously reported	-	-	-	-	-	-	-	-
Effects of change in accounting policy (Note 2(j))	1,315,426	29,702	1,345,128	-	-	-	-	1,345,128
At 1 January, as restated	1,315,426	29,702	1,345,128	-	-	-	-	1,345,128
Charge for the financial year	158,878	1,905	160,783	-	-	-	-	160,783
Write offs	(82,826)	(7,804)	(90,630)	-	-	-	-	(90,630)
At 31 December	1,391,478	23,803	1,415,281	-	-	-	-	1,415,281
Net book value at 31 December 2015	862,408	29,291	891,699	1,635,972	120,256	1,756,228	57,494	2,705,421

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Office equipment RM'000	Motor vehicle RM'000	Building, structure and renovation RM'000	Work in progress RM'000	Total RM'000
<u>2016</u>					
<u>Cost</u>					
At 1 January 2016	13,874	8,304	22,369	1,303	45,850
Additions	370	173	1,271	-	1,814
Write offs	(31)	-	-	-	(31)
At 31 December 2016	14,213	8,477	23,640	1,303	47,633
<u>Accumulated depreciation</u>					
At 1 January 2016	2,694	2,576	2,019	-	7,289
Charged for the financial year	2,180	1,317	2,457	-	5,954
Write offs	(28)	-	-	-	(28)
At 31 December 2016	4,846	3,893	4,476	-	13,215
Net book value at 31 December 2016	9,367	4,584	19,164	1,303	34,418
<u>2015</u>					
<u>Cost</u>					
At 1 January 2015	9,247	1,933	-	1,303	12,483
Additions	4,670	6,553	22,369	-	33,592
Disposals	(39)	(182)	-	-	(221)
Write offs	(4)	-	-	-	(4)
At 31 December 2015	13,874	8,304	22,369	1,303	45,850
<u>Accumulated depreciation</u>					
At 1 January 2015	1,485	721	-	-	2,206
Charged for the financial year	1,247	1,995	2,019	-	5,261
Disposals	(35)	(140)	-	-	(175)
Write offs	(3)	-	-	-	(3)
At 31 December 2015	2,694	2,576	2,019	-	7,289
Net book value at 31 December 2015	11,180	5,728	20,350	1,303	38,561

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Impairment of property, plant and equipment

#### Financial year ended 31 December 2016

(a) Difficult operating conditions during the financial year and continuing losses in a subsidiary, FGV China Oils Ltd, were identified as indicators for an impairment test to be performed for the non-financial assets (including property, plant and equipment, intangible assets (other than goodwill) and prepaid lease payments) in relation to the CGU for palm oil refining operation in China. The recoverable amount of the CGU is determined based on fair value less cost to sell calculation (Level 3 fair value computation) using cash flow projections covering a five-year period and applying terminal value multiple using longer-term sustainable growth stated below:

The key assumptions used for the CGU's fair value less cost to sell calculation are as follows:

	2016
Revenue growth	6%
Gross margin	2%
Terminal value growth rate	3%
Discount rate	13%

As a result of the impairment assessment, the Group has recognised a total impairment of RM55,615,000 which comprise RM42,037,000 for property, plant and equipment, RM11,818,000 for intangible assets (other than goodwill) (Note 21) and RM1,760,000 for prepaid lease payments (Note 25) which are recorded in cost of sales.

Based on the sensitivity analysis performed, a 1% increase in discount rate, with all other variables being held constant, would result in a further impairment loss of approximately RM10,360,000.

(b) During the financial year, Felda Palm Industries Sdn. Bhd., Felda Rubber Industries Sdn. Bhd., and Felda Vegetable Oil Products Sdn. Bhd., indirect subsidiaries of the Company, had closed down four mills, two factories and a refinery respectively as part of the Group's rationalisation plan. As a result, an impairment of RM38,892,000 had been recognised in cost of sales of the Group.

#### Financial year ended 31 December 2015

(a) A reversal of impairment of RM133,392,000 was recorded in the previous financial year, which arose from the disposal of Twin Rivers Technologies Enterprises De Transformation De Graines Oleagineuses Du Quebec Inc. ("TRT ETGO"), an indirect wholly-owned subsidiary of the Company on 3 November 2015.

The recoverable amount was determined based on the fair value less cost to sell of the assets, with reference to the offer price provided by TRT ETGO's purchaser.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 20 INVESTMENT PROPERTIES

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
<u>2016</u>				
<u>Cost</u>				
At 1 January 2016	32,006	7,080	123,261	162,347
Additions	-	-	1,595	1,595
At 31 December 2016	32,006	7,080	124,856	163,942
<u>Accumulated depreciation/impairment</u>				
At 1 January 2016	-	2,038	22,975	25,013
Charge for the financial year	-	19	11,893	11,912
At 31 December 2016	-	2,057	34,868	36,925
Net book value at 31 December 2016	32,006	5,023	89,988	127,017
Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
<u>2015</u>				
<u>Cost</u>				
At 1 January 2015	32,006	7,080	118,701	157,787
Additions	-	-	4,560	4,560
At 31 December 2015	32,006	7,080	123,261	162,347
<u>Accumulated depreciation/impairment</u>				
At 1 January 2015	-	2,019	11,224	13,243
Charge for the financial year	-	19	11,751	11,770
At 31 December 2015	-	2,038	22,975	25,013
Net book value at 31 December 2015	32,006	5,042	100,286	137,334

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 20 INVESTMENT PROPERTIES (CONTINUED)

Company	Buildings	
	2016 RM'000	2015 RM'000
<u>Cost</u>		
At 1 January/ 31 December	8,715	8,715
<u>Accumulated depreciation</u>		
At 1 January	508	73
Charge for the financial year	435	435
At 31 December	943	508
Net book value at 31 December	7,772	8,207

The following amounts have been recognised in profit or loss:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Rental income from investment properties	4,043	3,977	-	-
Direct operating expenses arising from investment properties that generate rental income	(2,997)	(2,482)	-	-
Direct operating expenses arising from investment properties that did not generate rental income	-	-	(85)	(66)

The fair value of the investment properties above as at 31 December 2016 is estimated at RM209,707,000 (2015: RM208,630,000) for the Group and RM7,610,000 (2015: RM7,900,000) for the Company based on independent valuations carried out by registered professional valuers using the comparison method by reference to recent transactions involving other similar properties in the vicinity. The valuation is a Level 2 fair value estimation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 21 INTANGIBLE ASSETS

Group	Goodwill RM'000	Brand RM'000	Licenses RM'000	Lease agreement RM'000	Customer relationships RM'000	Software RM'000	Intellectual property rights RM'000	Land use rights RM'000	Intangible assets under development RM'000	Total RM'000
<b>Net book value</b>										
<u>2016</u>										
At 1 January	1,216,424	101,081	25,125	2,475	5,622	62,370	79,976	47,091	3,858	1,544,022
Acquisition of subsidiaries (Note 22)	99,557	-	-	-	-	-	-	-	-	99,557
Additions	-	-	-	-	-	5,172	398	-	11,290	16,860
Amortisation charge	-	(3,226)	(1,433)	(244)	(5,359)	(19,981)	(2,291)	(741)	-	(33,275)
Impairment charge	-	-	-	(11,818)	-	-	-	-	-	(11,818)
Transfer to property, plant and equipment (Note 19)	-	-	-	-	-	(4,771)	-	-	-	(4,771)
Transfer to assets held for sale (Note 36)	-	(450)	-	-	-	-	(22,322)	-	-	(22,772)
Exchange differences	-	29	(17)	91	(263)	1	(14,664)	3,053	-	(11,770)
At 31 December 2016	1,315,981	97,434	11,857	2,322	-	42,791	41,097	49,403	15,148	1,576,033
Expected remaining useful lives (years)										
- 31 December 2016	14-23	1-17	10	-	1-5	7	34			

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 21 INTANGIBLE ASSETS (CONTINUED)

Group	Goodwill RM'000	Brand RM'000	Licenses RM'000	Lease agreement RM'000	Customer relationships RM'000	Software RM'000	Intellectual property rights RM'000	Land use rights RM'000	Intangible assets under development RM'000	Total RM'000
<b>Net book value</b>										
<b>2015</b>										
At 1 January 2015	1,229,194	104,293	800	2,223	10,402	46,656	97,926	-	55,822	1,547,316
Acquisition of subsidiaries (Note 22)	-	-	13,803	-	-	-	-	-	-	13,803
Additions	-	-	11,493	-	-	21,787	21,529	1,392	11,024	67,225
Amortisation charge	-	(3,226)	(1,109)	(232)	(6,538)	(16,120)	(19,963)	-	-	(47,188)
Write offs	-	-	-	-	-	(27)	-	-	-	(27)
Disposal of a subsidiary	-	-	-	-	-	(497)	-	-	-	(497)
Impairment charge	(12,770)	-	-	-	-	-	(27,473)	-	-	(40,243)
Reclassification	-	-	-	-	-	20,687	-	42,301	(62,988)	-
Transfer to property, plant and equipment (Note 19)	-	-	-	-	-	(10,155)	-	-	-	(10,155)
Exchange differences	-	14	138	484	1,758	39	7,957	3,398	-	13,788
At 31 December 2015	1,216,424	101,081	25,125	2,475	5,622	62,370	79,976	47,091	3,858	1,544,022
Expected remaining useful lives (years)	- 31	15-24	2-18	11	1	1-5	8	35		
December 2015										

Included in the additions of licensees in the previous financial year was an amount of RM9,778,000 in relation to assets injected by a non-controlling interest as part of its equity contribution.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 21 INTANGIBLE ASSETS (CONTINUED)

Company	Software RM'000	Intangible asset under development RM'000	Total RM'000
<u>Net book value</u>			
<u>2016</u>			
At 1 January 2016	23,936	3,858	27,794
Additions	186	11,290	11,476
Amortisation charge	(6,227)	-	(6,227)
At 31 December 2016	17,895	15,148	33,043
<u>2015</u>			
At 1 January 2015	4,692	1,452	6,144
Additions	15,159	11,024	26,183
Amortisation charge	(4,533)	-	(4,533)
Reclassification	8,618	(8,618)	-
At 31 December 2015	23,936	3,858	27,794

### (a) Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) as follows:

	Group	
	2016 RM'000	2015 RM'000
Sugar business operations in Malaysia	576,240	576,240
Palm upstream operations in Malaysia	739,741	640,184
	1,315,981	1,216,424

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 21 INTANGIBLE ASSETS (CONTINUED)

### (a) Impairment test for goodwill (continued)

#### (i) Sugar business operations in Malaysia

The goodwill relates to the acquisition of the sugar business by the Group and is allocated to MSM Holdings Berhad Group. This represents the lowest level at which goodwill is monitored for internal management purposes.

The recoverable amount of the CGU is determined based on VIU calculation using cash flows projections based on financial budgets approved by the Directors covering a three-year period and applying a terminal value growth rate multiple using longer-term sustainable growth rates.

The key assumptions used for the CGU's VIU calculation are:

	2016	2015
Selling price, RM per metric tonne ("MT")	2,711 - 2,991	2,142 - 2,580
Terminal value growth rate	2%	2%
Raw sugar price, US cents per pounds	17.3 – 20.3	14.0 – 14.4
Sales volume, MT'000	1,082.0 – 1,629.5	1,038 – 1,590.1
Discount rate	8% - 9%	11%

#### (i) Selling price

Selling price is assumed based on ceiling price set by Government for domestic. Industry and export selling prices is estimated based on raw sugar futures price and expected margins from refining of raw sugar. The selling prices are held constant in financial year 2018 and 2019.

#### (ii) Terminal value growth rate

The terminal growth rate used is based on long-term sustainable growth rates in the sugar industry in Malaysia.

#### (iii) Raw sugar price

Raw sugar price is projected in line with New York #11 raw sugar future contracts. The long term price beyond financial year 2019 is held constant consistent with selling prices.

#### (iv) Sales volume

The increase in sales volume arises from commissioning of a refinery in Johor with an expected production volume of 400,000 MT in year 1 and 500,000 MT in year 2 (2015: 500,000 MT in year 3).

#### (v) Discount rate

Discount rate used, reflects specific industry risks relating to the sugar business.

Other than as disclosed below, there is no reasonably possible change in any of the above key assumptions, which would cause the carrying value of the CGU to exceed its recoverable amount.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 21 INTANGIBLE ASSETS (CONTINUED)

### (a) Impairment test for goodwill (continued)

#### (i) Sugar business operations in Malaysia (continued)

Financial year ended 31 December 2016

Key assumptions	Sensitivity	VIU lower by RM'000
Selling price	Reduce by RM100 per metric tonne	1,400,000
Raw sugar price	Increase in raw sugar prices by 1 cent per pounds	923,000
Sales volume	Reduce by 10%	1,002,000
Discount rate	Increase by 1%	553,000

The recoverable amount calculated based on VIU exceeded the carrying value by RM524 million. A reduction in selling price of RM37 per metric tonne, increase in raw sugar price by 0.6 cents per pounds, reduction in sales volume by 5% and increase in discount rate by 0.95% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

Financial year ended 31 December 2015

Management believes that there is no reasonable possible change in any of the above key assumptions which would cause the carrying amount of the CGU to succeed the recoverable amount. The above sensitivity analysis is based on a change in assumption while holding all other assumptions constant.

#### (ii) Palm upstream operations in Malaysia

Goodwill of RM739,741,000 for palm upstream operations in Malaysia comprise of RM512,946,000 for API, RM127,238,000 for PUP and RM99,557,000 (Note 22(b)(i)) for Yapidmas. The Group's estates in Malaysia are combined for the purposes of goodwill impairment testing as they represent the lowest level within the Group at which goodwill is monitored for internal management purpose.

The recoverable amount of the CGU is determined using a fair value less cost to sell calculation (Level 3 fair value computation) using cash flow projections covering a 25 year period. The key assumptions are as follows:

Financial year ended 31 December 2016

(i) CPO price	RM2,450/MT to RM2,700/MT
(ii) FFB price	RM470/MT to RM570/MT
(iii) Estate replanting fixed cost	Matured – RM2,580 per hectare based on a 25 year cycle for oil palm Immature – RM6,436 (per hectare based on a 25 year cycle for oil palm)
(iv) FFB yield	13.9 MT/ha to 27.1 MT/ha
(v) Discount rate	9.5%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 21 INTANGIBLE ASSETS (CONTINUED)

### (a) Impairment test for goodwill (continued)

#### (ii) Palm upstream operations in Malaysia (continued)

Financial year ended 31 December 2015

(i)	CPO price	RM2,000/MT to RM2,630/MT
(ii)	FFB price	RM450/MT to RM550/MT
(iii)	Estate replanting fixed cost	Matured – RM2,580 per hectare based on a 25 year cycle for oil palm Immature – RM6,436 (per hectare based on a 25 year cycle for oil palm)
(iv)	FFB yield	13.6 MT/ha to 27.3 MT/ha
(v)	Discount rate	9.5%

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, the Directors concluded that no reasonable change in any of the base case assumptions would cause the carrying amount of the CGU to exceed the recoverable amount.

#### (iii) Others

In the previous financial year, goodwill of RM12,770,000 arising from the acquisition of the production and selling of high grade carbon nanotubes and graphene business allocated to FGV Cambridge Nanosystems Limited ("FGV CNS") had been fully impaired.

In the current financial year, the Board of Directors approved the proposed divestment of the Group's interest in FGV CNS. 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 (Note 36).

### (b) Impairment test for intangible assets (other than goodwill)

#### (i) Refining palm oil operation in China

Difficult operating conditions during the financial year and continuing losses in a subsidiary, FGV China Oils Ltd, were identified as indicators for an impairment test to be performed for the non-financial assets in relation to the CGU for palm oil refining operations in China. As a result of the impairment assessment, RM11,818,000 of impairment loss had been recognised for intangible assets (other than goodwill) in respect of FGV China Oils Ltd. The other results, key assumptions and the sensitivity analysis for the impairment assessment are disclosed in Note 19 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
<u>At cost less accumulated impairment</u>		
(i) Malaysian quoted shares:		
Ordinary shares:		
At 1 January/31 December	270,026	270,026
(ii) Malaysian unquoted shares:		
Ordinary shares:		
At 1 January	6,532,633	6,113,828
Additions	26,452	226,458
Conversion of amounts due from subsidiaries into ordinary shares (Note 27)	942	192,347
At 31 December	6,560,027	6,532,633
(iii) Foreign unquoted shares:		
At 1 January/31 December	190,571	9,233
Addition	-	181,338
Impairment loss (Note 22(d))	(80,152)	-
At 31 December	110,419	190,571
(iv) RCPS/RCCPS:		
At 1 January	2,322,334	2,322,334
Redemption	(526,000)	-
At 31 December	1,796,334	2,322,334
(v) Capital contribution to subsidiaries:		
At 1 January/31 December	15,600	15,600
Total	8,752,406	9,331,164
Market value of Malaysian quoted shares, based on Group's effective interest	389,609	382,665

The disclosure of market value of Malaysia quoted shares is based on Level 1 fair value computation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows:

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPS held by the Group	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
<b>Direct subsidiaries</b>										
Felda Global Ventures Indonesia Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0	100.0	-	-	-	-
Felda Global Ventures Sugar Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0	100.0	-	-	100.0	100.0
Felda Global Ventures Perlis Sdn. Bhd.	Malaysia	Under liquidation	100.0	100.0	100.0	100.0	-	-	-	-
FGV Seri Costa Sdn. Bhd. (previously known as Felda Global Ventures India Sdn. Bhd.) (Note 2)	Malaysia	Dormant	100.0	100.0	100.0	100.0	-	-	-	-
FGV USA Properties, Inc. *	United States of America	Operator of residential real estate in USA	100.0	100.0	100.0	100.0	-	-	-	-
Felda Global Ventures Livestock Sdn. Bhd.	Malaysia	Under liquidation	100.0	100.0	100.0	100.0	-	-	-	-
MSM Malaysia Holdings Berhad	Malaysia	Investment holding	11.0	11.0	51.0	51.0	49.0	49.0	-	-
Felda Global Ventures Downstream Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0	100.0	-	-	100.0	100.0
Felda Global Ventures Plantations Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0	100.0	-	-	100.0	100.0
Felda Global Ventures Shared Service Centre Sdn. Bhd.	Malaysia	Provision of shared services	100.0	100.0	100.0	100.0	-	-	-	-
Felda Global Ventures Research & Development Sdn. Bhd.	Malaysia	Research and development	100.0	100.0	100.0	100.0	-	-	-	-
Felda Global Ventures Capital Sdn. Bhd.	Malaysia	Undertake the business of all kinds of treasury services	100.0	100.0	100.0	100.0	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPs held by the Group	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
<u>Direct subsidiaries (continued)</u>										
FGV Investment (L) Pte Ltd	Malaysia	Investment holding	100.0	100.0	100.0	100.0	-	-	-	-
Pontian United Plantations Berhad	Malaysia	Investment holding and cultivation of oil palm	100.0	100.0	100.0	100.0	-	-	-	-
Felda Holdings Bhd.	Malaysia	Investment holding	100.0	100.0	100.0	100.0	-	-	-	-
FGV R&D and Agri Services Sdn. Bhd.	Malaysia	Investment holding company, research and development, technical services and product development	100.0	100.0	100.0	100.0	-	-	-	-
Felda Global Ventures Rubber Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0	100.0	-	-	-	-
FGV Trading Sdn. Bhd.	Malaysia	Commodity trading	100.0	100.0	100.0	100.0	-	-	-	-
Asian Plantations Limited	Singapore	Investment holding	100.0	100.0	100.0	100.0	-	-	-	-
FGV China Oils Ltd (previously known as Felda Ifcco South China Ltd) # (Note 9)	China	Refining of palm oil	100.0	100.0	100.0	100.0	-	-	-	-
<u>Indirect subsidiaries</u>										
Subsidiaries of MSM			-	-	-	-	-	-	-	-
<u>Malaysia Holdings Berhad</u>										
MSM Prai Berhad	Malaysia	Sugar refining, sales and marketing of refined sugar product	-	-	51.0	51.0	49.0	49.0	-	-
MSM Perlis Sendirian Berhad	Malaysia	Sugar refining, sales and marketing of refined sugar product and planting of rubber and oil palm	-	-	51.0	51.0	49.0	49.0	-	-

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPS held by the Group	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
<b>Indirect subsidiaries (continued)</b>										
Subsidiaries of MSM Malaysia Holdings Berhad (continued)			-	-	51.0	51.0	49.0	49.0	-	-
MSM Trading & Distribution Sdn. Bhd.	Malaysia	Conduct commodity trading and related business activities	-	-	51.0	51.0	49.0	49.0	-	-
MSM Sugar Refinery (Johor) Sdn. Bhd. (Note 10)	Malaysia	Carry on business in sugar products and by-products	-	-	51.0	51.0	49.0	49.0	-	-
MSM Trading International DMCC (Note 11)	United Arab Emirates	Raw and refined sugar trading	-	-	51.0	51.0	49.0	49.0	-	-
<b>Subsidiary of MSM</b>										
Prai Berhad			-	-	51.0	51.0	49.0	49.0	-	-
MSM Logistics Sdn. Bhd.	Malaysia	Provision of lorry transportation services	-	-	51.0	51.0	49.0	49.0	-	-
<b>Subsidiaries of Felda Global Ventures Downstream Sdn. Bhd.</b>										
Felda Global Ventures North America Sdn. Bhd.	Malaysia	Investment holding	-	-	100.0	100.0	-	-	100.0	100.0
FGV Biotechnologies Sdn. Bhd.	Malaysia	Processing and sale of biodiesel products	-	-	100.0	100.0	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPs held by the Group	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
<b>Indirect subsidiaries (continued)</b>										
<u>Subsidiaries of Felda Global Ventures Downstream Sdn. Bhd.</u> (continued)										
FGV Cambridge Nanosystems Limited#	United Kingdom	Production, manufacturing, biodiesel marketing, selling and/or trading of high grade carbon nanotubes and graphene	-	70.0	70.0	30.0	30.0	-	-	-
FGV Green Energy Sdn. Bhd. (previously known as Laras Simfonii Sdn. Bhd.)	Malaysia	Producing and manufacturing biodiesel	-	60.0	60.0	40.0	40.0	-	-	-
FGV Lipid Ventures Sdn. Bhd. (Note 8)	Malaysia	Producing of tocotrienol from refined bleached palm oil	-	60.0	60.0	40.0	40.0	-	-	-
<u>Subsidiaries of Felda Global Ventures North America Sdn. Bhd.</u>										
Twin Rivers Technologies Holdings, Inc.#	United States of America	Investment holding	-	100.0	100.0	-	-	-	-	-
Twin Rivers Enterprise De Transformation De Graines Oleagineuses Du Quebec Inc.*	Canada	Investment holding	-	100.0	100.0	-	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGvh		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPS held by the Group	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
<b>Indirect subsidiaries (continued)</b>										
<u>Subsidiaries of Twin Rivers Technologies Holding, Inc.</u>										
Twin Rivers Technologies Manufacturing Corporation*	United States of America	Procurement, processing and supply of fatty acids	-	100.0	100.0	-	-	-	-	-
TRT Europe GmbH*	Germany	Dormant	-	100.0	100.0	-	-	-	-	-
<u>Subsidiary of Twin Rivers Technologies Manufacturing Corporation</u>										
Fore River Transportation Corporation*	United States of America	Operation, management and maintenance of a railroad service	-	100.0	100.0	-	-	-	-	-
<u>Subsidiary of FGV Cambridge Nanosystems Ltd.</u>										
GasPlas AS#	Norway	Research and experimental development on natural sciences and engineering	-	70.0	70.0	30.0	30.0	-	-	-
<u>Subsidiaries of GasPlas AS EnPlas Ltd. # (Note 3)</u>										
	United Kingdom	Research and experimental development on natural sciences and engineering	-	70.0	-	30.0	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPs held by the Group			
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %		
<b>Indirect subsidiaries (continued)</b>												
<b>Subsidiaries of Felda Global Ventures Plantations Sdn. Bhd.</b>												
Felda Global Ventures Plantations (Malaysia) Sdn. Bhd.	Malaysia	Production of FFB, rubber cup-lump, commodity trading, management of plantation estates and other biological assets	-	100.0	100.0	-	-	-	-	-		
Felda Global Ventures Kalimantan Sdn. Bhd.	Malaysia	Investment holding	-	100.0	100.0	-	-	-	-	-		
<b>Subsidiaries of Felda Global Ventures Kalimantan Sdn. Bhd.</b>												
PT. Citra Niaga Perkasa <sup>#</sup>	Indonesia	Oil palm plantation	-	95.0	95.0	5.0	5.0	-	-	-		
PT. Temila Agro Abadi <sup>#</sup>	Indonesia	Oil palm plantation	-	95.0	95.0	5.0	5.0	-	-	-		
PT. Bumi Agro Nusantara <sup>#</sup>	Indonesia	Management and consulting services	-	100.0	100.0	-	-	-	-	-		
<b>Subsidiaries of FGV Investment (L) Pte Ltd</b>												
FGV Myanmar (L) Pte. Ltd.	Malaysia	Investment holding	-	100.0	100.0	-	-	-	-	-		
FGV Cambodia (L) Pte. Ltd.	Malaysia	Investment holding	-	100.0	100.0	-	-	-	-	-		
<b>Subsidiaries of FGV Cambodia (L) Pte. Ltd.</b>												
FGC-CVVC (Cambodia) Co. Ltd. <sup>#</sup>	Cambodia	Production and export of rubber blocks and other processed rubber	-	75.0	75.0	25.0	25.0	-	-	-		

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPS held by the Group			
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %		
<b>Indirect subsidiaries (continued)</b>												
<b>Subsidiaries of Pontian United Plantations Berhad</b>												
Redefined Land Sdn. Bhd.	Malaysia	Investment holding and property investment	-	100.0	100.0	-	-	-	-	-		
Kilang Kelapa sawit Pontian Sdn. Bhd.	Malaysia	Investment holding and property investment	-	100.0	100.0	-	-	-	-	-		
Bangsan Sdn. Bhd.	Malaysia	Investment holding	-	100.0	100.0	-	-	-	-	-		
Sabahanya Plantations Sdn. Bhd.	Malaysia	Investment holding and cultivation of oil palm	-	100.0	100.0	-	-	-	-	-		
Pontian Fico Plantations Sdn. Bhd.	Malaysia	Investment holding, cultivation of oil palm and extraction of crude palm oil and palm kernel for sale	-	78.3	78.3	21.7	21.7	-	-	-		
Pontian Orico Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	78.3	78.3	21.7	21.7	-	-	-		
Pontian Pendirosa Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	78.3	78.3	21.7	21.7	-	-	-		
Pontian Materis Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	78.3	78.3	21.7	21.7	-	-	-		
Pontian Hilco Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	78.3	78.3	21.7	21.7	-	-	-		
Pontian Subok Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	78.3	78.3	21.7	21.7	-	-	-		
Yapidmas Plantation Sdn. Bhd. (Note 1)	Malaysia	Cultivation of oil palm	-	100.0	-	-	-	-	-	-		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPs held by the Group			
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %		
<b>Indirect subsidiaries (continued)</b>												
<b>Subsidiaries of Pontian United Plantations Berhad (continued)</b>												
Sri Kehuma Sdn. Bhd. <i>(Note 1)</i>	Malaysia	Cultivation of oil palm	-	100.0	-	-	-	-	-	-		
Ladang Kluang Sdn. Bhd. <i>(Note 1)</i>	Malaysia	Cultivation of oil palm	-	100.0	-	-	-	-	-	-		
Tanah Emas Oil Palm Processing Sdn. Bhd. <i>(Note 1)</i>	Malaysia	Cultivation of oil palm	-	100.0	-	-	-	-	-	-		
<b>Subsidiaries of Sabahanyaya Plantations Sdn. Bhd.</b>												
Rawajaya Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	100.0	100.0	-	-	-	-	-		
Blossom Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	100.0	100.0	-	-	-	-	-		
<b>Subsidiaries of Felda Holdings Bhd.</b>												
Felda Palm Industries Sdn. Bhd.	Malaysia	Tolling manufacturer by processing oil palm fresh fruit bunches into crude palm oil and palm kernel and investment holding	-	72.0	72.0	28.0	28.0	-	-	-		
Felda Agricultural Services Sdn. Bhd.	Malaysia	Production and sale of palm oil, cocoa, rat poison, fertilisers and oil palmseeds and provision of agricultural research services	-	76.9	76.9	23.1	23.1	-	-	-		

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGvh		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPS held by the Group			
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %		
Indirect subsidiaries (continued)												
Subsidiaries of Felda Holdings Bhd. (continued)												
Felda Travel Sdn. Bhd.	Malaysia	Travel and tour agent	-	100.0	100.0	-	-	100.0	100.0	100.0		
Malaysia Cocoa Manufacturing Sdn. Bhd.	Malaysia	Ceased operations in 2015	-	100.0	100.0	-	-	-	-	-		
FPM Sdn. Bhd.	Malaysia	Manufacturing and selling of granulated compound fertilisers	-	100.0	100.0	-	-	-	-	-		
Felda Prodata Systems Sdn. Bhd.	Malaysia	Provision of computer services, sale of computer software and equipment	-	80.0	80.0	20.0	20.0	-	-	-		
Felda-Johore Bulkers Sdn. Bhd.	Malaysia	Storing and handling of palm oil products	-	72.7	72.7	27.3	27.3	-	-	-		
Felda Rubber Industries Sdn. Bhd.	Malaysia	Processing of raw latex to concentrated latex and Standard Malaysia rubber ("SMR")	-	71.4	71.4	28.6	28.6	-	-	-		
Felda Engineering Services Sdn. Bhd.	Malaysia	Engineering services including project management, sale of industrial equipment and road maintenance	-	51.0	51.0	49.0	49.0	-	-	-		
Felda Transport Services Sdn. Bhd.	Malaysia	Provision of transportation for palm oil based products	-	51.0	51.0	49.0	49.0	-	-	-		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPs held by the Group				
				2016 %	2015 %	2016 %	2015 %	2016 %	2015 %			
<b>Indirect subsidiaries (continued)</b>												
<b>Subsidiaries of Felda Holdings Bhd. (continued)</b>												
Felda Security Services Sdn. Bhd.	Malaysia	Provision of security services	-	51.0	51.0	49.0	49.0	-	-			
F.W.Q. Enterprises (Pvt.) Ltd.*	Pakistan	Provision of letty services	-	65.0	65.0	35.0	35.0	-	-			
Felda Enterprises Sdn. Bhd. <i>(Note 6)</i>	Malaysia	Liquidated	-	-	100.0	-	-	-	-			
Felda Plantations Sdn. Bhd.	Malaysia	Under liquidation	-	-	51.0	49.0	49.0	-	-			
FGV Logistics Sdn. Bhd. <i>(Note 3 and 12)</i>	Malaysia	Provision of transportation	-	-	90.0	100.0	10.0	-	-			
<b>Subsidiaries of Felda Palm Industries Sdn. Bhd.</b>												
Felda Vegetable Oil Products Sdn. Bhd.	Malaysia	Tolling services of crude palm oil and palm kernel oil	-	48.0	48.0	52.0	52.0	-	-			
Felda Kernel Products Sdn. Bhd.	Malaysia	Processing of oil palm kernels	-	-	60.0	60.0	40.0	40.0	-			
Delima Oil Products Sdn. Bhd.	Malaysia	Processing, packaging, and distribution of finished consumer and industrial palm oil products	-	72.0	72.0	28.0	28.0	-	-			
Felda Marketing Services Sdn. Bhd.	Malaysia	Marketing of group products	-	-	36.7	36.7	63.3	63.3	-			
FNI Biofuel Sdn. Bhd.*	Malaysia	Manufacturing of biomass fuel from empty fruit bunch	-	-	72.0	72.0	28.0	28.0	-			

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPS held by the Group	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Indirect subsidiaries (continued)										
Subsidiaries of <u>Felda Palm Industries Sdn. Bhd.</u> (continued)			-	-	-	-	72.0	-	28.0	-
Sutrajaya Shipping Sdn. Bhd. (Note 5)	Malaysia	Liquidated	-	-	-	-	-	-	-	-
Subsidiary of <u>Felda Vegetable Oil Products Sdn. Bhd.</u>			-	-	-	-	48.0	48.0	52.0	52.0
F.S. Oils Sdn. Bhd. *	Malaysia	Dormant	-	-	-	-	-	-	-	-
Subsidiary of <u>Felda Marketing Services Sdn. Bhd.</u>			-	-	-	-	34.9	34.9	65.1	65.1
PT. Cashgrow Ventures *	Indonesia	Commodity trading	-	-	-	-	-	-	-	-
Subsidiaries of <u>Felda Plantations Sdn. Bhd.</u>			-	-	-	-	51.0	51.0	49.0	49.0
Felda Farm Products Sdn. Bhd. Subsidiaries of <u>Felda Rubber Industries Sdn. Bhd.</u>	Malaysia	Under liquidation	-	-	-	-	-	-	-	-
Feltex Co. Ltd. *	Thailand	Processing and marketing of latex concentrate	-	-	-	-	36.4	36.4	63.6	63.6
P.T. Felda Indo Rubber *	Indonesia	Processing and marketing of latex	-	-	-	-	50.0	50.0	50.0	50.0
Felda Rubber Products Sdn. Bhd.	Malaysia	Under liquidation	-	-	-	-	71.4	71.4	28.6	28.6

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPs held by the Group			
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %		
<b>Indirect subsidiaries (continued)</b>												
<b>Subsidiaries of Felda-Johore Bulkers Sdn. Bhd.</b>												
Felda Bulkers Sdn. Bhd.	Malaysia	Storing and handling export of palm oil, oleochemical products, latex concentrate and SMR	-	86.1	86.1	13.9	13.9	-	-	-		
P.T. Patrisindo Sawit *	Indonesia	Storing and handling export of vegetable oil	-	72.7	72.7	27.3	27.3	-	-	-		
Langsat Bulkers Sdn. Bhd.	Malaysia	Provision of bulking installation services for palm oil and related vegetable oil products	-	72.7	72.7	27.3	27.3	-	-	-		
<b>Subsidiary of Felda Bulkers Sdn. Bhd.</b>												
Felda Grains Terminal Sdn. Bhd.	Malaysia	Handling storage transportation, mixing and blending of palm kernel and grains	-	70.1	70.1	29.9	29.9	-	-	-		
<b>Subsidiaries of Felda Engineering Services Sdn. Bhd.</b>												
Allied Engineering Consultancy Services Sdn. Bhd.*	Malaysia	Provision of engineering consultancy services	-	51.0	51.0	49.0	49.0	-	-	-		
Felda Properties Sdn. Bhd.	Malaysia	Property management of FELDA projects	-	51.0	51.0	49.0	49.0	-	-	-		
Felda Construction Sdn. Bhd.	Malaysia	Under liquidation	-	51.0	51.0	49.0	49.0	-	-	-		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPS held by the Group				
				2016 %	2015 %	2016 %	2015 %	2016 %	2015 %			
<b>Indirect subsidiaries (continued)</b>												
<b>Subsidiaries of Felda Travel Sdn. Bhd.</b>												
Plantation Resorts Sdn. Bhd.	Malaysia	Dormant	-	-	100.0	100.0	-	-	-			
Subsidiary of FGV R&D and Agri Services Sdn. Bhd.												
FGV Applied Technologies Sdn. Bhd.	Malaysia	Research and development of oleo and bio-chemicals, food technologies, mill and biomass technologies, automation, mechanization and remote sensing	-	-	100.0	100.0	-	-	-			
<b>Subsidiary of Felda Global Ventures Rubber Sdn Bhd.</b>												
FGV Green Rubber Sdn. Bhd.	Malaysia	Purchasing and processing raw latexes and marketing rubber	-	-	100.0	100.0	-	-	-			
<b>Subsidiaries of Asian Plantations Limited</b>												
Asian Plantations (Sarawak) Sdn. Bhd.	Malaysia	Investment holding	-	-	100.0	100.0	-	-	-			
Asian Plantations (Sarawak) II Sdn. Bhd.	Malaysia	Investment holding	-	-	100.0	100.0	-	-	-			
Asian Plantations (Sarawak) III Sdn. Bhd.	Malaysia	Investment holding	-	-	100.0	100.0	-	-	-			

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPs held by the Group			
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %		
<b>Indirect subsidiaries (continued)</b>												
<b>Subsidiaries of Asian Plantations (Sarawak) Sdn. Bhd.</b>												
BJ Corporation Sdn. Bhd.	Malaysia	Oil-palm plantation	-	100.0	100.0	-	-	-	-	-		
Incoseita Sdn. Bhd.	Malaysia	Oil-palm plantation	-	100.0	100.0	-	-	-	-	-		
Fortune Plantation Sdn. Bhd.	Malaysia	Oil-palm plantation	-	100.0	100.0	-	-	-	-	-		
Asian Plantations Milling Sdn. Bhd.	Malaysia	Oil-palm milling	-	100.0	100.0	-	-	-	-	-		
<b>Subsidiary of Incoseita Sdn. Bhd.</b>												
South Asian Farms Sdn. Bhd.	Malaysia	Dormant	-	100.0	100.0	-	-	-	-	-		
<b>Subsidiaries of Asian Plantations (Sarawak) II Sdn. Bhd.</b>												
Kronos Plantation Sdn. Bhd.	Malaysia	Oil-palm plantation	-	100.0	100.0	-	-	-	-	-		
Grand Performance Sdn. Bhd.	Malaysia	Oil-palm plantation	-	100.0	100.0	-	-	-	-	-		
<b>Subsidiary of Asian Plantations (Sarawak) III Sdn. Bhd.</b>												
Jubilant Paradise Sdn. Bhd.	Malaysia	Oil-palm plantation	-	60.0	60.0	40.0	40.0	-	-	-		

The proportion of voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

### (a) Details of subsidiaries are as follows: (continued)

- \* Not audited by PricewaterhouseCoopers, Malaysia or its affiliates.
- # Audited by an affiliate of PricewaterhouseCoopers, Malaysia.
- ® 30% equity stake in Sabahanya Plantations Sdn. Bhd. is held in trust for the beneficial interest of the Group.

### (b) Acquisition, dilution of interest and closure of subsidiaries during the financial year

**Note 1** On 14 March 2016, Pontian United Plantations Berhad, a wholly-owned subsidiary, acquired 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. (together "Yapidmas") for a total purchase consideration of RM655 million. Refer b(i) for the effects of the acquisition of Yapidmas.

**Note 2** On 7 April 2016, Felda Global Ventures India Sdn. Bhd., a wholly-owned subsidiary, changed its name to FGV Seri Costa Sdn. Bhd.

**Note 3** On 27 September 2016, Felda Holdings Bhd. ("FHB"), a wholly-owned subsidiary, entered into a shareholder agreement with a third party warehouse operator namely Afico Terminal Services Sdn. Bhd. ("ATS") to jointly manage and operate FGV Logistics Sdn. Bhd. ("FGVL"). The subscription consideration for the share by FHB and ATS were RM16,200,000 and RM1,800,000 respectively. Consequently, FHB's effective interest in FGVL decreased from 100% to 90%.

**Note 4** On 19 October 2016, an application to strike off EnPlas Ltd, an indirect subsidiary of FGV Cambridge Nanosystems Ltd. was submitted to United Kingdom's Companies House. The First Gazette notice for voluntary strike-off was issued by the Companies House on 17 January 2017, expiring by 16 March 2017. No claim against EnPlas Ltd was made during the gazette period.

**Note 5** On 8 August 2016, Felda Palm Industries Sdn. Bhd., an indirect subsidiary of the Group, received a capital return sum of RM100,000,000 relating to its 72% interest in Sutrajaya Shipping Sdn. Bhd. ("Sutrajaya") arising from Sutrajaya's liquidation process. As a result of the capital return, the Group derecognises its interest in Sutrajaya and recorded a gain on liquidation of RM25,291,000 during the financial year.

**Note 6** On 23 December 2016, FHB received a capital return sum RM5,230,000 relating to its 100% interest in Felda Enterprise Sdn. Bhd. ("FESB") arising from FESB's liquidation process. As a result of the capital return, the Group derecognises its interest in FESB during the financial year and recorded a gain on liquidation of RM833,000 during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Acquisition, dilution of interest and closure of subsidiaries during the financial year (continued)

(i) The effects of the acquisition of Yapidmas is as follows:

	Carrying value RM'000	Fair value RM'000
Property, plant and equipment	320,754	659,653
Inventories	2,314	2,314
Trade and other receivables	9,202	9,202
Cash and cash equivalents	10,882	10,882
Payables	(18,821)	(18,821)
Borrowings	(697)	(697)
Deferred tax liabilities	(25,754)	(107,090)
<b>Total net assets acquired</b>	<b>297,880</b>	<b>555,443</b>

The cash outflow on acquisition is as follows:

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

The goodwill on acquisition is as follows :

	RM'000
Purchase consideration	655,000
Fair value of net assets acquired	(555,443)
<b>Goodwill on acquisition (Note 21)</b>	<b>99,557</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Acquisition, dilution of interest and closure of subsidiaries during the financial year (continued)

(i) The effects of the acquisition of Yapidmas is as follows: (continued)

The effects of the acquisition of Yapidmas on the financial results of the Group during the financial year is shown below:

	RM'000
Revenue	155,599
Cost of sales	(126,384)
Gross profit	29,215
Other operating income	552
Selling and distribution costs	(1,468)
Administrative expenses	(1,774)
Finance costs	(24)
Profit before taxation	26,501
Taxation	(7,528)
Profit after taxation	18,973

The effect of the acquisition of Yapidmas on the financial results of the Group during the financial year had the acquisition taken effect at the beginning of the financial year is shown below:

	RM'000
Revenue	176,650
Cost of sales	(145,012)
Gross profit	31,638
Other operating income	661
Selling and distribution costs	(1,691)
Administrative expenses	(2,448)
Finance costs	(75)
Profit before taxation	28,085
Taxation	(7,974)
Profit after taxation	20,111

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

### (c) Incorporation, acquisitions and disposal of subsidiaries in previous financial year

**Note 7** On 28 January 2015, Felda Global Ventures Kalimantan Sdn. Bhd. ("FGVK"), a subsidiary of Felda Global Ventures Plantations Sdn. Bhd. ("FGVP"), incorporated PT Bumi Agro Nusantara ("PT BAN") in Indonesia with issued and paid-up share capital of Rp3,010,500,000 (RM0.90 million) and are held by FGVK of 99.6% and FGVP of 0.4% respectively.

**Note 8** On 28 January 2015, Felda Global Ventures Downstream Sdn. Bhd. ("FGVD"), a wholly owned subsidiary of the Company has exercised its option to purchase 20% of the issued and paid-up share capital of FGV Lipid Venture Sdn. Bhd. ("FGV Lipid") from Lipid Venture Sdn. Bhd. ("LVS") by way of a Supplemental Agreement dated 28 January 2015 to the Joint Venture and Shareholders' Agreement between FGVD and LVS dated 13 November 2013. Pursuant thereto, FGVD has raised its shareholdings in FGV Lipid from current 40% to 60% which resulted in FGV Lipid becoming a subsidiary of the Group.

**Note 9** On 31 March 2015, the Company acquired a 100% equity interest in Felda Iffco South China Ltd ("FISC") from Felda Iffco Sdn. Bhd., a joint venture of FGVD, a company incorporated in China for a purchase consideration of RMB320 million (RM181.34 million). FISC has changed its business name to FGV China Oils Ltd ("FGVCO") with effect from 22 August 2015. Refer c(i) for the effects of the acquisition of FGVCO.

**Note 10** On 10 April 2015, MSM Malaysia Holdings Berhad ("MSM"), a subsidiary of the Company acquired a 100% equity interest in MSM Sugar Refinery (Johor) Sdn. Bhd. ("MSM Sugar Refinery"), a company incorporated in Malaysia for a cash consideration of RM2.

**Note 11** On 1 October 2015, MSM incorporated a wholly-owned subsidiary, MSM Trading International DMCC in United Arab Emirates with issued and paid-up share capital of AED4,000,000.

**Note 12** On 7 December 2015, Felda Holdings Bhd., a wholly-owned subsidiary of the Group, acquired the entire issued and paid-up share capital of FGV Logistics Sdn. Bhd. ("FGV Logistics"), a company incorporated in Malaysia for a cash consideration of RM2.

### (i) The effects of the acquisition of FGVCO is as follows:

	<b>Carrying value RM'000</b>	<b>Fair value RM'000</b>
Property, plant and equipment	125,434	151,085
Intangible assets	-	13,803
Prepaid lease payments	27,991	29,752
Inventories	10,636	10,636
Trade and other receivables	798	798
Financial assets at fair value through profit or loss	2,827	2,827
Cash and cash equivalents	1,811	1,811
Payables	(9,188)	(9,188)
Deferred tax liabilities	-	(10,304)
<b>Total net assets acquired</b>	<b>160,309</b>	<b>191,220</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Incorporation, acquisitions and disposal of subsidiaries in previous financial year (continued)

(i) The effects of the acquisition of FGVCO is as follows: (continued)

The cash outflow on acquisition is as follows:

	RM'000
Consideration paid	181,338
Less : Cash and cash equivalents acquired	(1,811)
	179,527
Less: Deposit paid in 2014	(86,624)
Net cash outflow on acquisition	92,903

The goodwill on acquisition is as follows:

	RM'000
Purchase consideration	191,220
Fair value of net assets acquired	(191,220)
Goodwill on acquisition	-

The effects of the acquisition of FGVCO on the financial results of the Group in previous financial year is shown below:

	RM'000
Revenue	289,698
Cost of sales	(296,894)
Gross loss	(7,196)
Other operating income	672
Selling and distribution costs	(4,134)
Administrative expenses	(14,884)
Finance costs	(3,123)
Loss before taxation	(28,665)
Taxation	(829)
Loss after taxation	(29,494)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Incorporation, acquisitions and disposal of subsidiaries in previous financial year (continued)

(i) The effects of the acquisition of FGVCO is as follows: (continued)

The effect of the acquisition of FGVCO on the financial results of the Group in previous financial year had the acquisition taken effect at the beginning of the previous financial year is shown below:

	RM'000
Revenue	292,046
Cost of sales	(297,986)
Gross loss	(5,940)
Other operating income	778
Selling and distribution costs	(5,665)
Administrative expenses	(19,072)
Finance costs	(3,123)
Loss before taxation	(33,022)
Taxation	(829)
Loss after taxation	(33,851)

(ii) The effects of the acquisitions and incorporations of other subsidiaries in previous financial year

PT BAN and MSM Trading International DMCC in United Arab Emirates are newly incorporated subsidiaries of the Group. FGV Lipid, MSM Sugar Refinery and FGV Logistics are newly acquired dormant subsidiaries of the Group. The effects of the incorporations and acquisition of these companies are not material to the Group in the previous financial year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

### (c) Incorporation, acquisitions and disposal of subsidiaries in previous financial year (continued)

(iii) On 3 November 2015, FGVD disposed Twin Rivers Technologies Enterprises De Transformation De Graines Oleagineuses Du Quebec Inc. ("TRT ETGO"), its wholly-owned subsidiary, for a total consideration of CAD172.15 million (RM567.11 million), which resulted in a gain on disposal of RM13.02 million. The effects of the disposal of TRT ETGO on the financial position of the Group as at previous financial year end is as follows:

	RM'000
Property, plant and equipment	561,584
Intangible assets	497
Inventories	195,735
Trade and other receivables	87,598
Deferred tax assets	18,721
Cash and cash equivalents	18,874
Payables	(115,851)
Derivatives financial liabilities	(6,670)
Borrowings	(244,336)
Net assets disposed	516,152
Realisation of foreign exchange	37,945
Gain on disposal	13,016
Proceeds from disposal, net of transaction costs	567,113

The cash inflow on disposal is as follows:

Proceeds from disposal, net of transaction costs	567,113
Less: Cash and cash equivalents	(18,874)
Net cash inflow from disposal	548,239

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

### (d) Impairment loss on investment in a subsidiary

Difficult operating conditions during the financial year and continuing losses in a subsidiary, FGV China Oils Ltd, were identified as indicators for an impairment test to be performed for the investment in the palm oil refining operations in China. The recoverable amount of the subsidiary is determined based on fair value less cost to sell calculation (Level 3 fair value computation) using cash flow projections discounted at 13%. The remaining key assumptions for the impairment assessment are disclosed in Note 19 to the financial statements.

As a result of the impairment assessment, an impairment loss of RM80,152,000 had been recorded in other operating expenses in the financial statements of the Company.

Based on sensitivity analysis performed by the Company, the impact of 1% increase in the discount rate used, which is a key assumption, will result in additional impairment loss of approximately RM10,360,000.

### (e) Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

#### Summarised statements of financial position

	MSM Malaysia Holdings Berhad Group		Felda Palm Industries Sdn. Bhd.	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Current</u>				
Assets	1,623,075	1,354,704	738,308	626,899
Liabilities	(985,971)	(610,011)	(131,446)	(136,719)
Total current net assets	637,104	744,693	606,862	490,180
<u>Non-current</u>				
Assets	1,602,353	1,367,701	1,646,930	1,794,146
Liabilities	(252,647)	(75,378)	(199,986)	(159,793)
Total non-current net assets	1,349,706	1,292,323	1,446,944	1,634,353
Net assets	1,986,810	2,037,016	2,053,806	2,124,533

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(e) Summarised financial information on subsidiaries with material non-controlling interests (continued)

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. (continued)

### Summarised statements of comprehensive income

	MSM Malaysia Holdings Berhad Group		Felda Palm Industries Sdn. Bhd.	
	For the financial year ended 31 December		For the financial year ended 31 December	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	2,658,446	2,307,263	709,528	1,394,011
Profit before zakat and taxation	148,515	372,128	10,033	155,030
Tax and zakat expense	(27,793)	(96,832)	(26,552)	(40,700)
Profit/(loss) for the financial year	120,722	275,296	(16,519)	114,330
Other comprehensive loss	(2,213)	-	(3,708)	-
Total comprehensive income/(loss)	118,509	275,296	(20,227)	114,330
Profit/(loss) attributable to non-controlling interest	55,090	139,144	(2,385)	31,437
Total comprehensive income/(loss) attributable to non-controlling interest	54,006	139,144	(1,038)	31,437
Accumulated non-controlling interest	970,042	1,002,386	447,471	459,180
Dividends paid to non-controlling interests	82,670	89,560	14,140	14,839

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(e) Summarised financial information on subsidiaries with material non-controlling interests (continued)

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. (continued)

### Summarised statement of cash flows

	<b>MSM Malaysia Holdings Berhad Group</b>		<b>Felda Palm Industries Sdn. Bhd.</b>	
	<b>For the financial year ended 31 December</b>		<b>For the financial year ended 31 December</b>	
	<b>2016 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Cash flow from operating activities				
Cash flow generated from operations	365,728	5,695	126,919	170,200
Retirement benefits paid	-	-	(528)	(120)
Zakat paid	(2,000)	(5,000)	(2,123)	(7,938)
Income tax paid	(58,652)	(91,724)	(7,784)	(39,990)
Net cash generated from/(used in) operating activities	305,076	(91,029)	116,484	122,152
Net cash (used in)/generated from investing activities	(204,364)	(231,786)	29,715	(135,551)
Net cash generated from/(used in) financing activities	96,256	(23,282)	(21,349)	(159,413)
Net increase/(decrease) in cash and cash equivalents	196,968	(346,097)	124,850	(172,812)
Effect of foreign exchange rate changes	1,837	-	-	-
Cash and cash equivalents at beginning of financial year	123,902	469,999	60,550	233,362
Cash and cash equivalents at end of financial year	322,707	123,902	185,400	60,550

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 23 INTERESTS IN ASSOCIATES

	Group	
	2016 RM'000	2015 RM'000
Share of net assets of associates	260,700	239,640

Summarised financial information in respect of the Group's share of revenue, profit, assets and liabilities of its associates is set out below:

	Group	
	2016 RM'000	2015 RM'000
Revenue	570,262	553,318
Group's share of results for the financial year	29,767	19,036
Share of capital commitments of associates	23,016	35,734

Set out below are details of the associates of the Group as at 31 December 2016. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly and indirectly by the Group, have financial years ending 31 December, unless otherwise stated and are measured by way of equity accounting.

Name of company	Place of business/ country of incorporation	Group's effective interest		Nature of business		
		2016 %	2015 %			
<u>Indirect associates</u>						
<u>Associates of FHB</u>						
Taiko Clay Chemicals Sdn. Bhd.	Malaysia	21.6	21.6	(i)		
Paragon Yield Sdn. Bhd.	Malaysia	30.0	30.0	(ii)		
Nilai Education Sdn. Bhd.	Malaysia	30.0	30.0	(iii)		
FKW Global Commodities (PVT) Limited	Malaysia	30.0	30.0	(iv)		
Title Winner Sdn. Bhd.	Malaysia	-	7.3	(v)		
<u>Associate of PUP</u>						
Malacca Plantation Sdn. Bhd.	Malaysia	34.33	34.33	(vi)		

(i) Manufacturing and sale of activated bleaching earth

(ii) Investment holding

(iii) Management of an educational institute

(iv) Commodity trading

(v) Dissolved on 14 June 2016

(vi) Investment holding and cultivation of oil palm

There are no material contingent liabilities relating to the Group's interests in the associates.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 23 INTERESTS IN ASSOCIATES (CONTINUED)

### Summarised financial information for associates

Set out below are the summarised financial information for Taiko Clay Chemicals Sdn. Bhd. ("Taiko") and the aggregate of other associates ("insignificant in aggregate") which are accounted for using the equity method:

### Summarised statements of financial position

	Taiko		Insignificant in aggregate		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Current</u>						
Cash and cash equivalents	128,435	112,268	30,313	38,727	158,748	150,995
Other current assets (excluding cash)	216,927	194,756	56,753	91,252	273,680	286,008
Total current assets	345,362	307,024	87,066	129,979	432,428	437,003
Financial liabilities (excluding trade payables)	(92,144)	(54,001)	(23,411)	(37,406)	(115,555)	(91,407)
Other current liabilities (including trade payables)	(27,033)	(19,089)	(7,342)	(7,428)	(34,375)	(26,517)
Total current liabilities	(119,177)	(73,090)	(30,753)	(44,834)	(149,930)	(117,924)
<u>Non-current</u>						
Assets	261,017	216,485	315,180	274,802	576,197	491,287
Financial liabilities	(16,875)	(15,998)	(16,618)	(16,978)	(33,493)	(32,976)
Total non-current liabilities	(16,875)	(15,998)	(16,618)	(16,978)	(33,493)	(32,976)
Net assets	470,327	434,421	354,875	342,969	825,202	777,390

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 23 INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information for associates (continued)

Summarised statements of comprehensive income

	Taiko		Insignificant in aggregate		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	393,900	373,242	176,362	180,076	570,262	553,318
Interest expense	(3,477)	(4,370)	(309)	(309)	(3,786)	(4,679)
Profit from continuing operations	77,685	79,057	21,779	20,698	99,464	99,755
Tax and zakat expense	(22,888)	(23,507)	115	(2,554)	(22,773)	(26,061)
Post-tax profit from continuing operations	54,797	55,550	21,894	18,144	76,691	73,694
Other comprehensive (loss)/income	(8,891)	18,043	-	-	(8,891)	18,043
Total comprehensive income	45,906	73,593	21,894	18,144	67,800	91,737
Dividends received from associate	10,000	-	9,988	900	19,988	900

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interests in associates.

	Taiko		Insignificant in aggregate		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Opening net assets	434,421	360,828	342,969	325,725	777,390	686,553
Profit for the year	54,797	55,550	21,894	18,144	76,691	73,694
Dividend	(10,000)	-	(9,988)	(900)	(19,988)	(900)
Other comprehensive (loss)/income	(8,891)	18,043	-	-	(8,891)	18,043
Closing net assets before group adjustments	470,327	434,421	354,875	342,969	825,202	777,390
Opening group adjustments	170,227	140,321	82,032	82,032	252,259	222,353
Others	58,885	29,906	(450)	-	58,435	29,906
Closing group adjustments	229,112	170,227	81,582	82,032	310,694	252,259
Closing net assets	699,439	604,648	436,457	425,001	1,135,896	1,029,649
Interest in associates	21.6%	21.6%	7%-34%	7%-34%	-	-
Carrying value	151,079	130,604	109,621	109,037	260,700	239,640
Unrecognised share of loss	-	-	-	(1,048)	-	(1,048)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 24 INTERESTS IN JOINT VENTURES

	Group		
	31.12.2016 RM'000	31.12.2015 RM'000 (Restated)	1.1.2015 RM'000 (Restated)
Share of net assets of joint ventures	628,071	661,347	718,603

The Group's share of the results of the joint ventures are as follow:

	2016 RM'000 (Restated)	2015 RM'000
Revenue	6,009,757	5,195,210
Group's share of results for the financial year	(19,478)	40,022
Share of capital commitments of joint ventures	10,829	28,381

During the financial year, stock losses of TL71,960,000 (RM91,320,000) and overstatements of receivables of TL11,480,000 (RM14,564,000) had been identified by the Group due to the manipulation of financial statements perpetrated by previous management of Felda Iffco Gida Sanayi ("FIGS"), a subsidiary of Felda Iffco Sdn. Bhd., a joint venture of the Group which arose from overstatements of inventories and receivables in FIGS, from the beginning financial year 2011 to 2016, which were considered as deliberate misrepresentation of facts and fraud.

The impact of fraud relating to current financial year of RM16,123,000 had been included in the Group's share of results from joint ventures for the current financial year, while the impact of errors relating to the fraud perpetrated in prior financial years amounting to RM10,380,000 and RM26,439,000 had been adjusted against the results for the financial year ended 31 December 2015 and periods prior to 1 January 2015 respectively (Note 58).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 24 INTERESTS IN JOINT VENTURES (CONTINUED)

Set out below are details of the joint ventures of the Group as at 31 December 2016. The joint ventures as listed below have share capital consisting solely of ordinary shares and have financial years ending 31 December, unless otherwise stated, and are measured by way of equity accounting, other than Kuala Muda Joint Venture, which is based on their share of net assets.

Name of company	Country of incorporation	Group's effective interest		Nature of business		
		2016 %	2015 %			
<u>Indirect joint ventures</u>						
<u>Joint venture of FGVD</u>						
Felda Iffco Sdn. Bhd.	Malaysia	50.0	50.0	(i)		
<u>Joint venture of Felda Global Ventures Livestocks Sdn. Bhd.</u>						
Felda Iffco Allana (Malaysia) Sdn. Bhd.	Malaysia	-	50.0	(ii)		
<u>Joint venture of Felda Global Ventures Kalimantan Sdn. Bhd.</u>						
Trurich Resources Sdn. Bhd.	Malaysia	50.0	50.0	(iii)		
<u>Joint ventures of FHB</u>						
FPG Oleochemicals Sdn. Bhd.	Malaysia	50.0	50.0	(iv)		
Malaysia Pakistan Venture Sdn. Bhd. (30 June) <sup>#</sup>	Malaysia	37.5	37.5	(v)		
Mapak Edible Oils (Pvt) Ltd <sup>#</sup> (30 June)	Pakistan	30.0	30.0	(vi)		
MEO Trading Sdn. Bhd. <sup>#</sup>	Malaysia	30.0	30.0	(vii)		
FTJ Biopower Sdn. Bhd. <sup>#</sup>	Malaysia	43.0	43.0	(viii)		
ProXcel Sdn. Bhd. <sup>#</sup>	Malaysia	40.0	40.0	(ix)		
Sahabat Renewable Fuel Ventures Sdn. Bhd. <sup>#</sup>	Malaysia	36.7	36.7	(x)		
MyBiomass Sdn. Bhd <sup>#</sup>	Malaysia	23.1	23.1	(xi)		
FGV Pho La Min Co. Ltd. <sup>#</sup>	Myanmar	51.0	51.0	(xii)		
<u>Indirect joint operation</u>						
Kuala Muda Estate Joint Venture	Malaysia	50.0	50.0	(xiii)		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 24 INTERESTS IN JOINT VENTURES (CONTINUED)

There are no material contingent liabilities relating to the Group's interest in the joint ventures.

- (i) Refining, processing and packing of palm oil based products
- (ii) Dissolved on 20 December 2016
- (iii) Oil palm plantation operation
- (iv) Processing and selling of oleochemical products
- (v) Investment holding
- (vi) Manufacturing and marketing of finished customer and industrial palm oil products
- (vii) Futures trading
- (viii) Developing, constructing, operating and maintaining power plant
- (ix) Dormant
- (x) Development, construction, fabrication and operation of a biomass conversion plant
- (xi) Aggregation of biomass, identification of the technology to convert palm-based biomass into High Value Green Chemicals/Products and commercialisation of the technologies
- (xii) Technical advisory services in agriculture sector
- (xiii) Cultivation of oil palms

\* The Group treated these entities as joint ventures as the shareholder agreements require unanimous consent over decisions about relevant activities among the partners.

The joint venture companies above are private companies and have no quoted market price available for their shares.

There are no material contingent liabilities relating to the Group's interest in the joint ventures.

## Summarised financial information for joint ventures

Set out below are the summarised financial information for Felda Ifcco Sdn. Bhd. ("FISB"), Trunich Resources Sdn. Bhd. ("Trunich") and FPG Oleochemicals Sdn. Bhd. ("FPG") and the aggregate for other joint ventures ("insignificant in aggregate") which are accounted for using the equity method.

## Summarised statements of financial position

	FISB			Trunich			FPG			Insignificant in aggregate			Total		
	31.12.2016 RM'000	31.12.2015 RM'000	1.1.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000	1.1.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000	1.1.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000	1.1.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000	1.1.2015 RM'000
<b>Current</b>															
Cash and cash equivalents	194,947	222,383	142,558	42,555	128,189	78,676	225,953	279,204	295,783	62,764	32,772	34,667	526,219	662,548	551,684
Other current assets (excluding cash)	900,564	624,024	1,151,954	75,210	79,762	109,439	275,768	219,012	249,274	208,896	193,191	139,428	1,460,438	1,115,989	1,650,095
<b>Total current assets</b>	<b>1,095,511</b>	<b>846,407</b>	<b>1,294,512</b>	<b>117,765</b>	<b>207,951</b>	<b>188,115</b>	<b>501,721</b>	<b>498,216</b>	<b>545,057</b>	<b>271,660</b>	<b>225,963</b>	<b>174,095</b>	<b>1,986,657</b>	<b>1,778,537</b>	<b>2,201,779</b>
<b>Financial liabilities (excluding trade payables)</b>															
Financial liabilities (excluding trade payables)	(636,801)	(745,428)	(1,077,333)	(122,840)	(5,508)	(8,286)	(1,787)	(3,909)	(54,691)	(2,966)	(3,017)	(16,035)	(764,394)	(757,862)	(1,156,845)
Other current liabilities (including trade payables)	(626,429)	(167,136)	(240,861)	(147,394)	(110,283)	(75,123)	(148,941)	(142,453)	(74,416)	(131,660)	(112,150)	(40,354)	(1,054,424)	(532,022)	(430,754)
<b>Total current liabilities</b>	<b>(1,263,230)</b>	<b>(912,564)</b>	<b>(1,318,694)</b>	<b>(270,234)</b>	<b>(115,791)</b>	<b>(83,409)</b>	<b>(150,728)</b>	<b>(146,362)</b>	<b>(129,107)</b>	<b>(134,626)</b>	<b>(115,167)</b>	<b>(56,389)</b>	<b>(1,818,818)</b>	<b>(1,289,884)</b>	<b>(1,587,599)</b>
<b>Non-Current</b>															
Assets	4,09,572	399,070	351,642	1,449,103	1,357,519	930,537	143,295	145,923	181,024	51,295	72,802	65,998	2,053,265	1,975,314	1,529,201
Financial liabilities	(78,867)	(108,397)	(112,030)	(936,171)	(1,072,778)	(644,751)	(23,386)	(26,903)	(31,495)	(1,036)	(1,036)	(692)	(1,039,460)	(1,209,114)	(787,584)
<b>Total non-current liabilities</b>	<b>(78,867)</b>	<b>(108,397)</b>	<b>(112,030)</b>	<b>(936,171)</b>	<b>(1,072,778)</b>	<b>(644,751)</b>	<b>(23,386)</b>	<b>(26,903)</b>	<b>(31,495)</b>	<b>(1,036)</b>	<b>(1,036)</b>	<b>(692)</b>	<b>(1,039,460)</b>	<b>(1,209,114)</b>	<b>(787,584)</b>
<b>Net assets</b>	<b>162,986</b>	<b>224,516</b>	<b>215,430</b>	<b>360,463</b>	<b>376,901</b>	<b>390,492</b>	<b>470,902</b>	<b>470,874</b>	<b>565,479</b>	<b>187,293</b>	<b>182,562</b>	<b>184,396</b>	<b>1,181,644</b>	<b>1,254,853</b>	<b>1,355,797</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 24 INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information for joint ventures (continued)

Summarised statements of comprehensive income

	FISB		Trurich		FPG		Insignificant in aggregate		Total
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	
Revenue	3,790,837 (27,929)	3,749,197 (26,228)	257,576 (48,296)	163,401 (19,755)	1,497,208 (16,808)	1,278,736 (19,713)	464,136 -	3,876 -	6,009,757 (93,033)
Depreciation and amortisation	-	-	9,227 (44,455)	2,764 (37,038)	-	-	-	-	(65,696) (93,033)
Interest income	(62,502) (51,782)	(51,782) (44,455)	(53,520) (12,651)	(2,375) (10,170)	(20,439) (3,090)	(23,118) (11,713)	(67,108) (19,984)	(1,530) (3)	9,227 (108,498) (88,834)
Interest expense	(56,873) (7,583)	(9,457) (10,170)	(56,873) (7,583)	(2,375) (3,090)	(20,028) (22,814)	(55,395) (22,821)	(9,145) (19,984)	(12,735) (10,359)	112,927 (40,827) (33,904)
(Loss)/profit for the financial year	(64,456) (34,977)	44,063 6,383	(64,456) (34,977)	(22,821) 9,223	(22,814) -	(55,395) -	(9,145) -	(2,376) -	79,020 (25,754)
Other comprehensive income/(loss)	2,926 (61,530)	(34,977) 9,086	2,926 (61,530)	(34,977) (16,438)	-	-	-	-	9,309 (48,795) (53,266)
Total comprehensive (loss)/income					20,028 (13,591)	55,395 20,028	9,145 2,376	4,414 24,414	4,414 154,211
Dividends received from joint ventures	-	-	-	-	20,000 150,000	150,000 4,414	4,211 24,414	4,211 154,211	

The information above reflects the amounts presented in the financial statements of the joint ventures (and not Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures.

## Summarised financial information for joint ventures (continued)

## Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in joint ventures.

	FISB		Trurich		FPG		Insignificant in aggregate		Total	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2015 RM'000	2016 RM'000	2015 RM'000 (Restated)	
Opening net assets, as previously stated	298,154	268,308	376,901	390,492	470,874	565,479	182,562	184,396	1,328,491	1,408,675
Effects of correction in error due to fraud losses	(73,638)	(52,878)	-	-	-	-	-	-	(73,638)	(52,878)
Opening net assets, as restated	224,516	215,230	376,901	390,492	470,874	565,479	182,562	184,396	1,254,853	1,355,797
Profit/(loss) for the year	(64,456)	44,063	(22,821)	(22,814)	20,028	55,395	9,145	2,377	(58,104)	79,021
Dividend	-	-	-	-	(20,000)	(150,000)	(4,414)	(4,211)	(24,414)	(154,211)
Other comprehensive (loss)/income	2,926	(34,977)	6,383	9,223	-	-	-	-	9,309	(25,754)
Closing net assets before group adjustments	162,986	224,516	360,463	376,901	470,902	470,874	187,293	182,562	1,181,644	1,254,853
Opening group adjustments	(44,167)	(45,298)	19,110	17,376	116,505	131,037	84,361	90,161	175,809	193,276
Fair value adjustments	-	-	-	-	(19,720)	-	80,309	-	60,589	-
Reversal of impairment	-	-	-	-	-	-	-	(5,800)	-	(5,800)
Others	14,375	1,131	(6,260)	1,724	(7,208)	(14,532)	-	-	907	(11,667)
Closing group adjustments	(29,792)	(44,167)	12,850	19,110	89,577	116,505	164,670	84,361	237,205	175,809
Closing net assets	133,194	180,349	373,313	396,011	560,479	587,379	351,963	266,923	1,418,949	1,430,662
Interest in joint ventures	50%	50%	50%	50%	50%	50%	23% <sup>51</sup> %	23% <sup>51</sup> %	-	-
Carrying value	66,597	90,175	186,657	198,006	280,240	293,690	94,577	79,476	625,071	661,347
Unrecognised share of loss	-	-	-	-	-	-	(10,427)	(7,674)	(10,427)	(7,674)

NOTES TO THE  
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 25 PREPAID LEASE PAYMENTS

The prepaid lease payments were payment for rights to use the following:

Group

	Leasehold land	
	2016 RM'000	2015 RM'000
<u>Cost</u>		
At 1 January	82,410	53,113
Acquisition of subsidiaries	-	29,752
Additions	5,850	210
Currency translation differences	(838)	3,448
Write offs	(352)	(4,113)
31 December	87,070	82,410
<u>Accumulated amortisation and impairment</u>		
At 1 January	4,200	3,152
Amortisation charge	5,122	3,581
Provision for/(reversal of) impairment loss	2,515	(76)
Currency translation differences	(125)	490
Write offs	(352)	(2,947)
At 31 December	11,360	4,200
Net book value at 31 December	75,710	78,210

As at 31 December 2016, the carrying amount of prepaid lease lands under land arrangements with FELDA amounted to RM43,000,000 (2015: RM41,689,000). FELDA is in the midst of applying the land titles from respective state authorities.

Included within provision for impairment during the financial year is impairment loss of RM1,760,000 relating to FGV China Oils Ltd (2015: Nil (Note 19(a)).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 26 RECEIVABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Non-current assets</u>				
Deposits <sup>†</sup>	15,932	371,906	-	-
Prepayment <sup>‡</sup>	91,729	87,419	-	-
	107,661	459,325	-	-
<u>Current assets</u>				
Trade receivables*	1,354,161	1,348,064	-	-
Less: Provision for impairment	(44,563)	(7,523)	-	-
	1,309,598	1,340,541	-	-
Amounts due from customers on contracts (Note 52)	357	5,621	-	-
Total trade receivables	1,309,955	1,346,162	-	-
Other receivables <sup>#</sup>	277,259	246,100	9,339	4,182
Prepayments	34,655	30,201	331	330
Deposits <sup>^</sup>	46,551	125,890	12,597	6,732
Good and service tax ("GST") receivable	86,707	145,918	-	-
	1,755,127	1,894,271	22,267	11,244
<b>Total</b>	<b>1,862,788</b>	<b>2,353,596</b>	<b>22,267</b>	<b>11,244</b>

<sup>†</sup> In previous financial year, non-current deposits included a deposit paid in connection with the acquisition of a piece of land owned by Golden Land Berhad and its four subsidiaries amounting to RM365,500,000.

<sup>‡</sup> Included in non-current prepayments is a security deposit amounting to RM62,120,000 (2015: RM62,120,000) paid to a significant shareholder under the LLA dated 1 November 2011, which shall be set off towards any payment of the lease amount prior to expiry or sooner determination of the LLA.

\* Included in trade receivables are cooking oil subsidy receivable from Malaysian Palm Oil Board of RM17,258,000 (2015: RM17,139,000) and from Kementerian Perdagangan Dalam Negeri, Koperasi Dan Kepenggunaan of RM14,132,000 (2015: RM Nil).

<sup>#</sup> Included in other receivables of the Group are deposit for CPO and sugar futures trading facilities amounting to RM115,445,000 (2015: RM61,261,000).

<sup>^</sup> Included in current deposits of the Group are deposits for purchases of CPO amounting to RM11,315,000 (2015: RM19,501,000). Included in current deposits of the Group and of the Company are deposits in relation to insurance facilities amounting to RM9,868,000 (2015: RM4,000,000). In previous financial year, included in deposits of the Group are deposits relating to building of a sugar refinery for MSM Sugar Refinery (Johor) Sdn. Bhd. amounting to RM74,634,000.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 26 RECEIVABLES (CONTINUED)

The receivables are denominated as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
- Ringgit Malaysia	1,095,923	1,565,177	22,267	11,244
- United States Dollar	687,562	755,879	-	-
- Indonesian Rupiah	58,283	15,805	-	-
- Chinese Yuen Renminbi	10,878	11,373	-	-
- Thai Baht	8,957	4,217	-	-
- Singapore Dollars	320	183	-	-
- Great Britain Pound	22	896	-	-
- Pakistan Rupee	843	32	-	-
- Others	-	34	-	-
	1,862,788	2,353,596	22,267	11,244

The credit terms of trade receivables are up to 90 days (2015: up to 90 days).

### Past due but not impaired

As at 31 December 2016, RM417,978,000 (2015: RM343,520,000) of receivables of the Group were past due but not impaired. These relate to number of external parties where there is no expectation of default. The ageing and history of default analysis of these receivables are as follows:

Group 2016	No history of default RM'000	History of default RM'000	New customers RM'000	Total RM'000
Less than 30 days past due	263,456	1,337	14,758	279,551
Between 30 and 60 days past due	33,501	15,719	12,278	61,498
Between 61 and 90 days past due	16,744	5,389	4,568	26,701
Between 91 days and 1 year past due	12,927	12,709	9,501	35,137
More than 1 year past due	8,906	8	6,177	15,091
At 31 December 2016	335,534	35,162	47,282	417,978

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 26 RECEIVABLES (CONTINUED)

Past due but not impaired (continued)

	No history of default RM'000	History of default RM'000	New customers RM'000	Total RM'000
<u>Group</u>				
<u>2015</u>				
Less than 30 days past due	232,254	1,474	3,238	236,966
Between 30 and 60 days past due	44,577	161	248	44,986
Between 61 and 90 days past due	14,136	676	-	14,812
Between 91 days and 1 year past due	32,286	1,704	1,146	35,136
More than 1 year past due	11,383	237	-	11,620
At 31 December 2015	334,636	4,252	4,632	343,520

In previous financial year, receivable balances amounting to RM56,143,000 was renegotiated by certain customers of the Group.

As at 31 December 2016, there are no receivables of the Company that were past due but not impaired.

Impaired and provided for

As at 31 December 2016, RM44,563,000 of receivables of the Group were impaired and provided for (2015: RM7,523,000).

Movement of the Group's provision for impairment of receivables are as follows:

	Group	
	2016 RM'000	2015 RM'000
At 1 January	7,523	5,709
Charged to profit or loss	37,040	1,814
At 31 December	44,563	7,523

Receivables balances of RM1,231,719,000 (2015: RM1,746,538,000) and RM21,937,000 (2015: RM10,914,000) of the Group and of the Company are neither past due nor impaired as they have yet to exceed the credit period. These balances mainly relate to external parties with no recent history of default.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 26 RECEIVABLES (CONTINUED)

The credit quality of receivables that are neither past due nor impaired can be assessed to historical information about counterparty default rates:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Group 1	5,197	26,935	-	-
Group 2	1,171,019	1,681,761	21,937	10,914
Group 3	55,503	37,842	-	-
	1,231,719	1,746,538	21,937	10,914

Group 1 - new customers (less than 6 months).

Group 2 - existing customers (more than 6 months) with no defaults in the past.

Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

The fair value of the receivables excluding the prepayments and GST receivable equals their carrying value, as the impact of discounting is not significant.

## 27 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Non-current assets</u>				
Amounts due from:				
Subsidiaries	-	-	-	12,602
Joint venture	20,914	34,807	-	-
	20,914	34,807	-	12,602
<u>Current assets</u>				
Amounts due from:				
Significant shareholder	182,531	101,555	20	-
Subsidiaries	-	-	609,851	173,631
Joint ventures	524,429	212,502	-	-
Associate	214	85	-	-
Other related companies	172,625	102,636	216	234
	879,799	416,778	610,087	173,865
	900,713	451,585	610,087	186,467

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 27 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Current liabilities</u>				
Amounts due to:				
Significant shareholder	(399,190)	(140,113)	(6,568)	(6,963)
Subsidiaries	-	-	(18,302)	(23,390)
Associate	(167)	-	-	-
Joint ventures	(6)	(31)	-	-
Other related companies	(11,433)	(98,524)	(65)	(67)
	(410,796)	(238,668)	(24,935)	(30,420)

(a) The amounts due from/(to) a significant shareholder, subsidiaries, joint ventures, an associate and other related companies are unsecured, free of financial charges and have credit terms ranging from 15 to 120 days (2015: 15 to 120 days). The amount due from subsidiaries are unsecured, interest rate ranging from 0.80% to 4.73% per annum and have credit term of 30 to 180 days.

(b) The amounts due from a significant shareholder, subsidiaries, joint ventures, an associate and other related companies are denominated as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Amount due from a significant shareholder</u>				
Ringgit Malaysia	182,531	101,555	20	-
<u>Amounts due from subsidiaries</u>				
Ringgit Malaysia	-	-	609,851	186,233
<u>Amounts due from joint ventures</u>				
Ringgit Malaysia	460,603	208,974	-	-
United States Dollar	84,740	38,335	-	-
	545,343	247,309	-	-
<u>Amount due from an associate</u>				
Ringgit Malaysia	214	85	-	-
<u>Amounts due from other related companies</u>				
Ringgit Malaysia	172,625	102,636	216	234
Total	900,713	451,585	610,087	186,467

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 27 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

### Amounts due from subsidiaries

	Company	
	2016 RM'000	2015 RM'000
At 1 January	186,233	101,761
Net movement during the financial year	424,560	276,819
Conversion into ordinary shares <sup>#</sup> (Note 22)	(942)	(192,347)
At 31 December	609,851	186,233

### Analysed as:

Non-current	-	12,602
Current	609,851	173,631
	609,851	186,233

### 2016

<sup>#</sup> On 21 October 2016, the Company subscribed for 225,000 ordinary shares of USD1.00 each from FGV Investment (L) Pte Ltd. ("FGVI"), a wholly owned subsidiary of the Company, by a conversion of an amount due from FGVI of USD 225,000 equivalent to RM 942,411.

### 2015

<sup>#</sup> On 28 April 2015, the Company subscribed for 28,268,328 ordinary shares of RM1.00 each from Felda Global Ventures Plantations Sdn. Bhd. ("FGVP"), a wholly owned subsidiary of the Company, by conversion of an amount due from FGVP of RM28,268,328. Subsequently, on 28 September 2015, the Company further subscribed for an additional 52,746,644 ordinary shares of RM1.00 each from FGVP, by conversion of an amount due from FGVP of RM52,746,644.

<sup>#</sup> On 7 September 2015, the Company subscribed for 111,332,252 ordinary shares of RM1.00 each from Felda Global Ventures Downstream Sdn. Bhd. ("FGVD"), a wholly owned subsidiary of the Company, by conversion of an amount due from FGVD of RM111,332,252.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 27 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

### Past due but not impaired

As at 31 December 2016, RM287,356,000 (2015: RM184,608,000) of amounts due from a significant shareholder, joint ventures and other related companies and RM610,067,000 (2015: RM52,748,000) of amounts due from subsidiaries and amounts due from other related companies for the Group and the Company respectively were past due but not impaired. The ageing analysis of these balances is as follows:

	Less than 30 days past due RM'000	Between 30 and 60 days past due RM'000	Between 61 and 90 days past due RM'000	Between 91 days and 1 year past due RM'000	More than 1 year past due RM'000	Total RM'000
<u>Group</u>						
<u>At 31 December 2016</u>						
Amount due from a significant shareholder	16,568	13,621	12,215	45,034	21,564	109,002
Amounts due from joint ventures*	3,000	-	-	4,800	20,914	28,714
Amounts due from other related companies	12,750	12,494	19,223	105,010	163	149,640
	32,318	26,115	31,438	154,844	42,641	287,356
<u>At 31 December 2015</u>						
Amount due from a significant shareholder	11,066	7,983	2,925	18,551	2,283	42,808
Amounts due from joint ventures*	22,158	-	-	3	35,896	58,057
Amounts due from other related companies	14,914	29,653	26,998	11,597	581	83,743
	48,138	37,636	29,923	30,151	38,760	184,608

\* Included in the amounts due from joint venture is an amount due of RM20,914,000 (2015: RM34,807,000), which is to fund the construction and working capital of a power plant. The amount will be repaid via the proceeds from a bank loan granted to the joint venture once the power plant is in operation, which is expected to be realised beyond 12 months from 31 December 2016.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 27 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

Past due but not impaired (continued)

	Less than 30 days past due RM'000	Between 30 and 60 days past due RM'000	Between 61 and 90 days past due RM'000	Between 91 days and 1 year past due RM'000	More than 1 year past due RM'000	Total RM'000
<u>Company</u>						
<u>At 31 December 2016</u>						
Amounts due from subsidiaries	-	4,318	12,012	583,306	10,215	609,851
Amounts due from other related companies	-	-	-	203	13	216
	-	4,318	12,012	583,509	10,228	610,067
<u>At 31 December 2015</u>						
Amounts due from subsidiaries	-	7,305	9,037	6,791	29,549	52,682
Amounts due from other related companies	66	-	-	-	-	66
	66	7,305	9,037	6,791	29,549	52,748
<u>Impaired and provided for</u>						

As at 31 December 2016, certain amounts due from a significant shareholder, amounts due from subsidiaries, amounts due from joint ventures and amounts due from other related companies amounting to RM25,109,000 (2015: RM11,216,000) and RM4,717,000 (2015: RM4,717,000) of the Group and of the Company respectively was impaired and fully provided for.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 27 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

### Impaired and provided for (continued)

Movement of the provision for impairment of amount due from is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Amount due from a significant shareholder</u>				
At 1 January	5,491	2,066	2,308	-
Charged to profit or loss	-	3,425	-	2,308
At 31 December	5,491	5,491	2,308	2,308
<u>Amounts due from other related companies</u>				
At 1 January	2,244	-	1,725	-
Charged to profit or loss	-	2,244	-	1,725
At 31 December	2,244	2,244	1,725	1,725
<u>Amounts due from joint ventures</u>				
At 1 January	3,481	-	-	-
Charged to profit or loss*	13,893	3,481	-	-
At 31 December	17,374	3,481	-	-
<u>Amounts due from subsidiaries</u>				
At 1 January/31 December	-	-	684	684
Total	25,109	11,216	4,717	4,717

\* Fair value of the amount due from a joint venture which principal activity relates to developing, constructing, operating and maintaining a power plant, has been determined based on discounted cash flow calculations using cash flow projections based on approved financial budgets covering the concession period of 16 years. The key assumptions used to compute the fair value of the amount due from joint venture are as follows:

- (a) Gross Dependable Capacity 12.50 MW
- (b) Net Dependable Capacity 10.00 MW
- (c) Concession periods 16 years
- (d) Last operation date 23/10/2032

As a result, the Group has recognised impairment loss of RM13.9 million for the amount due from the joint venture during the financial year (2015: RM3.5 million).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 27 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

### Impaired and provided for (continued)

The sensitivity of amount due from a joint venture impairment to changes in key assumptions is as follows:

<u>Key assumptions</u>	<u>Change in assumption</u>	<u>Impact on impairment</u>
(i) Net dependable capacity	Increase by 1%	Decrease by RM160,404
	Decrease by 1%	Increase by RM160,404

Amounts due from a significant shareholder, joint ventures, an associate and other related companies of RM613,357,000 (2015: RM266,977,000) of the Group and amounts due from subsidiaries and other related companies of RM20,000 (2015: RM133,719,000) of the Company are neither past due nor impaired as they have yet to exceed the credit period.

The credit quality of related companies that are neither past due nor impaired can be assessed to historical information about counterparty default rates:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Amounts due from a significant shareholder</u>				
Group 2	73,529	58,747	20	-
<u>Amounts due from subsidiaries</u>				
Group 2	-	-	-	133,551
<u>Amounts due from joint ventures</u>				
Group 2	516,629	189,252	-	-
<u>Amounts due from an associate</u>				
Group 2	214	85	-	-
<u>Amounts due from other related companies</u>				
Group 2	22,985	18,893	-	168
Total unimpaired amounts from related parties	613,357	266,977	20	133,719

Group 1 - new related parties (less than 6 months).

Group 2 - existing related parties (more than 6 months) with no defaults in the past.

Group 3 - existing related parties (more than 6 months) with some defaults in the past. All defaults were fully recovered.

The fair values of the amounts due from a significant shareholder, subsidiaries, joint ventures, an associate and other related companies equal their respective carrying values, as the impact of discounting is not significant.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 28 BIOLOGICAL ASSETS

Group

Net book value

	Oil palm and rubber estate plantation RM'000	Forest RM'000	Livestock RM'000	Total RM'000
<u>2016</u>				
At 1 January, as previously stated	2,819,302	28,579	533	2,848,414
Effects of change in accounting policy (Note 58)	(2,819,302)	-	-	(2,819,302)
At 1 January, as restated	-	28,579	533	29,112
Additions	-	128	-	128
Amortisation	-	-	(128)	(128)
Write offs	-	-	(68)	(68)
At 31 December	-	28,707	337	29,044
<u>2015</u>				
At 1 January, as previously stated	2,762,782	28,455	732	2,791,969
Effects of change in accounting policy (Note 58)	(2,762,782)	-	-	(2,762,782)
At 1 January, as restated	-	28,455	732	29,187
Additions	-	124	-	124
Amortisation	-	-	(150)	(150)
Write offs	-	-	(49)	(49)
At 31 December	-	28,579	533	29,112

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 29 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	2016 RM'000	2015 RM'000
At 1 January	314,861	243,685
Additions	5,611	69,613
Disposals	-	(19,129)
Liquidation of a subsidiary	(1,613)	-
Fair value changes transferred to available-for-sale reserve	(4,618)	20,692
<b>At 31 December</b>	<b>314,241</b>	<b>314,861</b>

Available-for-sale financial assets comprise the following:

Quoted equity securities:

- In Malaysia	66,699	63,510
Unquoted equity securities:		
- In Malaysia	247,542	251,351

Available-for-sale financial assets are denominated in the following currencies:

- Ringgit Malaysia	314,241	314,861
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The fair values of unquoted securities are based on the average of price-to-book or price earnings ratio of similar equities in the market and is a Level 3 fair value computation.

## 30 INVENTORIES

Group

	2016 RM'000	2015 RM'000
- Finished goods	886,277	924,044
- Raw materials	1,134,768	875,008
- Work in progress	55,058	40,385
- Chemicals	51,852	96,008
- Stores, consumables and replaceable products	61,300	62,090
- Raw sugar in transit	-	80,837
	<b>2,189,255</b>	<b>2,078,372</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 31 LOANS DUE FROM SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Loans due from subsidiaries	206,013	1,062
The loans are denominated as follows:		
- Ringgit Malaysia	204,951	-
- Great Britain Pound	1,062	1,062
	206,013	1,062

Financing terms of short term loans due from subsidiaries are between 30 to 180 days (2015: 30 to 90 days) with interest ranging from 0.80% to 4.73% per annum (2015: 1.50%).

### Past due but not impaired

The short term loans due from subsidiaries as at 31 December 2016 are neither past due nor impaired as they are yet to exceed the credit period.

### Impaired and provided for

As at 31 December 2016, there were no short term loans due from subsidiaries impaired and provided for (2015: Nil).

The credit quality of the short term loans due from subsidiaries that are neither past due nor impaired can be assessed to historical information about counterparty default rates:

	Company	
	2016 RM'000	2015 RM'000
Group 2	206,013	1,062

Group 1 - new customers (less than 6 months).

Group 2 - existing customers (more than 6 months) with no defaults in the past.

Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

The fair value of the short term loans due from subsidiaries equals their carrying value, as the impact of discounting is not significant.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 32 LOAN DUE FROM A JOINT VENTURE

	Group	
	2016 RM'000	2015 RM'000
At 1 January	-	-
Addition	54,222	-
At 31 December	54,222	-

Loan due from a joint venture is unsecured, denominated in Ringgit Malaysia, financing term of 180 days with interest rate of 4.73%.

The fair value of the loan due from a joint venture equals their carrying value, as the impact of discounting is not significant.

## 33 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

### Group

	2016 RM'000	2015 RM'000
At 1 January	65,905	21,431
Acquisition of a subsidiary (Note 22(c)(i))	-	2,827
Liquidation of a subsidiary	(239)	-
Additions - (net)	601	42,029
Write offs	(6,433)	-
Fair value losses charged to profit or loss (Note 9)	(1,106)	(886)
Currency translation differences	(406)	504
As at 31 December	58,322	65,905

### Quoted investments:

In Malaysia	3,460	3,595
Outside Malaysia	54,862	62,310
	58,322	65,905

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 33 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial instruments at fair value through profit or loss are denominated in the following currencies:

	2016 RM'000	2015 RM'000
- Ringgit Malaysia	3,460	3,595
- Australian Dollar	1,866	2,948
- Pakistan Rupee	52,892	52,420
- Chinese Yuen Renminbi	104	6,942
	58,322	65,905

The fair value of all equity securities is based on their quoted bid prices in an active market.

## 34 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Group					
	2016			2015		
	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000
Foreign currency forward contracts	879,597	80	19,237	760,222	1,388	590
Oil palm futures contracts	379,114	5,409	197	365,901	-	1,268
	1,258,711	5,489	19,434	1,126,123	1,388	1,858

The Group classifies derivative financial instruments as financial assets/liabilities at fair value through profit or loss. None of the derivatives are designated as hedges as the Group did not apply hedge accounting during the financial year.

The notional amount of contracts outstanding are as follows:

	2016	2015
Foreign currency forward contracts	USD199,755,226	USD176,858,009
Palm oil futures contracts	123,475 MT	143,875 MT

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 35 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed deposits in:				
- Licensed banks	861,168	1,169,867	38,118	505,665
- Licensed financial institutions	450,658	735,926	36,367	618
	1,311,826	1,905,793	74,485	506,283
Cash and bank balances	542,228	597,242	4,712	1,389
Deposits, cash and bank balances	1,854,054	2,503,035	79,197	507,672
Less: Restricted cash	-	(494,496)	-	(494,496)
Cash and cash equivalents	1,854,054	2,008,539	79,197	13,176

Restricted cash of RM494,496,000 as at 31 December 2015 was in relation to cash pledged in order to obtain certain bank facilities.

The credit rating profiles of banks in which the fixed deposits have been placed are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
- AAA	948,075	1,487,600	58,649	506,054
- AA-	1,000	1,000	-	-
- AA2	268,318	367,480	15,836	174
- AA3	879	1,580	-	-
- A2	49,178	45,023	-	55
- Others*	44,376	3,110	-	
	1,311,826	1,905,793	74,485	506,283

\* Others comprises of funds which are invested in Government approved financial institutions regulated by the Bank Negara of Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 35 DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

The fixed deposits, cash and bank balances are denominated as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	1,624,564	1,801,529	41,583	1,977
United States Dollar	171,302	125,271	-	-
Canadian Dollar	37,585	518,759	37,585	505,665
Indonesian Rupiah	9,073	48,125	-	-
Great Britain Pound	91	4,716	29	30
Pakistan Rupees	3,642	260	-	-
Others	7,797	4,375	-	-
	1,854,054	2,503,035	79,197	507,672

The weighted average finance rates (per annum) of fixed deposits and bank balances that were effective at the financial year end were as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
- Licensed banks	3.01	3.40	0.25	0.45
- Licensed financial institutions	3.35	3.86	3.42	3.43

Fixed deposits as at 31 December 2016 for the Group and the Company have average maturity periods of 90 days (2015: 90 days) and 30 days (2015: 90 days) respectively. Cash and bank balances are deposits held at call with banks.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 36 ASSETS HELD FOR SALE

The details of assets held for sale are as follows:

	<b>Group</b>	
	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
<u>Assets</u>		
Property, plant and equipment	21,936	16,420
Intangible assets	22,772	-
Receivables	1,393	-
Deposits, cash and bank balances	2,031	-
Assets held for sale	48,132	16,420
<u>Liabilities</u>		
Payables	1,076	-
Deferred tax liabilities	4,521	-
Liabilities related to assets held for sale	5,597	-

During the financial year, assets held for sale with carrying value of RM4,121,000 had been disposed off for a total consideration of RM5,535,000, resulting in a gain on disposal of RM1,414,000.

During the financial year, the Board of the Company had approved a proposed divestment of the 70% equity interest in FGV Cambridge Nanosystems Limited ("FGV CNS"), an indirect subsidiary of the Company (Note 59(f)) which is expected to be completed in 2017.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 37 SHARE CAPITAL

	Group and Company	
	2016 RM'000	2015 RM'000
Authorised share capital:		
(a) Ordinary shares of RM1 per share		
At 1 January/31 December	4,000,000	4,000,000
(b) Special shares of RM1 per share		
At 1 January/31 December	*	*
Total as at 31 December	4,000,000	4,000,000
Issued and fully paid share capital:		
(a) Ordinary shares of RM1 per share		
At 1 January/31 December	3,648,152	3,648,152
(b) Special share of RM1 per share		
At 1 January/31 December	*	*

\* RM1

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

The special share held by the Minister of Finance (Incorporated) has the following characteristics:

- (a) The Special Share may be held only by or transferred only to the Minister of Finance (Incorporated) or its successor or any Minister, representative or any person authorised by the Government of Malaysia to act on its behalf.
- (b) The Special Shareholder shall have the right from time to time to appoint any existing Director to be a Government Appointed Director so that there shall not be more than three (3) Government Appointed Director at any one time and such Government Appointed Directors shall hold the position of the Chairman of the Board of Directors, Managing Director/Chief Executive Officer and one (1) Director.
- (c) The Special Shareholder or any person acting on behalf of the Special Shareholder shall be entitled to receive notice of and to attend and speak at all general meetings or any other meeting of any class or shareholders of the Company, but the Special Share shall carry no right to vote nor any other rights at any such meeting.
- (d) The Special Shareholder may, subject to the provisions of the Acts, require the Company to redeem the Special Share at par at any time by serving written notice upon the Company and delivering the relevant share certificate.
- (e) In a distribution of capital in a winding up of the Company, the Special Shareholder shall be entitled to repayment of the capital paid up on the Special Share in priority to any repayment of capital to any other Member. The Special Share shall confer no other right to participate in the capital or profits of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 38 SHARE PREMIUM

Share premium is recognised in conjunction with the listing of the Company's shares on Main Market of Bursa Malaysia Securities Berhad. Share premium is not available for distribution as cash dividends.

## 39 TREASURY SHARES

During the financial year, the Company purchased 859,800 of its issued ordinary shares of RM1.00 each listed on the Main Market of Bursa Malaysia Securities Berhad from the open market at an average price of approximately RM1.74 per share. The total consideration paid was RM1,059,000 including transaction costs of RM1,690. The purchase transactions were financed by internally generated funds. The shares purchased are retained as treasury shares. None of the treasury shares held were resold or cancelled during the financial year. The treasury shares have no rights to voting, dividends or participation in other distribution.

## 40 FOREIGN EXCHANGE RESERVE

The foreign exchange reserve is used to record exchange difference arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It also represents the share of foreign exchange differences in the cumulative net investment of foreign associates and joint ventures.

## 41 REORGANISATION RESERVE

The reorganisation reserve represents the difference between the fair value of the purchase consideration and carrying value of the net assets acquired arising from the acquisition of plantation estates.

## 42 OTHER RESERVES

	<b>Group</b>		<b>Company</b>	
	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
Available-for-sale reserves	4,267	8,885	-	-
Capital redemption reserves	10,052	10,052	10,052	10,052
	14,319	18,937	10,052	10,052

Available-for-sale reserves include the Group's share of available-for-sale reserves of joint ventures and associates.

Capital redemption reserves relates to reserve created upon redemption of RCPS/RCCPS as required by Companies Act, 1965.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 43 RETAINED EARNINGS

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

## 44 BORROWINGS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Current</u>				
Secured:				
Islamic short term trade financing	-	258,750	-	-
Short term trade financing	41,694	161,276	-	-
Term loans	558	23,677	-	-
Finance lease liabilities	1,186	2,224	-	-
Unsecured:				
Islamic short term trade financing	3,646,623	2,335,271	540,900	-
Short term trade financing	-	360,007	-	-
Islamic term loans	1,665	1,665	-	-
Finance lease liabilities	414	-	-	-
	3,692,140	3,142,870	540,900	-
<u>Non-current</u>				
Secured:				
Islamic term loans	189,867	-	-	-
Term loans	468	394,973	-	-
Finance lease liabilities	823	919	-	-
Unsecured:				
Islamic term loans	7,834	11,657	-	-
	198,992	407,549	-	-
<u>Total borrowings</u>				
Islamic short term trade financing	3,646,623	2,594,021	540,900	-
Short term trade financing	41,694	521,283	-	-
Islamic term loans	199,366	13,322	-	-
Term loans	1,026	418,650	-	-
Finance lease liabilities	2,423	3,143	-	-
	3,891,132	3,550,419	540,900	-
Less: Repayable after more than one year	(198,992)	(407,549)	-	-
	3,692,140	3,142,870	540,900	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 44 BORROWINGS (CONTINUED)

The maturity profile of borrowings are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Less than 1 year	3,692,140	3,142,870	540,900	-
Between 1 and 5 years	198,992	139,437	-	-
More than 5 years	-	268,112	-	-
	3,891,132	3,550,419	540,900	-

The borrowings are denominated as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
- Ringgit Malaysia	2,920,571	2,557,503	540,900	-
- United States Dollar	904,213	917,761	-	-
- Thai Baht	9,006	11,261	-	-
- Great Britain Pound	54,253	60,795	-	-
- Singapore Dollar	3,089	3,099	-	-
	3,891,132	3,550,419	540,900	-

Effective finance rates for borrowings are as follows:

	Group		Company	
	Finance rate	Effective finance rate at date of statement of financial position per annum %	Finance rate	Effective finance rate at date of statement of financial position per annum %
<u>2016</u>				
Islamic short term trade financing	Fixed/Floating	0.6 - 4.20	Floating	3.96 – 4.20
Short term trade financing	Fixed	3.09 - 4.23	-	-
Islamic term loans	Fixed	3.09 - 4.23	-	-
Term loans	Floating	3.79 - 4.37	-	-
Finance lease liabilities	Fixed	4.05 - 5.41	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 44 BORROWINGS (CONTINUED)

Effective finance rates for borrowings are as follows: (continued)

	Group		Company	
	Finance rate	Effective finance rate at date of statement of financial position per annum %	Finance rate	Effective finance rate at date of statement of financial position per annum %
<u>2015</u>				
Islamic short term trade financing	Fixed	2.19 - 2.82	-	-
Short term trade financing	Fixed	5.60 - 5.61	-	-
Islamic term loans	Fixed	6.00	-	-
Term loans	Floating	6.19 - 6.81	-	-
Finance lease liabilities	Fixed	4.68 - 7.21	-	-

The secured term loans consists of the followings:

- (i) RM Nil (2015: RM253,049,000) Medium Term Notes (MTN) secured over leasehold land, fixed and floating charges over certain assets of the Group and a corporate guarantee provided by a subsidiary.
- (ii) RM1,026,000 (2015: RM165,601,000) term loans repayable over periods ranging between six to seven years commencing from 2015 to 2017 up to 2019 to 2022 and is secured over certain leasehold lands of the Group.
- (iii) RM189,867,000 (2015: RM nil) Islamic term loan is secured against a leasehold land, debenture and certain bank balances of the Group.

The secured short term trade financing consists of the followings:

- (i) RM Nil (2015: RM258,750,000) Islamic short term trade financing secured over fixed deposits.
- (ii) RM41,694,000 (2015: RM161,276,000) short term trade financing is secured over certain property, plant and equipment, benefits of an insurance covering finished goods, and guaranteed by some of the directors and/or shareholders of certain subsidiary companies.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 44 BORROWINGS (CONTINUED)

The carrying amounts and fair value of the total borrowings are as follows:

	Group			
	Carrying amount		Fair value	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Islamic short term trade financing	3,646,623	2,594,021	3,646,623	2,594,021
Short term trade financing	41,694	521,283	41,694	521,283
Islamic term loans	199,366	13,322	199,366	13,322
Term loans	1,026	418,650	1,026	400,533
Finance lease liabilities	2,423	3,143	2,423	3,143
<b>Total</b>	<b>3,891,132</b>	<b>3,550,419</b>	<b>3,891,132</b>	<b>3,532,302</b>

	Company			
	Carrying amount		Fair value	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Islamic short term trade financing	540,900	-	540,900	-

## 45 LOANS DUE TO A SIGNIFICANT SHAREHOLDER

	Group and Company	
	2016 RM'000	2015 RM'000
Unsecured:		
- Non-current	1,475,799	1,684,702
- Current	213,206	208,588
	<b>1,689,005</b>	<b>1,893,290</b>

No early settlement of loans due to a significant shareholder was made during the financial year (2015: early settlement of RM100,000,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 45 LOANS DUE TO A SIGNIFICANT SHAREHOLDER (CONTINUED)

The loans are denominated as follows:

	Group and Company	
	2016 RM'000	2015 RM'000
- Ringgit Malaysia	1,689,005	1,893,290

Effective finance rate for the loans is as follows:

	Group and Company			
	2016		2015	
	Finance rate	Effective finance rate at date of statement of financial position per annum %	Finance rate	Effective finance rate at date of statement of financial position per annum %
Loans due to a significant shareholder	Fixed	4.911	Fixed	4.911

The carrying amount and fair value of the loans due to a significant shareholder are as follows:

	Group and Company			
	Carrying amount		Fair value	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans due to a significant shareholder	1,689,005	1,893,290	1,702,544	1,916,044

The fair value of loans due to a significant shareholder is based on cash flows discounted using a rate based on the borrowing rate of 4.66% (2015: 4.60%). The fair value of the loans due to a significant shareholder is a Level 2 computation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 46 LOANS DUE TO SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Unsecured:		
- Non-current	252,109	786,680
- Current	48,896	46,449
	301,005	833,129
The loans are denominated as follows:		
- Ringgit Malaysia	272,110	312,500
- Canadian Dollar	28,895	520,629
	301,005	833,129

Effective finance rate for the loans is as follows:

	Company			
	2016		2015	
	Finance rate	Effective finance rate at date of statement of financial position per annum %	Finance rate	Effective finance rate at date of statement of financial position per annum %
Loans due to subsidiaries	Fixed/Floating	2.23 – 5.40	Fixed/Floating	2.23 – 5.40

The carrying amount and fair value of the loans due to subsidiaries are as follows:

	Company			
	Carrying amount		Fair value	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans due to subsidiaries	301,005	833,129	297,868	832,743

The fair value of loans due to subsidiaries is based on cash flows discounted using a rate based on the borrowing rate of 3.84% (2015: 3.63%). The fair value of the loans due to subsidiaries is a Level 2 computation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 47 LAND LEASE AGREEMENT ("LLA") LIABILITY

The land lease agreement liability is calculated based on the terms set out in the various agreements as follows:

### (i) Land Lease Agreement ("LLA")

The Company entered into an agreement with FELDA on 1 November 2011 to lease for a period of 99 years; (i) land with individual land titles issued to FELDA as the registered owner; (ii) existing land granted to FELDA for development but where individual land titles have not been issued to FELDA; and (iii) other land to be alienated or to be acquired by FELDA in the future.

FELDA may terminate lease on certain land as follows:

- (a) Land with minerals, as the rights for minerals are excluded from the lease;
- (b) Acquisition or intended acquisition under the Land Acquisition Act, 1960 ("LAA"), notice of reclamation by the relevant authority or such other notice of a similar nature issued pursuant to any legislation of Malaysia.

In the event of termination, FELDA will provide a notice period ranging from 10 days – 18 months, depending on the size of the land and circumstances of the reclamation.

Upon reclamation, compensation will be receivable from FELDA by the Group for the loss of expected future profits in respect of the land, calculated based on the average profit per hectare and the age profile of the applicable biological assets given up.

For land reclaimed by FELDA on behalf of third parties under Tenancy Agreement dated on 21 January 2012, no compensation will be receivable by the Company.

### (ii) LLA Addendum

On 2 January 2012, the Company entered into an addendum to LLA ("LLA Addendum") to acquire certain assets and liabilities other than biological assets of the plantation estates owned by FELDA for a purchase consideration equivalent to the carrying values of the assets and liabilities acquired as at 31 December 2011 amounting to RM54,690,000, removing the requirement for consents from State Authority prior to commencement of LLA and amending the definition of categories of assets requiring to be maintained by the Company. As a result, the LLA commenced on 1 January 2012.

### (iii) Novation Agreement

On 6 January 2012, as part of its restructuring process, FELDA, the Company and Felda Global Ventures Plantations (Malaysia) Sdn. Bhd. ("FGVPM"), a subsidiary of the Company had entered into a novation agreement whereby all benefits, rights, title, interest, obligations, undertakings, covenants and liabilities of the Company under the LLA and LLA Addendum shall be transferred by the Company to FGVPM from 1 January 2012 and FELDA has consented to the transfer of all of the Company's benefits, rights, title, interest, obligations, undertakings, covenants and liabilities to FGVPM subject to the terms and conditions of the novation agreement.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 47 LAND LEASE AGREEMENT ("LLA") LIABILITY (CONTINUED)

The land lease agreement is calculated based on the terms set out in the various agreements as follows: (continued)

### (iv) Tenancy Agreements

On 6 January 2012, FELDA and FGVP entered into a tenancy agreement in respect of the LLA of which this tenancy shall be for an initial period of three years and upon expiry of the three year period, FGVP shall have the option to renew the tenancy for further terms of three years each up to a total duration of 99 years unless terminated in accordance with the provisions of the LLA. The option to renew shall be exercisable by written notice, or by conduct of the parties allowing continued enjoyment of rights of the Land by FGVP under the agreement. In the event that the Approvals for any part of the Land are obtained from time to time or individual land titles are issued by the state authorities for any part of the Additional Existing Land and the Approvals are obtained, the parties will proceed to register the lease in accordance with the LLA, and thereafter the Approved Land shall be excluded from this agreement and the tenancy therein and shall fall under the lease in the LLA.

On 21 January 2012, FELDA and FGVP entered into a tenancy agreement in respect of certain plantation land which are vested in FELDA. This tenancy shall commence on 1 January 2012 and shall be for an initial period of three years. Upon expiry of the initial tenancy agreement's three years term, FGVP shall have the option to renew the tenancy for further terms of three years each up to a total duration of 99 years unless terminated in accordance with the provisions of the LLA and at an agreed consideration which reflects the Lease Consideration in accordance with the LLA. In the event FELDA loses rights to these land, no compensation is payable to FGVP.

### (v) Management Agreement

On 21 May 2012, the Tenancy Agreement dated 6 January 2012 was supplemented by an addendum, whereby both FELDA and FGVP acknowledged that as at 1 January 2012, FGVP has yet to be deemed or recognised as native in respect of the lands in Sarawak to the Land Code of Sarawak. Both FELDA and FGVP agree to exclude all the Sarawak Land from the Tenancy Agreement and the LLA. Both FELDA and FGVP agree that no lease consideration shall be deemed payable in respect of these Sarawak Land for the tenancy for the period commencing from 1 January 2012 until FGVP has duly obtained the status of native, all Approvals have been obtained and upon registration of the lease in accordance with the Land Code of Sarawak. Upon fulfilment of the aforementioned conditions, the Sarawak Lands will be included as part of the Remaining Existing Lands and the terms of the Land Lease Agreement shall be applicable in respect thereof and the accounting application shall remain the same as per LLA.

In the event the land or any part thereof at any time become affected by any notice by acquisition under Land Acquisition Act, 1960, the lessor may not be compensated for the termination costs.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 47 LAND LEASE AGREEMENT ("LLA") LIABILITY (CONTINUED)

### (vi) Clarification Letter

On 17 July 2015, FELDA and FGVPM agreed upon the clarification of several terms within the LLA and its ancillary agreements, as follows:

- Maintenance costs of utilities on the lands managed by FELDA in Sahabat shall be charged to FGVPM;
- The refund of the security deposit paid by the company in respect of the LLA (Note 26) shall be by way of set-off towards any payment of the lease amount prior to expiry or sooner determination of the LLA; and
- The agreed formula to compute the Implied Revenue with respect to calculating the average fresh fruit bunches ("FFB") price used by FGVPM in the preparation of the statement of plantation operating profit is now clarified via a detailed formula and accompanying assumptions.

The leased land consists of planted oil palm and rubber areas. Based on the agreed leased area, the annual fixed lease amount payable is estimated to be RM264,227,000 (2015: RM248,370,000) per annum together with 15% (2015: 15%) of yearly plantation operating profit attributable to the land.

	2016 RM'000	2015 RM'000
Non-current	4,125,032	4,312,277
Current	282,532	314,918
	<b>4,407,564</b>	<b>4,627,195</b>
Movement in LLA liability is as follows:		
At 1 January	4,627,195	4,680,829
Fair value changes charged to profit or loss (Note 9)	68,275	224,861
Repayment during the financial year	(287,906)	(278,495)
At 31 December	<b>4,407,564</b>	<b>4,627,195</b>

Fair value of the LLA liability has been measured using a discounted cash flow calculation using cash flow projections based on financial budgets approved by the Directors covering 95 years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 47 LAND LEASE AGREEMENT ("LLA") LIABILITY (CONTINUED)

During the financial year, the cash flow projections model for the valuation of the LLA liability have been updated, taking into consideration factors including the long term growth trend to reflect impact of replanting periods on yield and production, decisions made by management to withdraw from converting palm to rubber for certain areas, changes in replanting hectarage and changes in region concentration mixture according to the updated approved business plans of the Group. The change in estimates had resulted in a reversal of LLA liability of RM335,300,000 during the financial year. The key assumptions used to compute the fair value of the LLA liability are as follows:

(i) Implied discount rate	9.47% (2015: 9.47%) based on discount rates applied by relevant comparable companies
(ii) CPO price	RM2,450/MT to RM2,700/MT (2015: RM2,170/MT to RM2,630/MT)
(iii) FFB price	RM470/MT to RM570/MT (2015: RM450/MT to RM550/MT)
(iv) Average FFB Yield	16.9 MT/ha to 27.1 MT/ha (2015: 19.2 MT/ha to 27.3 MT/ha)
(v) Estate replanting fixed cost	<ul style="list-style-type: none"> <li>Matured – RM2,580 (2015: RM2,580) per hectare based on a 25 year cycle for oil palm</li> <li>Immature – RM6,436 (2015: RM6,436) per hectare based on a 25 year cycle for oil palm</li> </ul>
(vi) Lease term	Extension of lease term to 99 years (2015: 99 years) will be obtained for all land in the plantation estates

The sensitivity of the LLA liability to changes in key assumptions is as follows:

Key assumptions	Change in assumption	Impact on LLA liability
(i) Implied discount rate	Increase by 0.5%	Decrease by RM239.4 million
	Decrease by 0.5%	Increase by RM149.5 million
(ii) CPO price	Increase by RM100 per metric tonne Decrease by RM100 per metric tonne	Increase by RM149.4 million Decrease by RM154.1 million
(iii) Improvement/reduction in FFB yield	Increase/decrease by 1%	Increase/decrease by RM38.3 million
(iv) Change of total planted hectarage under LLA	Increase/decrease by 1,000 ha	Increase/decrease by RM7.4 million
(v) Estate planting costs (matured)	Increase/decrease by RM100 per ha	Increase/decrease by RM48.1 million
(vi) PK price	Increase by RM100 per metric tonne	Increase/decrease by RM38.7 million

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 48 PROVISION FOR ASSET RETIREMENT

	Group	
	2016 RM'000	2015 RM'000
At 1 January	32,916	30,697
Unwinding of discount	623	457
Payment made during the financial year	(62)	(72)
(Reversal of provision)/provision during the financial year	(1,000)	500
Currency translation differences	370	1,334
At 31 December	32,847	32,916
Less: payable within 12 months	(718)	(687)
Non-current	32,129	32,229

Provision for asset retirement relates to the Group's fatty acids manufacturing facility in USA and mills in Malaysia. The asset retirement obligation was based on detailed estimates, adjusted for inflation, escalated to the estimated spending dates, and then discounted using an average credit adjusted risk-free interest rate of which represents management's best estimate of the liability. Actual costs to be incurred in future periods may vary from estimates, given the inherent uncertainties in evaluating certain exposures subject to the imprecision in estimating the asset retirement obligation.

## 49 PROVISION FOR DEFINED BENEFIT PLAN

The Group operates defined benefit retirement plans in Malaysia, Thailand and Indonesia for all eligible employees. All of the plans are lump sum payments depend on members' length of service and their salary in the final years leading up to retirement. As the retirement benefit plans are unfunded, the Group meets the defined benefit payment obligations as it falls due.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current				
- Retirement benefit scheme	50,325	25,776	1,516	560
- Housing assistance scheme	17,569	16,899	-	-
- Long service award	4,013	3,359	67	61
	71,907	46,034	1,583	621

The retirement benefit scheme is a final salary defined benefit plan with a guaranteed lump sum payment at retirement, which remains open to new entrants. The housing assistance scheme is a final salary defined benefit plan with a guaranteed lump sum payment at retirement or at an earlier exit through ill-health retirement or death-in-service in Malaysia, which remains open to new entrants. The long service award is for eligible employees that have served the Group for 20 years in Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 49 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

The Group follows the Malaysian Minimum Retirement Age Act 2012 whereby the benefit shall be paid at age of 60 for retirement scheme in Malaysia. However, the normal retirement age for the housing assistance scheme will remain at age 56 which will be payable at attainment of 56 years old, regardless of whether employees continue employment until the minimum retirement age of 60 years old. There will be no benefits payable for service earned from age 55 to 60.

The defined benefit plan for Indonesian subsidiary is described under Indonesian Labour Law No. 13/2003 and the Thailand subsidiary is under the Legal Severance Plan where the companies are required to pay legal severance payments to employees who leave employment at their retirement age, or are terminated by the companies without reason.

The movements during the financial year in the amounts recognised in the statement of financial position of the Group and Company are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Present value of unfunded obligation:				
At 1 January	46,034	39,720	621	540
Charge to profit or loss	18,115	7,850	648	81
Benefits paid	(2,002)	(1,836)	(30)	-
Re-measurement	9,788	327	344	-
Currency translation difference	(28)	(27)	-	-
At 31 December	71,907	46,034	1,583	621

The remeasurement amounts recognised in the other comprehensive income are determined as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Re-measurement:				
- Changes in financial assumptions	656	327	25	-
- Experience adjustments	9,132	-	319	-
	9,788	327	344	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 49 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

The amounts recognised in profit or loss are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current service cost	4,867	3,282	86	51
Finance cost	2,378	2,245	33	30
Past service cost	10,870	2,323	529	-
Expense recognised in profit or loss	18,115	7,850	648	81

The defined benefit obligations for the Group by country are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Present value of obligation:				
- Malaysia	68,165	44,776	1,583	621
- Indonesia	2,829	934	-	-
- Thailand	913	324	-	-
	71,907	46,034	1,583	621

The principal actuarial assumptions used in respect of the Group's and the Company's unfunded defined retirement benefits are as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Discount rate	5.40	5.50	5.40	5.50
Expected rate of salary increase	5.00	5.00	5.00	5.00

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 49 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

The sensitivity of the defined benefit obligation of the Group to changes in the weighted principal assumption is:

	Change in assumption	Impact on defined benefit obligation RM'000
i) Discount rate		
	Increase 1%	Decrease by RM5,373
	Decrease 1%	Increase by RM4,577
ii) Salary growth rate		
	Increase 1%	Increase by RM2,414
	Decrease 1%	Decrease by RM2,783

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the benefit liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous financial year.

The weighted average duration of the defined benefit obligation is 15 to 28 (2015: 16 to 29) years.

Expected maturity analysis of undiscounted defined benefit obligation:

	Less than a year RM'000	Between 1 – 2 years RM'000	Between 2 – 5 years RM'000	Over 5 years RM'000	Total RM'000
Provision for defined benefit plan					
At 31 December 2016	2,679	7,447	25,831	178,679	214,636
At 31 December 2015	1,778	4,277	9,905	148,394	164,354

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 50 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group			Company	
	31.12.2016 RM'000 (Restated)	31.12.2015 RM'000 (Restated)	1.1.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Subject to income tax					
- Deferred tax assets	779,421	843,891	824,026	-	24,873
- Deferred tax liabilities	(832,908)	(724,619)	(723,398)	-	-

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group			Company	
	31.12.2016 RM'000 (Restated)	31.12.2015 RM'000 (Restated)	1.1.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Deferred tax assets:					
- Deferred tax assets to be recovered after more than 12 months	761,369	741,621	673,496	-	22,535
- Deferred tax assets to be recovered within 12 months	18,052	102,270	150,530	-	2,338
	779,421	843,891	824,026	-	24,873
Deferred tax liabilities:					
- Deferred tax liabilities to be recovered after more than 12 months	(847,837)	(693,332)	(588,898)	-	-
- Deferred tax liabilities to be recovered within 12 months	14,929	(31,287)	(134,500)	-	-
	(832,908)	(724,619)	(723,398)	-	-
Deferred tax (liabilities)/assets (net)	(53,487)	119,272	100,628	-	24,873

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 50 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	31.12.2016 RM'000 (Restated)	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
At 1 January, as previously stated	557,570	531,188	24,873	24,873
Effects of change in accounting (Note 2(i))	(438,298)	(430,560)	-	-
At 1 January, as restated	119,272	100,628	24,873	24,873
Acquisition of subsidiaries	(107,090)	(10,304)	-	-
Transfer to liability held for sale	4,521	-	-	-
Disposal of subsidiary	-	(18,721)	-	-
Credited/(Charged) to profit or loss (Note 14):				
- intangible assets	1,461	8,997	725	448
- investment properties	2,054	2,630	-	491
- property, plant and equipment	(56,930)	(20,363)	1,027	(392)
- biological assets	-	6,450	-	-
- inventories	3,807	4,472	-	-
- receivables	(3,963)	3,911	-	-
- payables	8,039	(14,099)	(2,579)	(627)
- unused tax losses	16,240	66,965	(24,046)	80
- LLA liability	(52,711)	(13,408)	-	-
- others	6,448	(5,736)	-	-
	(75,555)	39,819	(24,873)	-
Currency translation differences	5,365	7,850	-	-
At 31 December	(53,487)	119,272	-	24,873
Deferred tax assets				
- receivables	10,416	10,416	-	-
- property, plant and equipment	7,138	5,498	4,781	-
- intangible assets	8,625	7,114	1,393	-
- investment properties	6,645	4,591	-	-
- inventories	20,837	12,880	-	-
- LLA liability	1,065,457	1,118,168	-	-
- payables	80,726	68,166	-	2,579
- unused tax losses	219,088	202,848	-	24,046
- others	24,994	21,578	-	-
Amount before offsetting	1,443,926	1,451,259	6,174	26,625
Offsetting	(664,505)	(607,368)	(6,174)	(1,752)
	779,421	843,891	-	24,873

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 50 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Deferred tax liabilities				
- intangible assets	(28,968)	(28,918)	(1,393)	(725)
- property, plant and equipment	(1,421,949)	(1,256,289)	(4,781)	(1,027)
- prepaid lease payments	(2,306)	(2,306)	-	-
- biological assets	(35,167)	(35,167)	-	-
- receivables	(5,128)	(1,165)	-	-
- inventories	(3,666)	484	-	-
- others	(229)	(8,626)	-	-
Amount before offsetting	(1,497,413)	(1,331,987)	(6,174)	(1,752)
Offsetting	664,505	607,368	6,174	1,752
	(832,908)	(724,619)	-	-

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets are recognised in the statement of financial position by certain subsidiaries as the Directors are of the view it is not probable that sufficient taxable profits will be available to allow the deferred tax assets to be utilised is as follows:

	Group		Company	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Unused tax losses	230,155	46,572	77,146	25,179

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 51 PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables	574,290	426,454	-	-
Other payables and accruals	885,370	853,131	40,907	87,493
Amounts due to customers on contracts (Note 52)	580	2,063	-	-
	1,460,240	1,281,648	40,907	87,493

Included in the other payables is provision for Voluntary Early Retirement Scheme ("VERS") amounting to RM13,135,000 (2015: RM Nil) due to rationalisation plan that carried out by Group during the financial year.

The payables are denominated as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
- Ringgit Malaysia	919,469	989,030	40,815	62,109
- United States Dollar	511,364	220,914	-	3,508
- Canadian Dollar	-	6,222	-	-
- Indonesian Rupiah	16,000	20,884	-	-
- Chinese Yuen Renminbi	7,578	38,645	92	21,876
- Thai Baht	2,190	1,402	-	-
- Pakistan Rupee	3,571	2,890	-	-
- Great Britain Pound	-	1,661	-	-
- Others	68	-	-	-
	1,460,240	1,281,648	40,907	87,493

The credit terms of trade payables range up to 90 days (2015: up to 90 days).

The fair value of the payables equals their carrying value, as the impact of discounting is not significant.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 52 CONSTRUCTION CONTRACTS

	Group	
	2016 RM'000	2015 RM'000
Cost incurred to date	50,543	50,348
Attributable profits less foreseeable losses	7,478	8,969
	58,021	59,317
Less: Progress billings	(58,244)	(55,759)
	(223)	3,558
Amounts due from customers on contracts (Note 26)	357	5,621
Amounts due to customers on contracts (Note 51)	(580)	(2,063)
	(223)	3,558

## 53 LONG TERM INCENTIVE PLAN

The Company had established a long term incentive plan ("LTIP") in the form of employee share grant scheme which is governed by the By-Laws which was approved on 3 February 2016.

Pursuant to the LTIP, the Company shall award the grant of up to 10% of the issued and paid-up ordinary share capital of the Company (excluding treasury shares, if any) at any point of time during the duration of the LTIP, to the employees of the Company and its subsidiaries ("Group") and Executive Directors of the Company who fulfil the eligibility criteria as eligible employees and is administered by the LTIP Committee.

The LTIP comprises a restricted share ("RS") grant and a performance share ("PS") grant which shall be in force for a period of 10 years commencing from 3 February 2016, being the effective date of the implementation of the LTIP.

The details of the Grant are as follows:

### (a) RS Grant

The RS Grant is restricted share grant for the eligible employees selected on a basis designated by the LTIP Committee. The RS Grant will be awarded on a need basis to the selected employees to be vested over a period of up to 3 years and after fulfilment of individual performance targets and certain performance conditions as determined by the LTIP Committee from time to time at its absolute discretion in accordance with the terms and conditions of the LTIP.

### (b) PS Grant

The PS Grant is a performance share grant for senior management of the Group and Executive Directors of the Company as well as key employees of the Group selected on a basis designated by the LTIP Committee. PS Grant will be awarded annually to the selected employees to be vested at the end of the 3 year period and after fulfilment of certain performance targets and/or conditions at the time of grant and vesting.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 53 LONG TERM INCENTIVE PLAN (CONTINUED)

The salient features of the LTIP are as follows:

- (a) The maximum number of new shares which may be made available under the LTIP shall not be more than 10% of the issued and paid-up ordinary share capital of FGV (excluding treasury shares, if any) at any point in time during the duration of the LTIP;
- (b) The LTIP Committee shall decide from time to time at its absolute discretion to determine or vary the terms and conditions of the offer, such as eligibility criteria and allocation in each grant, the timing and frequency of the award of the grant, the performance target and/or performance conditions to be met prior to the offer and vesting of the grant and the vesting period;
- (c) The total number of new shares that may be offered under the LTIP at any time shall be at the absolute discretion of the LTIP Committee;
- (d) In the event the total numbers of new shares that made available under the LTIP exceeds the maximum shares as a result of purchasing, cancelling or reducing issued and paid-up ordinary share capital in accordance with the provisions of the Companies Act, 1965 and/or undertakes any other corporate proposal resulting in the reduction of the total number of issued and paid-up ordinary share capital, all grants awarded prior to the said variation of the issued and paid-up ordinary share capital shall remain valid and may vest in accordance with the provisions of the LTIP as if that purchase, cancellation or reduction had not occurred. However, no additional offer shall be made unless the total number of new shares which may be acquired by the trustee and thereafter transferred to the grantees under the LTIP in respect of such grants shall fall below the maximum shares allowed.
- (e) The LTIP shall take effect on the effective date of the implementation of the LTIP and shall be in force for a period of 10 years commencing from 3 February 2016, being the effective date of implementation of the LTIP; and
- (f) The new shares to be transferred pursuant to the LTIP upon vesting thereof, shall rank equally in all respects with the then existing issued shares and the grant holders shall not be entitled to any dividends, rights, allotments, entitlements and/or other distributions, for which the book closure date is prior to the date of issue of the shares.

During the financial year, 859,800 RS under the LTIP were granted to eligible employees of the Group. Subject to the terms and conditions of the By-Laws, the employees shall be awarded of ordinary shares of RM1.00 each in the Company, after meeting the vesting conditions as set out in the letter of offer for the shares under the LTIP. This RS grant has a three years vesting period and the first vesting date is on 31 March 2017.

Movement in the number of RS Grant under the LTIP is as follows:

Grant date	Number of shares grants over ordinary share of RM1.00 each					
	Outstanding as at 1.1.2016	Granted	Vested	Forfeited	Outstanding as at 31.12.2016	Exercisable as at 31.12.2016
1 July 2016	-	859,800	(45,300)	-	814,500	-

At the date of the report, 230,800 RS has vested pursuant to the first vesting date on 31 March 2017.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 54 FINANCIAL INSTRUMENTS

### Financial instruments by category

#### Group

	31 December 2016			
	Loans and receivables RM'000	Financial assets at fair value through profit and loss RM'000	Available-for-sale	Total RM'000
		RM'000	RM'000	
<u>Assets as per statement of financial position</u>				
Available-for-sale financial assets	-	-	314,241	314,241
Receivables	1,649,697	-	-	1,649,697
Amount due from a significant shareholder	182,531	-	-	182,531
Amounts due from joint ventures	545,343	-	-	545,343
Amount due from an associate	214	-	-	214
Amounts due from other related companies	172,625	-	-	172,625
Loan due from a joint venture	54,222	-	-	54,222
Financial assets at fair value through profit or loss	-	58,322	-	58,322
Derivative financial assets	-	5,489	-	5,489
Deposits, cash and bank balances	1,854,054	-	-	1,854,054
<b>Total</b>	<b>4,458,686</b>	<b>63,811</b>	<b>314,241</b>	<b>4,836,738</b>

	31 December 2016		
	Liabilities at fair value through profit or loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
	RM'000	RM'000	
<u>Liabilities as per statement of financial position</u>			
Amount due to a significant shareholder	-	399,190	399,190
Amount due to an associate	-	167	167
Amounts due to joint ventures	-	6	6
Amounts due to other related companies	-	11,433	11,433
Loans due to a significant shareholder	-	1,689,005	1,689,005
Borrowings	-	3,891,132	3,891,132
LLA liability	4,407,564	-	4,407,564
Derivative financial liabilities	19,434	-	19,434
Payables	-	1,460,240	1,460,240
<b>Total</b>	<b>4,426,998</b>	<b>7,451,173</b>	<b>11,878,171</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 54 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

Group

	31 December 2015			
	Loans and receivables RM'000	Financial assets at fair value through profit and loss RM'000	Available-for-sale RM'000	Total RM'000
<u>Assets as per statement of financial position</u>				
Available-for-sale financial assets	-	-	314,861	314,861
Receivables	2,090,058	-	-	2,090,058
Amount due from a significant shareholder	101,555	-	-	101,555
Amounts due from joint ventures	247,309	-	-	247,309
Amount due from an associate	85	-	-	85
Amounts due from other related companies	102,636	-	-	102,636
Financial assets at fair value through profit or loss	-	65,905	-	65,905
Derivative financial assets	-	1,388	-	1,388
Deposits, cash and bank balances	2,503,035	-	-	2,503,035
<b>Total</b>	<b>5,044,678</b>	<b>67,293</b>	<b>314,861</b>	<b>5,426,832</b>

	Liabilities at fair value through profit or loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
<u>Liabilities as per statement of financial position</u>			
Amount due to a significant shareholder	-	140,113	140,113
Amounts due to other related companies	-	98,524	98,524
Loans due to a significant shareholder	-	1,893,290	1,893,290
Borrowings	-	3,550,419	3,550,419
LLA liability	4,627,195	-	4,627,195
Derivative financial liabilities	1,858	-	1,858
Payables	-	1,281,648	1,281,648
<b>Total</b>	<b>4,629,053</b>	<b>6,963,994</b>	<b>11,593,047</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 54 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

Company

	<b>Loans and receivables</b>	
	<b>For the financial year ended 31 December</b>	
	<b>2016 RM'000</b>	<b>2015 RM'000</b>
<u>Assets as per statement of financial position</u>		
Receivables	21,936	10,914
Amount due from a significant shareholder	20	-
Amounts due from subsidiaries	609,851	186,233
Amounts due from other related companies	216	234
Loan due from a subsidiary	206,013	1,062
Deposits, cash and bank balances	79,197	507,672
<b>Total</b>	<b>917,233</b>	<b>706,115</b>
 <u>Liabilities as per statement of financial position</u>		
	<b>Other financial liabilities at amortised cost</b>	
	<b>For the financial year ended 31 December</b>	
	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Payables	40,907	87,493
Amount due to a significant shareholder	6,568	6,963
Amounts due to subsidiaries	18,302	23,390
Amounts due to other related companies	65	67
Loans due to a significant shareholder	1,689,005	1,893,290
Loans due to subsidiaries	301,005	833,129
Borrowings	540,900	-
<b>Total</b>	<b>2,596,752</b>	<b>2,844,332</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 55 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

Federal Land Development Authority ("FELDA"), a significant shareholder of the Company, effectively owns 33.7% (2015: 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 and the Company.

Apart from the individually significant transactions as disclosed in Notes 27, 45, 47, 55(a), 55 (b), 55(c) and 55(f) to the financial statements, the Group and the Company 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.

Significant related parties and relationships are summarised as follows:

- (i) Subsidiaries
  - Felda Global Ventures Plantations (Malaysia) Sdn. Bhd. ("FGVPM")
  - Felda Holdings Berhad ("FHB")
  - Felda Agricultural Services Sdn. Bhd. ("FASSB")
  - Felda Engineering Services Sdn. Bhd. ("FESSB")
  - Felda Kernel Products Sdn. Bhd. ("FKPSB")
  - Felda Marketing Services Sdn. Bhd. ("FELMA")
  - Felda Palm Industries Sdn. Bhd. ("FPISB")
  - Felda Prodata Systems Sdn. Bhd. ("Prodata")
  - Felda Rubber Industries Sdn. Bhd. ("FRISB")
  - Felda Security Services Sdn. Bhd. ("FSSSB")
  - FPM Sdn. Bhd. ("FPMSB")
  - Felda Travel Sdn. Bhd. ("Felda Travel")
  - Felda Bulkers Sdn. Bhd. ("FBSB")
  - Felda Global Ventures Capital Sdn. Bhd. ("FGVC")
  - FGV Trading Sdn. Bhd. ("FGV Trading")

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 55 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Significant related parties and relationships are summarised as follows: (continued)

- (ii) Joint ventures
  - Trurich Resources Sdn. Bhd. ("Trurich")
  - FPG Oleochemicals Sdn. Bhd. ("FPG")
  - Felda Iffco Sdn. Bhd. Group ("FISB Group")
  - MAPAK Edible Oil Pvt. Ltd. ("MAPAK")
- (iii) Associate
  - F.K.W Global Commodities (Private) Limited ("FKW")
- (iv) Other related companies
  - Yayasan Felda (Entity controlled by FELDA)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) Sales of goods, services and investments				
(i) <u>Transactions with subsidiaries</u>				
Dividend received from subsidiaries	-	-	254,002	549,492
Management fees charged to subsidiaries	-	-	97,010	121,780
(ii) <u>Transactions with joint ventures</u>				
Sales of CPO by FGVP to FISB Group	1,671,057	1,375,612	-	-
Sales of CPKO, RBDPKO and PFAD by FKPSB to FISB Group and FPG	1,487,618	976,336	-	-
Sales of ProcessedPalm Oil ("PPO") by FGV Trading to FISB Group	238,509	352,454	-	-
Sales of CPO by FGVP to MAPAK	311,442	221,212	-	-
Provision of storage space for vegetable oil by FBSB to FISB Group and FPG	14,685	15,665	-	-
Sales of PPO by FELMA to FISB Group	-	17,321	-	-
(iii) <u>Transactions with an associate</u>				
Sales of PPO by FGV Trading to FKW	38,520	35,160	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 55 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) Sales of goods, services and investments (continued)				
(iv) <u>Transactions with FELDA Group</u>				
Sales of fertilizer by FPMSB	232,894	339,203	-	-
IT services rendered by Prodata	28,349	42,781	-	-
Security services rendered by FSSSB	23,555	23,327	-	-
Sales of seedlings and planting materials by FASSB	15,672	19,084	-	-
Maintenance and consultancy services by FESSB	72,099	88,620	-	-
(b) Purchase of goods and services				
(i) <u>Transactions with subsidiaries</u>				
Management fees charged by by FHB and FGVC	-	-	-	2,811
Finance costs charged by by FGVC	-	-	16,921	6,615
Purchase of IT services from Prodata	-	-	17,759	10,729
Purchase of security services from FSSSB	-	-	1,226	1,410
Purchase of travel sevices from Felda Travel	-	-	4,843	9,848
(ii) <u>Transactions with a joint venture</u>				
Purchase of CPO by FELMA from FISB Group	-	16,395	-	-
Purchase of CPO by FGV Trading from FISB Group	-	85,319	-	-
(iii) <u>Transactions with FELDA Group</u>				
Finance expense charged	89,811	95,797	89,811	95,797
Building rental charged	33,490	29,468	12,995	7,881
Share of infrastructure cost in Sabah charged to FGVPM	14,637	17,722	-	-
LLA liability paid by FGVPM	287,906	278,495	-	-
Contribution to Yayasan FELDA	4,934	7,328	4,487	5,677
Purchase of latex by FRISB	90,150	84,822	-	-
Purchase of FFB by FPISB and FGVPM	2,990,673	2,734,046	-	-
Joint Consultative Committee payment by FPI and FGVPM to FELDA	10,073	12,315	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 55 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(c) Transactions with Government-related entities				
Transactions between subsidiaries and other government agencies				
Cooking oil subsidy received from Malaysia Palm Oil Board ("MPOB") and Kementerian Dalam Negeri	141,124	99,160	-	-
Cess payment to MPOB	60,395	45,464	-	-

### (d) Key management compensation

Key management personnel comprise of Directors and senior management with the rank of Vice President and above, having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

The aggregate amount of emoluments received/receivable by key management personnel of the Group and the Company during the financial year is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fees	2,937	3,674	1,731	1,801
Salaries and bonuses	21,150	26,709	19,933	25,318
Defined contribution and benefit plans	4,682	5,911	4,434	5,639
Other short-term employee benefits	7,200	8,693	4,022	4,898
	35,969	44,987	30,120	37,656

### (e) Loan due from subsidiaries

Terms and conditions of the loan are disclosed in Note 31 to the financial statements.

	Group	
	2016 RM'000	2015 RM'000
At 1 January	1,062	1,062
Addition	204,951	-
At 31 December	206,013	1,062

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 55 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Loan due from subsidiaries

Terms and conditions of the loan are disclosed in Note 32 to the financial statements.

	Group	
	2016 RM'000	2015 RM'000
At 1 January	-	-
Addition	54,222	-
At 31 December	54,222	-

(g) Loans due to a significant shareholder

Terms and conditions of the loan are disclosed in Note 45 to the financial statements.

	Group and Company	
	2016 RM'000	2015 RM'000
At 1 January	1,893,290	2,202,920
Repayment	(204,286)	(304,286)
Finance expense	89,812	95,797
Finance paid	(89,811)	(101,141)
At 31 December	1,689,005	1,893,290

(h) Loans due to subsidiaries

Terms and conditions of the loan are disclosed in Note 46 to the financial statements.

	Company	
	2016 RM'000	2015 RM'000
At 1 January	833,129	-
Repayment	(44,643)	-
Settlement through capital redemption	(526,000)	-
Addition	-	831,322
Finance expense	16,921	1,807
Finance paid	(14,475)	-
Forex	36,073	-
At 31 December	301,005	833,129

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 56 COMMITMENTS

### (a) Operating lease arrangements

#### (i) The Group as lessee:

The Group leases premises, railroads cars, storage tanks, meal storage facilities and certain equipments from various parties under operating lease arrangements.

None of the leases includes contingent rentals. There are no restrictions placed upon the Group by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	Group	
	2016 RM'000	2015 RM'000
Within 1 year	30,808	26,599
Between 1 and 2 years	15,717	19,628
Between 2 and 3 years	6,922	7,815
Between 3 and 4 years	4,848	5,549
Between 4 and 5 years	3,507	3,487
More than 5 years	12,379	9,431
	74,181	72,509

The lease payments recognised in profit or loss during the financial year amounted to RM22,115,000 (2015: RM19,248,000).

#### (ii) The Group as lessor:

Operating lease receipts represent rentals receivable by the Group for natural oil tanks and oil pipeline system rented out.

The future aggregate minimum lease receivables under non-cancellable operating lease are as follows:

	Group	
	2016 RM'000	2015 RM'000
Within 1 year	2,315	2,215
Between 1 and 2 years	2,315	2,215
Between 2 and 3 years	2,315	2,215
Between 3 and 4 years	2,315	2,215
Between 4 and 5 years	2,315	2,215
	11,575	11,075

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 56 COMMITMENTS (CONTINUED)

### (a) Operating lease arrangements (continued)

#### (ii) The Group as lessor: (continued)

Rental income recognised in profit or loss during the financial year amounted to RM2,132,000 (2015: RM1,442,000).

### (b) Capital commitments

	Group	
	2016 RM'000	2015 RM'000
Capital expenditure approved and contracted for:		
- Property, plant and equipment	703,445	640,522
- Bearer plants	87,958	65,377
- Intangible assets	-	114
Capital expenditure approved but not contracted for:		
- Property, plant and equipment	704,410	1,242,182
- Bearer plants	18,094	32,384
Investment in subsidiaries	-	1,265,750
	1,513,907	3,246,329

## 57 CONTINGENT LIABILITIES

- (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. On 31 March 2017, Court of Appeal delivered its decision that the Plaintiffs' (Appellants) appeal dismissed with cost RM100,000 to be paid to Defendants (Respondents).
- (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. On 14 December 2016, Plaintiffs have filed appeal being not satisfied with the high court's decision. Court of appeal has yet to fix dates to hear the appeal.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 57 CONTINGENT LIABILITIES (CONTINUED)

- (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. Defendants appealed on the high court's decision allowing the amendment of statement of claim ("SOC"). On 17 February 2017, Plaintiffs' application to amend SOC was allowed. Defendants, on 2 March 2017 filed an appeal on the objection of the amendment of SOC. Dismissed. This case will be heard with the amended SOC. Court has yet to fixed dates for trial. 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. 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. On 14 December 2016, Plaintiffs have filed appeal being not satisfied with the high court's decision. Court of appeal has yet to fix dates to hear the appeal.
- (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. On 27 to 29 July 2016, Plaintiffs filed application to amend statement of claim and was allowed by the Court. Defendants appealed on the high court's decision allowing the amendment of statement of claim. This matter was heard on the Plaintiffs' application for Recusal Application on 3 March 2017. Court allowed Plaintiffs' application. Now awaiting for the dates of trial fixed by the Court.
- (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. On 28 September 2016, Plaintiffs filed application to amend statement of defence and was allowed by the Court. Defendants appealed on the high court's decision allowing the amendment of statement of claim. On 17 February 2017, Plaintiffs' application to amend the statement of claim was allowed. Defendants, on 2 March 2017, filed an appeal on the objection of the amendment of SOC. Dismissed. This case will be heard with the amended SOC. Court has yet to fixed dates for trial. This case will be heard together with case Jengka B.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 57 CONTINGENT LIABILITIES (CONTINUED)

(viii) On 15 July 2016, a writ of Summons and application for injunction was served by Jiang Xin Shipping Co. Ltd ("the Plaintiff") on FGV Trading Sdn. Bhd ("the Defendant"). The Plaintiff's claim against the Defendant arises out of an alleged breach of a letter of indemnity given by the Defendant to the Plaintiff which was issued to facilitate discharge of 10,000 metric tonnes of RBD Palm Olein to Ruchi Soya Industries Limited at New Mangalore, India. The Plaintiff claims that as a result of the alleged breach, they suffered losses and damage by the arrest of the vessels "Yue You 902" and "GNC Concord 1" by OCBC Bank, Singapore, who were the holders of the original bills of lading.

The Plaintiff seeks principally, the payment of costs, expenses, damages and expenses on an indemnity basis arising out of or in connection with the arrests of the abovementioned vessels in Singapore and South Africa respectively, including the Plaintiff's costs incurred in legal proceedings in China, Singapore, the UK and South Africa, together with all consequential orders and interest.

The Plaintiff's application for injunction was dismissed by the court on 19 August 2016. The full trial of this matter was held on 3 and 4 January 2017, with 4 witnesses called to give oral evidence. The Defendant's main arguments in court focused on a technical point which relates to the wordings of the letter of indemnity, which in the Defendant's view, rendered the letter of indemnity inapplicable as against the Defendant. The Plaintiff sought to rely on the relief of rectification of the letter of indemnity, to provide for an interpretation of the same not based on the wordings of the said letter, but rather on mutual intention. Written and oral submissions were subsequently tendered to the court. This matter is currently fixed for decision and clarification on 26 April 2017.

The Directors are of the view that given the uncertain nature of the claim in terms of the quantum claimed by the Plaintiff and strengthened by legal advice that there is an arguable case in the Defendant's favour, therefore no provision to be made in the financial statements for the financial year ended 31 December 2016.

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

## 58 RESTATEMENT AND EFFECTS OF CHANGE IN ACCOUNTING POLICY

### (a) Change in accounting policy

During the financial year, the Group changed its accounting policy for bearer plants from capital maintenance method to amortisation method to be in line with the accounting requirements of FRS 116 – Property, Plant and Equipment (see Note 2(i)). The change in accounting policy has been applied retrospectively and has resulted in:

- (i) the reclassification of bearer plants from biological assets to property, plant and equipment; and
- (ii) the capitalisation and subsequent depreciation of bearer plants including the tax effect.

### (b) Prior periods' errors arising from fraud losses

During the financial year, the Group discovered fraud losses in Felda Iffo Gida Sanayi ("FIGS"), Turkey, a subsidiary of Felda Ifffco Sdn. Bhd., a joint venture of the Group, which arose from overstatements of inventories and receivables in FIGS.

Stock losses of TL71,960,000 (RM91,320,000) and overstatements of receivables of TL11,480,000 (RM14,564,000) had been identified by the Group due to the manipulation of financial statements perpetrated by previous management of FIGS from the beginning financial year 2011 to 2016, which were considered as deliberate misrepresentation of facts and fraud. Of the total losses of RM105,884,000, the Group's share of the losses amounted to RM52,942,000.

The impact of fraud relating to current financial year of RM16,123,000 had been included in the Group's share of results from joint ventures for the current financial year, while the impact of errors relating to the financial year ended 31 December 2015 of RM10,380,000 and for the periods prior to 1 January 2015 of RM26,439,000 had been adjusted against the results for the financial year ended 31 December 2015 and periods prior to 1 January 2015 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 58 RESTATEMENT AND EFFECTS OF CHANGE IN ACCOUNTING POLICY (CONTINUED)

Impact of change in accounting policy and fraud losses on Statements Comprehensive Income

	Financial year ended 31 December 2016			Financial year ended 31 December 2015			As restated RM'000
	Previous policy RM'000	Effects on current year		As presented RM'000	Previous policy RM'000	Adjustments	
		(a) RM'000	(b) RM'000			(a) RM'000	(b) RM'000
Cost of sales	(15,757,180)	85,699	-	(15,671,481)	(13,696,615)	83,965	- (13,612,650)
Included in cost of sales:							
- replanting expenditure	(330,582)	330,582	-	-	(174,961)	174,961	- -
- other expenses	-	-	-	-	-	77,068	- 77,068
- depreciation of property, plant and equipment	(444,372)	(233,420)	-	(677,792)	(459,008)	(160,783)	- (619,791)
- write offs of property, plant and equipment	(6,510)	(11,463)	-	(17,973)	(30,280)	(7,281)	- (37,561)
Operating profit	292,099	85,699	-	377,798	437,264	83,965	- 521,229
Share of results from joint ventures	(3,355)	-	(16,123)	(19,478)	50,402	-	(10,380) 40,022
Profit before zakat and taxation	193,490	85,699	(16,123)	263,066	378,967	83,965	(10,380) 452,552
Taxation	(153,466)	(22,612)	-	(176,078)	(128,433)	(7,738)	- (136,171)
Profit for the financial year from continuing operations	22,259	63,087	(16,123)	69,223	226,634	76,227	(10,380) 292,481
Profit for the financial year	19,495	63,087	(16,123)	66,459	301,277	76,227	(10,380) 367,124
Profit attributable to:							
Owners of the Company	(25,632)	73,221	(16,123)	31,466	106,986	85,710	(10,380) 182,316
Non-controlling interests	45,127	(10,134)	-	34,993	194,291	(9,483)	- 184,808
	19,495	63,087	(16,123)	66,459	301,277	76,227	(10,380) 367,124
Basic and diluted EPS:							
- From continuing operations	(0.7)	2.0	(0.4)	0.9	0.9	2.4	(0.3) 3.0
- From discontinuing operations	-	-	-	-	2.0	-	- 2.0

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 58 RESTATEMENT AND EFFECTS OF CHANGE IN ACCOUNTING POLICY (CONTINUED)

Impact of change in accounting policy and fraud losses on Statements of Financial Position

	As at 31 December 2016		As at 31 December 2015		As at 1 January 2015							
	Previous policy RM'000	(a) RM'000	Effects on current year (b) RM'000	As presented RM'000	Previous policy RM'000	(a) RM'000	(b) RM'000	As restated RM'000	Previous policy RM'000	(a) RM'000	(b) RM'000	As restated RM'000
					RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-current assets</b>												
Property, plant and equipment	7,039,041	3,034,733	-	10,073,774	6,532,749	2,705,421	-	9,238,170	6,310,324	2,558,139	-	8,868,463
Interests in joint ventures	681,013	-	(52,942)	628,071	698,166	-	(36,819)	661,347	745,042	-	(26,439)	718,603
Biological assets	2,698,390	(2,669,346)	-	29,044	2,848,414	(2,819,302)	-	29,112	2,791,969	(2,762,782)	-	29,187
Deferred tax assets	1,240,331	(460,910)	-	779,421	1,282,189	(438,298)	-	843,891	1,254,586	(430,560)	-	824,026
<b>Current assets</b>												
Biological assets	42,306	(42,306)	-	-	57,494	(57,494)	-	-	50,697	(50,697)	-	-
<b>Capital and reserves</b>												
Reorganisation reserve	(2,088,969)	(971,821)	-	(3,060,790)	(2,088,969)	(971,821)	-	(3,060,790)	(2,088,969)	(971,821)	-	(3,060,790)
Retained earnings	1,197,452	462,317	(52,942)	1,606,827	1,303,521	389,096	(36,819)	1,655,798	1,415,722	303,386	(26,439)	1,692,669
Non-controlling interests	2,440,248	(37,082)	-	2,403,166	2,538,622	(26,948)	-	2,511,674	2,447,532	(17,465)	-	2,430,067

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 58 RESTATEMENT AND EFFECTS OF CHANGE IN ACCOUNTING POLICY (CONTINUED)

Impact of change in accounting policy and fraud losses on Statements of Cash Flows

	Financial year ended 31 December 2016			Financial year ended 31 December 2015			As restated RM'000	
	Previous policy RM'000	Effects on current year	As presented RM'000	Previous policy RM'000	Adjustments	(a) RM'000	(b) RM'000	
	(a) RM'000	(b) RM'000						
Profit for the financial year	19,495	63,087	(16,123)	66,459	301,277	76,227	(10,380)	367,124
Taxation	153,466	22,612	-	176,078	128,433	7,738	-	136,171
Depreciation of property, plant and equipment	444,372	233,420	-	677,792	459,008	160,783	-	619,791
Property, plant and equipment written off	6,510	11,463	-	17,973	30,280	7,281	-	37,561
Biological assets consumed	-	-	-	-	26,049	(26,049)	-	-
Amortisation of biological assets	-	128	-	128	-	150	-	150
Accelerated depreciation of biological assets	-	-	-	-	6,055	(6,055)	-	-
Biological assets written off	68	-	-	68	2,350	(2,301)	-	49
Share of results from joint ventures	3,355	-	16,123	19,478	(50,402)	-	10,380	(40,022)
Net cash generated from/(used in) operating activities	786,877	330,710	-	1,117,587	(470,869)	217,774	-	(253,095)
Investing activities								
Purchase of property, plant and equipment	(612,067)	(330,710)	-	(942,777)	(830,948)	(312,665)	-	(1,143,613)
Additions of biological assets	(128)	-	-	(128)	(95,015)	94,891	-	(124)
Net cash used in investing activities	(400,738)	(330,710)	-	(731,448)	(1,280,942)	(217,774)	-	(1,498,716)

# **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## **59 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

(a) On 3 February 2016, the Company established a long term incentive plan ("LTIP") in the form of employee share grant scheme.

Pursuant to the LTIP, the Company shall award the grant of up to 10% of the issued and paid-up ordinary share capital of the Company (excluding treasury shares, if any) at any point of time during the duration of the LTIP, to the employees of the Company and its subsidiaries (excluding subsidiaries which are dormant) ("Group") and Executive Directors of the Company 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 the Company 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 ("LTIP Committee"), comprising, among others, directors and senior management of the Group appointed by the Board.

(b) On 26 February 2016, FGVD 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 7 March 2016, based on the Company's reply to Bursa Malaysia Securities Berhad's ("Bursa") query on 3 March 2016, Bursa has written to the Company to inform that the proposed acquisition would be subject to Company's shareholders' approval in compliance with Chapter 10 of the Main Market Listing Requirements.

On 14 March 2016, the Board of Directors announced and clarified that the terms and conditions of SPA were made at arm's length and in the ordinary course of commercial negotiations. As a result of the negotiations and based on parties having commenced the application process for approvals from the regulators in April 2015. Parties agreed that the conditions precedent are to be fulfilled within 5 Business Days.

Under no circumstances, the Board of Directors of the Company imposes an express or implied obligation on the regulators to process and approve any approvals in connection with the proposed acquisition within any time agreed by the parties in SPA.

On 16 March 2016, the Board of Directors of the Company has obtained the requisite approval from the Ministry of Finance via letter to proceed with the proposed acquisition (Approval). The said Approval is one of the conditions precedent to be satisfied under SPA.

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 and Contracts for Services for Key Personnel and Shareholders' Agreement have been executed today.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 59 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

On 8 April 2016, the Board of Directors of the Company 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 the Company 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 the Company announced that FGV and FELDA ("FELDA Group") have withdrawn 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.

- (e) On 23 November 2016, Group President/Chief Executive Officer of the Company confirmed there were indeed some unusual stock losses which had been detected in Felda Iffco Gida Sanayi, Turkey, a subsidiary of Felda Iffco Sdn Bhd ("FISB Group"), a joint venture of the Company.

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.

As a result, 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 previous 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 (Note 58).

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

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.

## 60 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 17 April 2017.

# SUPPLEMENTARY INFORMATION

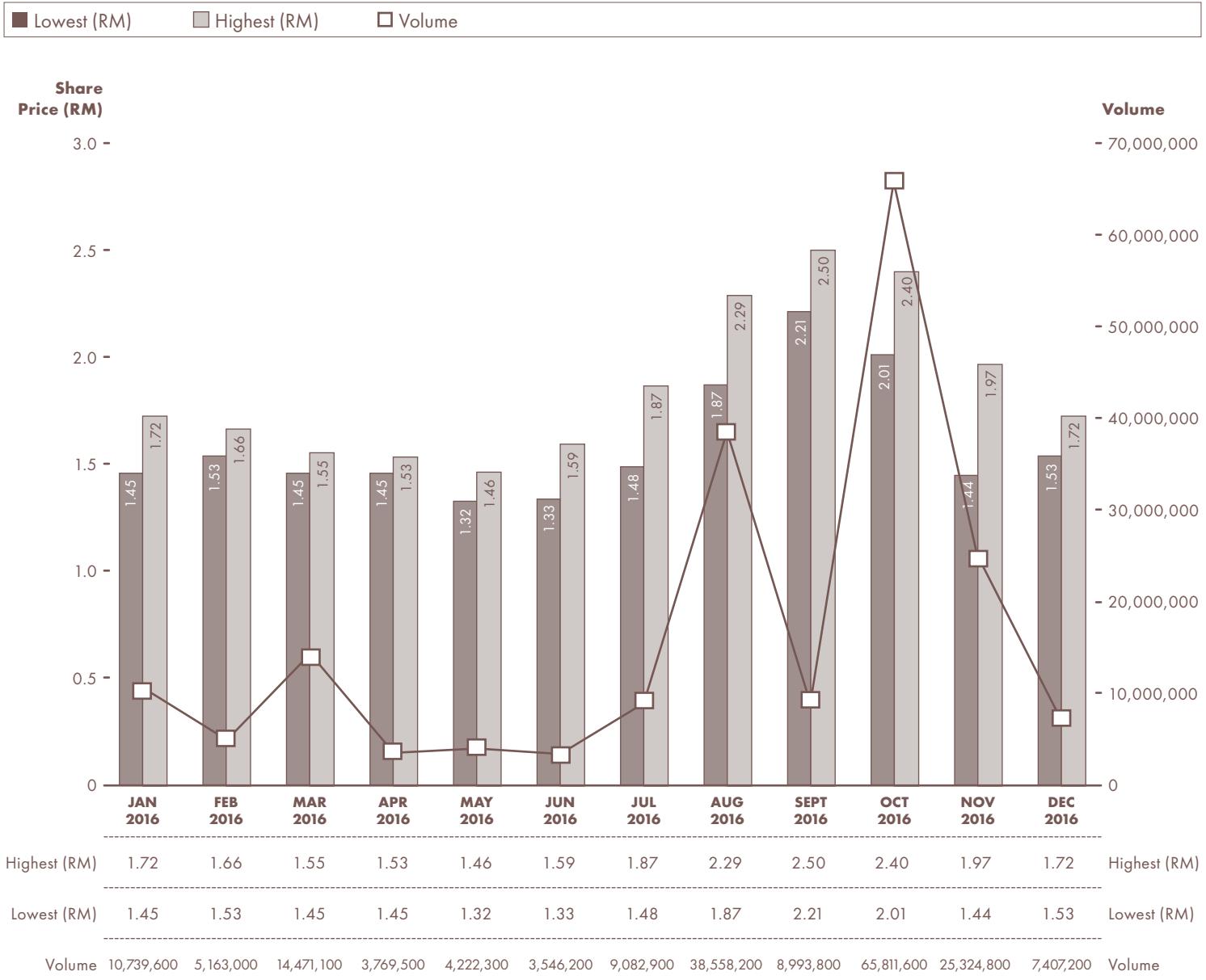
FOR THE FINANCIAL YEAR END 31 DECEMBER 2016

## 61 REALISED AND UNREALISED RETAINED EARNINGS

	Group		Company	
	2016 RM'000 (Restated)	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	5,185,597	4,806,036	139,244	250,075
- unrealised	(917,737)	(664,284)	(3,977)	29,434
	4,267,860	4,141,752	135,267	279,509
Total share of retained earnings from joint ventures:				
- realised	32,375	196,889	-	-
- unrealised	9,227	(36,880)	-	-
	41,602	160,009	-	-
Total share of retained earnings from associates:				
- realised	189,282	172,012	-	-
- unrealised	(6,767)	(6,560)	-	-
	182,515	165,452	-	-
Less: consolidation adjustments	(2,885,150)	(2,811,415)	-	-
	1,606,827	1,655,798	135,267	279,509

The unrealised portion of retained earnings comprises deferred tax expense, cumulative net gains arising from financial assets at fair value through profit or loss and translation gains and losses on monetary items denominated other than in Ringgit Malaysia.

# SHARE PRICE MOVEMENT



# FINANCIAL CALENDAR

## FINANCIAL CALENDAR

2016

### QUARTERLY RESULTS

### DIVIDEND

#### 29 February 2016

Announcement of the unaudited consolidated results for the 4<sup>th</sup> quarter ended 31 December 2015 and proposed single tier final dividend of 2 sen per ordinary share for the financial year ended 31 December 2015.

#### 27 April 2016

Notice of Book Closure for determining the entitlement of single tier final dividend of 2 sen per ordinary share for the financial year ended 31 December 2015.

#### 24 May 2016

Announcement of the unaudited consolidated results for the 1<sup>st</sup> quarter ended 31 March 2016.

#### 30 June 2016

Date of payment of single tier final dividend of 2 sen per ordinary share for the financial year ended 31 December 2015.

#### 29 August 2016

Announcement of the unaudited consolidated results for the 2<sup>nd</sup> quarter ended 30 June 2016.

### ANNUAL GENERAL MEETING

#### 28 April 2016

Notice of the Eighth Annual General Meeting and issuance of Annual Integrated Report 2015.

#### 22 November 2016

Announcement of the unaudited consolidated results for the 3<sup>rd</sup> quarter ended 30 June 2016.

#### 1 June 2016

Eighth Annual General Meeting.

### ANNUAL AUDITED ACCOUNTS

#### 20 April 2016

Announcement of the Annual Audited Accounts for the financial year ended 31 December 2015.

2017

### QUARTERLY RESULTS

### DIVIDEND

#### 28 February 2017

Announcement of the unaudited consolidated results for the 4<sup>th</sup> quarter ended 31 December 2016.

#### 25 April 2017

Notice of Book Closure for determining the entitlement of single tier final dividend of 1 sen per ordinary share for the financial year ended 31 December 2016.

### ANNUAL AUDITED ACCOUNTS

### ANNUAL GENERAL MEETING

#### 26 April 2017

Announcement of the Annual Audited Accounts for the financial year ended 31 December 2016.

#### 26 April 2017

Notice of the Ninth Annual General Meeting and issuance of Annual Integrated Report 2016.

#### 25 May 2017

Ninth Annual General Meeting.

# ANALYSIS OF **SHAREHOLDINGS**

As at 22 March 2017

Issued and Paid-up Share Capital	: 3,648,151,500 ordinary shares and 1 special share
Class of Shares	: Ordinary shares of RM1 each (Shares) Special share of RM1 each
Voting Right	: One (1) vote per ordinary share

## DISTRIBUTION SCHEDULE OF SHARES

Size of Shareholdings	No. of Shareholders	Percentage of Shareholders (%)	No. of Shares	Percentage of Shares (%)
Less than 100	468	0.81	3,913	0.00
100 to 1,000	40,407	70.09	32,221,603	0.88
1,001 to 10,000	11,331	19.65	54,685,062	1.50
10,001 to 100,000	4,483	7.78	146,664,995	4.02
100,001 to less than 5% of issued shares	956	1.66	1,394,500,852	38.23
5% and above of issued shares	6	0.01	2,020,075,075	55.37
<b>TOTAL</b>	<b>57,651</b>	<b>100.00</b>	<b>3,648,151,500</b>	<b>100.00</b>

## INFORMATION ON DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	Direct Interest		Indirect/Deemed Interest	
		No. of Shares held	Percentage of Shares (%)	No. of Shares held	Percentage of Shares (%)
1.	Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad*	180,000	0.00	-	-
2.	Datuk Dr. Omar Salim*	150,000	0.00	-	-
3.	Dato' Yahaya Abd Jabar	-	-	-	-
4.	Datuk Noor Ehsanuddin Mohd Harun Narrashid*	5,000	0.00	-	-
5.	Tan Sri Dr. Sulaiman Mahbob	50,000	0.00	-	-
6.	Dato' Mohd Zafer Mohd Hashim	-	-	-	-
7.	Dato' Mohamed Suffian Awang	-	-	-	-
8.	Dato' Zakaria Arshad**	165,000	0.00	-	-
9.	Dato' Siti Zauyah Md Desa	-	-	-	-

### Notes:

\* Shares held through CIMSEC Nominees (Tempatan) Sdn Bhd.

\*\* 5,000 Shares held through CIMSEC Nominees (Tempatan) Sdn Bhd. 147,100 Shares were granted on 1 July 2016 under the Restricted Share Plan of FGV's Long Term Incentive Plan (LTIP).

The shareholdings confirmation under the above omnibus account was being made on the assumption that there is/are no notification given by the above holders to FGV. The Directors' interest in Shares of FGV and its related corporations are set out in the Directors' Report of FGV's Financial Statement for the financial year ended 31 December 2016.

**ADDITIONAL INFORMATION**

# ANALYSIS OF SHAREHOLDINGS

As at 22 March 2017

## INFORMATION ON SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE)

No.	Name of Shareholders	Direct Interest		Indirect/ Deemed Interest	
		No. of Shares held	Percentage of Shares (%)	No. of Shares held	Percentage of Shares (%)
1.	LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (FELDA)	775,029,800	21.25	452,921,192***	12.42
	- Own Account	655,988,300			
	- Maybank Securities Nominees (Tempatan) Sdn Bhd	44,041,500			
	- Maybank Securities Nominees (Tempatan) Sdn Bhd (FELDA 2)	25,000,000			
	- ABB Nominee (Tempatan) Sdn Bhd	30,000,000			
	- HLIB Nominees (Tempatan) Sdn Bhd	20,000,000			
2.	FELDA ASSET HOLDINGS COMPANY SDN BHD	452,921,192	12.42	-	-
3.	LEMBAGA TABUNG HAJI	287,072,600	7.87	-	-
	- Own Account	283,710,100			
	- CIMB Islamic Nominees (Tempatan) Sdn Bhd	3,362,500			
4.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	263,976,900	7.23	-	-
	- Own Account	244,384,500			
	- CITIGROUP Nominees (Tempatan) Sdn Bhd (I-Vcap)	3,060,600			
	- CITIGROUP Nominees (Tempatan) Sdn Bhd (DiPerbadankan) (CIMB Equities)	12,561,500			
	- CITIGROUP Nominees (Tempatan) Sdn Bhd (DiPerbadankan) (CIMB PRNCP ISLM)	2,170,300			
	- CITIGROUP Nominees (Tempatan) Sdn Bhd (DiPerbadankan) (Affin AM B EQ)	1,800,000			
5.	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	200,663,408	5.50	-	-
6.	KERAJAAN NEGERI PAHANG	182,407,575	5.00	-	-
	- Maybank Nominees (Tempatan) Sdn Bhd	182,407,575			

Notes:

\*\*\* Deemed interest by virtue of its interest in Felda Asset Holdings Company Sdn Bhd.

# ANALYSIS OF SHAREHOLDINGS

As at 22 March 2017

## LIST OF TOP THIRTY (30) LARGEST SHAREHOLDERS

(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name of Shareholders	No. of Shares held	Percentage of Shares (%)
1.	LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (FELDA)	655,988,300	17.98
2.	FELDA ASSET HOLDINGS COMPANY SDN BHD	452,921,192	12.42
3.	LEMBAGA TABUNG HAJI	283,710,100	7.78
4.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	244,384,500	6.70
5.	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	200,663,408	5.50
6.	MAYBANK NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Kerajaan Negeri Pahang	182,407,575	5.00
7.	MAYBANK NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Sawit Kinabalu Sdn Bhd	89,010,989	2.44
8.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD SDB Asset Management Sdn Bhd For Chief Minister, State of Sabah	65,934,066	1.81
9.	AMSEC NOMINEES (TEMPATAN) SDN BHD Mtrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)	59,319,200	1.63
10.	AMANAHRAYA TRUSTEES BERHAD Amanah Saham Bumiputera	53,464,700	1.47
11.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD Malayan Banking Berhad for Lembaga Kemajuan Tanah Persekutuan (FELDA)	44,041,500	1.21
12.	LEMBAGA TABUNG ANGKATAN TENTERA	35,593,900	0.98
13.	HSBC NOMINEES (ASING) SDN BHD BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	32,084,157	0.88
14.	CARTABAN NOMINEES (ASING) SDN BHD Exempt An for State Street Bank & Trust Company (West CLTOD67)	30,213,713	0.83
15.	ABB NOMINEE (TEMPATAN) SDN BHD Pledged Securities Account for Lembaga Kemajuan Tanah Persekutuan (FELDA)	30,000,000	0.82
16.	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt An for CIMB Bank Berhad (FELDA IPO SMF)	29,581,700	0.81
17.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Employees Provident Fund Board (CIMB PRIN)	26,053,000	0.71
18.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD Malayan Banking Berhad for Lembaga Kemajuan Tanah Persekutuan (FELDA 2)	25,000,000	0.69
19.	HSBC NOMINEES (ASING) SDN BHD Exempt An for JPMorgan Chase Bank, National Association (U.S.A)	24,085,398	0.66
20.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD SDB Asset Management Sdn Bhd for Ekuiti Yakinjaya Sdn. Bhd.	20,869,113	0.57
21.	HLIB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Lembaga Kemajuan Tanah Persekutuan (FELDA)	20,000,000	0.55
22.	KENANGA INVESTMENT BANK BERHAD IVT (EDSP-NAGA 8-DO)	17,162,000	0.47
23.	RHB NOMINEES (TEMPATAN) SDN BHD OSK Capital Sdn Bhd for Yayasan Islam Terengganu	16,455,100	0.45
24.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) Trustee Bhd for CIMB Islamic Dali Equity Theme Fund	16,247,100	0.45
25.	AMSEC NOMINEES (TEMPATAN) SDN BHD Exempt An for Ambank Islamic Berhad (FELDA)	14,852,000	0.41
26.	PERTUBUHAN KESELAMATAN SOSIAL	14,300,000	0.39
27.	AMANAHRAYA TRUSTEES BERHAD Public Islamic Dividend Fund	14,110,600	0.39
28.	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Barnes & Barrett (M) Sdn Bhd (CTS-BAB0003C)	13,507,100	0.37
29.	AMANAHRAYA TRUSTEES BERHAD Public Islamic Select Enterprises Fund	13,009,000	0.36
30.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	12,561,500	0.34

## ADDITIONAL INFORMATION

# TOP 10 PROPERTIES OF THE FGV GROUP

Location	Tenure	Year lease expiring	Approximate Area (Hectares)	Description	Year of Acquisition	Net Book Value (RM'000)
1. <b><u>Sabah</u></b> Sahabat 07, Sahabat 30, Sahabat 40, Sahabat 41, Sahabat 42, Sahabat 43, Sahabat 46, Sahabat 48, Sahabat 50, Sahabat 51, Sahabat 52, Sahabat 53, Sahabat 54, Sahabat 21, Sahabat 22, Sahabat 23, Sahabat 24, Sahabat 25, Sahabat 26, Sahabat 28, Sahabat 31, Sahabat 33, Sahabat 34, Sahabat 35, Sahabat 36, Sahabat 09, Sahabat 10, Sahabat 11, Sahabat 12, Sahabat 16, Sahabat 17, Sahabat 20, Sahabat 38, Sahabat 39, Sahabat 44, Sahabat 45, Sahabat 55, Sahabat 56, Kalabakan Selatan, Kalabakan Utara 01, Umas 05, Umas 06, Tenegang, Sahabat, Tawau, Lahad Datu, Umas, Baiduriayu, Kalabakan, Embara Budi, Fajar Harapan, Merchu Puspita, Hamparan Bada, Kembara Sakti, Nilam Permata, Jeragan Bistari, Lanchang Kemudi, Sandakan	Leasehold	2028 - 2887	128,692	Oil palm estates and palm oil mills	2012 - 2013, 2016	1,184,147
2. <b><u>Sarawak</u></b> Lot 15 Dulit Land Batang Tinjar, Baram. Lot 20 Dulit Land Long Aya, Tinjar, Baram. Lot 10 Dulit Land Batang Tinjar, Baram. Lot 16 Dulit Land Batang Tinjar, Baram. Lot 68, Bok Land, Sg Bok, Dulit, Baram. Lot 23 Dulit Land Sg Bok, Dulit, Baram. Lot 17, 18 & 19 Patah Land District, Sg Aran & Sg Tema-ah, Miri. Sampadi 01, Sampadi 03, Sampadi 04, Sampadi 05, Sampadi 06, Sampadi	Leasehold	2063 - 2111	32,803	Oil palm estates and palm oil mills	2012 - 2014	272,925
3. <b><u>Pahang Darul Makmur</u></b> Berabong 01, Selendang 03, Selendang 04, Selanchar 06, Selanchar 08, Selanchar 09, Chegar Perah 02, Kechau 02, Kechau 03, Kechau 06, Kechau 07, Kechau 08, Kechau 10, Kechau 11, Krau 02, Krau 04, Telang 01, Bera Selatan 01, Bera Selatan 03, Bera Selatan 04, Bera Selatan 05, Bera Selatan 07, Keratong 11, Mengkarak 01, Mengkarak 02, Tembangau 03, Tembangau 05, Tembangau 06, Tembangau 08, Tembangau 07, Tembangau 09, Bukit Sagu 04, Bukit Sagu 06, Bukit Sagu 07, Bukit Sagu 08, Lepar Hilir 05, Lepar Hilir 06, Lepar Hilir 08, Merchong, Chini Timur 04, Lepar Utara 05, Lepar Utara 07, Lepar Utara 08, Lepar Utara 09, Lepar Utara 11, Lepar Utara 14, Terapai 01, Terapai 03, Triang 02, Triang 04, Triang Selatan 01, Kuantan, Jengka 21, Keratong 2, Bkt Mendi, Pdg Piol, Kepayang, Gelanggi, Neram, Chini 3, Tementi, Mempaga, Kemasul, Keratong 3, Seroja, Tersang, Keratong 9, Selendang A, Lepar Utara 4, Chini 2, Jengka 8, Lepar Hilir, Bukit Sagu, Lepar Utara 6, Panching, Triang, Kerau, Kechau A, Kechau B, Tanjung Gelang	Leasehold	2027 - 2111	143,902	Oil palm estates and palm oil mills	2012	238,678
4. <b><u>Johor Darul Takzim</u></b> Inas Selatan, Kledang 02, Maokil 06, Maokil 07, Nitar Timur, Paloh, Tenggaroh 09, Tenggaroh 11, Tenggaroh 12, Tenggaroh 13, Tenggaroh Timur 02, Palong Timur 04, Palong Timur 05, Semencu, Pasir Gudang, Semencu, Bukit Besar, Air Tawar, Penggeli, Kahang, Lok Heng, Selanchar 2A, Tenggaroh 4, Adela, Maokil, Nitar, Selanchar 2B, Belitung, Wa Ha, Tenggaroh Timur, Kulai, Plentong, Larkin	Leasehold	2018 - 2111	33,913	Oil palm estates, palm oil mills and margerine plant, warehouse, two storey office, facility for sugar distribution and storage building	2010 - 2012	189,371
5. <b><u>Kelantan Darul Naim</u></b> Aring 02, Aring 03, Aring 04, Aring 05, Aring 06, Aring 08, Aring 10, Chiku 04, Chiku 08, Aring B, Kemahang, Chiku, Aring A	Leasehold	2111	24,620	Oil palm estates and palm oil mills	2012	103,548

# TOP 10 PROPERTIES OF THE FGV GROUP

Location	Tenure	Year lease expiring	Approximate Area (Hectares)	Description	Year of Acquisition	Net Book Value (RM'000)
6. <b>Perlis Indera Kayangan</b> PN 37, Lot No: 2040, Kampong Baru, Chuping. PN 39, Lot No: 2035, Bukit Merah, Chuping. PN 40, Lot No: 2038, Store Chia, Chuping. PN 41, Lot No: 2041, Padang Hang Chik Wa, Chuping. PN 43, Lot No: 2037, Air Hujan, Chuping. H.S.(D) 8549, PT 4363, Padang Mayat, Chuping. H.S.(D) 8550, PT 4364, Padang Mayat, Chuping. HS (D) 145, PT, Chuping. HS (D) 2587, PT349, Bilal Udoh, Chuping	Leasehold	2061	4,457	Rubber and other crops plantation and buildings	2011	86,112
7. <b>United States of America</b> 740-760, 749-773, and 780 Washington Street, Quincy, Massachusetts, 02169 United States of America	Freehold	-	Built up area: 4.38 Land area: 15.75	Production of fatty acids, oleic acids and stearic acids, production of refined glycerine, transportation of raw material and finished products via railroad connecting the plant located in Quincy and Braintree train station	2008-2009	72,631
8. <b>Selangor</b> H.S.(D) 31960-31965, PT 34442-PT 34447, Mukim Batu, Daerah Gombak  H.S.(D) 119796-119797, PT121676-PT121677, Mukim Kelang, Daerah Klang	Freehold  Leasehold	-	4.52  Land area: 2.04	Facility for sugar distribution and storage, bays for trucks and primers  Vacant land	2010	56,415
9. <b>Terengganu Darul Iman</b> Chador 01, Cherul 03, Rantau Abang 01, Semaring 01, Setiu 01, Jerangau Baru, Jerangau Barat, Kerih, Chalok	Leasehold	2061 - 2111	13,395	Oil palm estates and palm oil mills	2012	41,489
10. <b>Negeri Sembilan</b> Palong 17, Palong 18, Palong 21, Serting Hilir 08, Serting, Serting Hilir, Palong Timur, Pasoh	Leasehold	2111	12,867	Oil palm estates and palm oil mills	2012	30,141

# ADDITIONAL DISCLOSURE

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**Utilisation of Proceeds**

There were no proceeds raised from corporate proposals during the financial year ended 31 December 2016.

**Non-audit Fees**

The amount of non-audit fees rendered to the Group by its external auditors, PricewaterhouseCoopers (PwC) for the financial year ended 31 December 2016 amounted to RM704,000 and within the allowable threshold.

**Material Contracts**

Save for those disclosed in the financial statements, there was no material contract entered into by the Company or its subsidiaries, either still subsisting at the end of the financial year ended 31 December 2016 or entered into since the end of the previous financial year.

**Revaluation Policy**

The Group does not have a regular revaluation policy on landed properties.

**Long Term Incentive Plan (LTIP)**

Details of the LTIP are provided on page 132 of this Annual Integrated Report 2016.

**Share Issuance Scheme**

There was no Share Issuance Scheme declared or implemented in 2016.

**Recurrent Related Party Transaction of Revenue or Trading Nature**

At the 8<sup>th</sup> Annual General Meeting (AGM) held on 1 June 2016, the Company had obtained a Shareholders' mandate from its Shareholders for Recurrent Related Party Transaction of revenue or trading of nature to be entered into the Company and/or its subsidiaries (RRPT Shareholders' Mandate). The RRPT Shareholders' Mandate is valid until the conclusion of the forthcoming 9<sup>th</sup> AGM of the Company to be held on 25 May 2017.

The Company proposes to seek a renewal of the existing RRPT Mandate and the new RRPT Mandate at its forthcoming 9<sup>th</sup> AGM. The renewal of the existing RRPT Mandate and the RRPT Mandate, if approved by the Shareholders, will be valid until the conclusion of the Company's next AGM. The details of the RRPT Mandate being sought are provided in the Circular to Shareholders dated 26 April 2017 which was sent together with the Annual Integrated Report.

Pursuant to paragraph 10.09(2)(b) and paragraph 3.1.5 of Practice Note of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of the Recurrent Related Party Transaction of a revenue or trading nature entered into during the financial year ended 31 December 2016.

No.	Recipient	Provider	Nature of Transaction	Related Party	Value of Transaction (RM'000)
1.	FELDA	F Engineering	Provision of maintenance and consultancy services	Interested Major Shareholders: <ul style="list-style-type: none"> <li>• FELDA</li> <li>• FAHC</li> </ul> Interested Directors: <ul style="list-style-type: none"> <li>• YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad</li> <li>• Datuk Hanapi Suhada</li> </ul>	62,492
2.	F Engineering	FELDA	Monthly payment of rental for office premises located at Menara Felda and Balai Felda having a lease period of three (3) years		1,060

# ADDITIONAL DISCLOSURE

No.	Recipient	Provider	Nature of Transaction	Related Party	Value of Transaction (RM'000)
3.	FGV	F Engineering	Provisions of construction and renovation services	Interested Major Shareholders: - Interested Directors: • YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad • Datuk Hanapi Suhada	24
4.	FELDA	FPM	Sales of fertilisers	Interested Major Shareholders: • FELDA • FAHC Interested Directors: -	46,610
5.	F Rubber Industries	FELDA	Purchase of rubber	Interested Major Shareholders: • FELDA	86,193
6.	F Rubber Industries	FELDA	Monthly payment of rental for office premises located at Menara Felda and Balai Felda having a lease period of three (3) years	Interested Directors: -	796
7.	FELDA	F Security	Provision of security services	Interested Major Shareholders: • FELDA	20,605
8.	F Security	FELDA	Monthly payment of rental for office premises located at Menara Felda and Balai Felda having a lease period of three (3) years	• FAHC Interested Directors: • YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad • Dato' Ramli Ismail	479
9.	F Security	FGV	Provisions of management services	Interested Major Shareholders: -	768
10.	FGV	F Security	Provisions of security services	Interested Directors: • YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad • Dato' Ramli Ismail	785
11.	FELDA	F Prodata	Provisions of IT services	Interested Major Shareholders: • FELDA	17,530
12.	FELDA	F Prodata	Provisions on installation GPS/GIS service	• FAHC	1,054
13.	F Prodata	FELDA	Monthly payment of rental for office premises located at Menara Felda and Balai Felda having a lease period of three (3) years	Interested Directors: • YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad • Datuk Khamis Md. Som	611

# ADDITIONAL DISCLOSURE

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No.	Recipient	Provider	Nature of Transaction	Related Party	Value of Transaction (RM'000)
14.	F Prodata	FGV	Provisions of management services	Interested Major Shareholders: -	1,435
15.	FGV	F Prodata	Provisions of IT services	Interested Directors: • YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad • Datuk Khamis Md. Som	13,241
16.	F Prodata	Lunas Technology Sdn Bhd	Provisions of IT software	Interested Major Shareholders: - Interested Directors: • Azly Sham Kamaruddin	2,468
17.	FELDA	F Travel	Travel and accommodation services	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad • YB Dato' Mohd Khusairi Abdul Talib	6,882
18.	FELDA	F Agricultural	(i) Sales of seeds palms; and (ii) Provisions of consultancy and lab analysis services	Interested Major Shareholders: • FELDA • FAHC	2,382
19.	F Agricultural	FELDA	Monthly payment of: (i) Rental for oil palm estates with each oil palm estate having a lease period of up to thirty (30) years; and (ii) Building rental in respect of office premises located at Menara FELDA having a lease period of three (3) years	Interested Directors: • YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad • Datuk Khamis Md. Som	1,043
20.	F Agricultural	FGV	Provisions of management services	Interested Major Shareholders: - Interested Directors: • YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad • Datuk Khamis Md. Som	10,648
21.	FELDA	F Transport	Jetty commissions	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad • Abu Bakar Ibrahim	-

# ADDITIONAL DISCLOSURE

No.	Recipient	Provider	Nature of Transaction	Related Party	Value of Transaction (RM'000)
22.	F Transport	FELDA	Monthly payment of rental for office premises located at Menara Felda and Balai Felda having a lease period of three (3) years	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad • Abu Bakar Ibrahim	757
23.	F Transport	FGV	Provisions of management services	Interested Major Shareholders: - Interested Directors: • YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad • Abu Bakar Ibrahim	4,629
24.	F Palm Industries	FELDA	Monthly payment of rental for office premises located at Menara Felda, Balai Felda and wilayah offices having a lease period of three (3) years	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad • Datuk Saari Din	2,320
25.	F Palm Industries	FGV	Provisions of management services	Interested Major Shareholders: - Interested Directors: • YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad • Datuk Saari Din	18,014
26.	FELDA	F Properties	Provision of Project Management Consultant (PMC) service	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad	1,833
27.	FGVPM	Felda Technoplant Sdn Bhd	Purchase of fresh fruit bunches	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad	1,327,044

# ADDITIONAL DISCLOSURE

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No.	Recipient	Provider	Nature of Transaction	Related Party	Value of Transaction (RM'000)
28.	FGVPM	FELDA	Purchase of fresh fruit bunches	Interested Major Shareholders: • FELDA • FAHC	1,209,313 4,156
29.	FGVPM	FELDA	Monthly payment of rental for office premises located at Menara Felda and Balai Felda having a lease period of three (3) years	Interested Directors: -	
30.	FELDA	FGVPM	Payment of incentive for the settlers' welfare to the Joint Consultative Committee (JCC)	-	8,493
31.	FGVPM	Prodata	Provisions of IT services	Interested Major Shareholders: - Interested Directors: • Dato' Mohd Emir Mavani Abdullah • Abu Bakar Isa Ramat	12,351
32.	FGV	FELDA	Monthly payment of rental for office premises located at Menara Felda and Balai Felda having a lease period of three (3) years	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • YB Tan Sri Haji Mohd. Isa Dato' Haji Abdul Samad • Datuk Dr. Omar Salim • YB Datuk Noor Ehsanuddin Mohd Harun Narrashid • Datuk Nozirah Bahari	12,000
33.	FGV	FRI	Provisions of management services	Interested Major Shareholders: • FELDA • FAHC Interested Directors: -	2,655
<b>Total</b>					<b>2,880,671</b>

# COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 ("MCCG 2012")

The Table below sets out the compliance of FGV with the MCCG 2012 in respect of FYE 2016.

No.	Principles/Recommendations	Compliance Status		Remarks	Page
		Yes	No		
<b>Principle 1: Establish Clear Roles and Responsibilities</b>					
1.1	The Board should establish clear functions reserved for the board and those delegated to management.	Yes			95, 99, 125-127
1.2	The Board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions.	Yes			95, 99
1.3	The Board should formalise ethical standards through a code of conduct and ensure its compliance.	Yes			94-95, 127, 132, 138
1.4	The Board should ensure that the company's strategies promote sustainability.	Yes			17, 25, 29, 35, 39, 42, 45, 49, 51-53, 59, 61, 95, 123, 126, 132
1.5	The Board should have procedures to allow its members access to information and advice.	Yes			95, 105, 107, 110, 125
1.6	The Board should ensure it is supported by a suitably qualified and competent company secretary.	Yes			91, 125
1.7	The Board should formalise, periodically review and make public its board charter.	Yes			95
<b>Principle 2: Strengthen Composition</b>					
2.1	The Board should establish a Nominating Committee which should comprise exclusively of non-executive directors, a majority of whom must be independent.	Yes			117
2.2	The Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors.	Yes			98, 104, 117-119
2.3	The Board should establish formal and transparent remuneration policies and procedures to attract and retain directors.	Yes			100-103, 106, 118
<b>Principle 3: Reinforce Independence</b>					
3.1	The Board should undertake an assessment of its independent directors annually.	Yes			98, 107-108, 119
3.2	The tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director.	Yes		None of the Independent Directors have served on the Board for more than nine (9) years.	96, 98
3.3	The Board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than nine (9) years.	Not Applicable		None of the Independent Directors have served on the Board for more than nine (9) years.	96, 98

## ADDITIONAL INFORMATION

# COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 ("MCCG 2012")

The Table below sets out the compliance of FGV with the MCCG 2012 in respect of FYE 2016.

No.	Principles/Recommendations	Compliance Status		Remarks	Page
		Yes	No		
<b>Principle 3: Reinforce Independence</b>					
3.4	The positions of Chairman and CEO should be held by different individuals, and the chairman must be a non-executive member of the Board.	Yes			7, 82, 85, 96
3.5	The Board must comprise a majority of independent directors where the chairman of the Board is not an independent director.	Yes		The Chairman of the Board, is a Non-Independent Non-Executive Director.	7, 82, 96, 98
<b>Principle 4: Foster Commitment</b>					
4.1	The Board should set out expectations on time commitment for its members and protocols for accepting new directorships.	Yes		Please refer to para 14.2 of FGV Board Charter for protocols, for accepting new directorships.	96-97, 104-105, 107-108
4.2	The Board should ensure its members have access to appropriate continuing education programmes.	Yes			104-105
<b>Principle 5: Uphold Integrity in Financial Reporting</b>					
5.1	The Audit Committee should ensure financial statements comply with applicable financial reporting standards.	Yes			110-112, 130, 146-150, 151, 152-161
5.2	The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors.	Yes			111, 113-114
<b>Principle 6: Recognise and Manage Risks</b>					
6.1	The Board should establish a sound framework to manage risks.	Yes		Details of the Group's Risk Management Framework are contained in the Statement on Risk Management and Internal Control on pages 133 to 139.	95, 110, 112, 123-124, 126, 133-136, 139
6.2	The Board should establish an internal audit function which reports directly to the Audit Committee.	Yes			112, 114-116, 133
<b>Principle 7: Ensure Timely and High Quality Disclosure</b>					
7.1	The Board should ensure the company has appropriate corporate disclosure policies and procedures.	Yes			128
7.2	The Board should encourage the company to leverage on information technology for effective dissemination of information.	Yes			129
<b>Principle 8: Strengthen Relationship between Company and Shareholders</b>					
8.1	The Board should take reasonable steps to encourage shareholder participation at general meetings.	Yes			129
8.2	The Board should encourage poll voting.	Yes			129
8.3	The Board should promote effective communication and proactive engagements with shareholders.	Yes			95, 98, 123, 128-129, 130

## Independent Assurance Report

### To Management of Felda Global Ventures Holdings Berhad (2016)

We have been engaged by Felda Global Ventures Holdings Berhad ("FGV") to perform an independent limited assurance engagement on selected Sustainability Information (hereon after referred to in the Subject Matter as "Selected Information") as reported by FGV in its Annual Report 2016 for the year ended 31 December 2016 ("FGV Annual Report 2016").

### Management's Responsibility

Management of FGV is responsible for the preparation of the Selected Information included in the FGV Annual Report 2016 in accordance with FGV's internal sustainability reporting guidelines and procedures.

This responsibility includes the selection and application of appropriate methods to prepare the Selected Information reported in the FGV Annual Report 2016 as well as the design, implementation and maintenance of processes relevant for the preparation. Furthermore, the responsibility includes the use of assumptions and estimates for disclosures made by FGV which are reasonable in the circumstances.

### Our Responsibility

Our responsibility is to provide a conclusion on the Subject Matter based on our limited assurance engagement performed in accordance with the approved standard for assurance engagements in Malaysia, International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements, and plan and perform the assurance engagement under consideration of materiality to express our conclusion with limited assurance.

The accuracy of the Selected Information is subject to inherent limitations given their nature and methods for determining, calculating and estimating such data.

Our assurance report should therefore be read in connection with FGV's internal sustainability reporting guidelines and procedures on the reporting of its sustainability performance.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

### Subject Matter

The following information collectively known as Selected Information on which we provide limited assurance consists of:

- Management and reporting processes with respect to the preparation of the following eight (8) Selected Information reported and marked with asterisks (\*) in the FGV Annual Report 2016:
  1. Percentage of directly employed estate workers above 18 years of age as of 31 December 2016;
  2. Number of FGV Union employees membership as of 31 December 2016;
  3. Number of safety boxes installed in estates as of 31 December 2016;
  4. Number of new land acquisitions with significant area in peat for the financial year 2016;
  5. Total contribution from FGV Group allocated to Yayasan Felda for the financial year 2016;
  6. Number of International Sustainability Carbon Certification (ISCC) certified mills as of 31 December 2016;
  7. Tonnes of Roundtable on Sustainability Palm Oil (RSPO) certified sustainable palm oil production capacity as of 30 April 2016; and
  8. Total greenhouse gas (GHG) emission reduction in palm oil mills operations (mt of CO<sub>2</sub> eq) for the financial year 2016.

**Criteria**

FGV's internal sustainability reporting guidelines and procedures by which the Selected Information is gathered, collated and aggregated internally.

**Main Assurance Procedures**

Our work, which involved no independent examination of any of the underlying financial information, included the following procedures:

- Inquiries of personnel responsible for the Selected Information reported in the FGV Annual Report 2016 regarding the processes to prepare the said report and the underlying controls over those processes;
- Inquiries of personnel responsible for data collection at the corporate and operation unit for the Selected Information;
- Inspection on a sample basis of documents, contracts, reports, data capture forms and invoices to support the Selected Information for accuracy including observation of management's controls over the processes;
- Inquiries of personnel on the collation and reporting of the Selected Information at the corporate and operation unit level; and
- Checking the formula and default values used in the computation of the Selected Information.

**Conclusion**

Based on our limited assurance engagement, in all material aspects, nothing has come to our attention that causes us to believe that the Selected Information in the Subject Matter have not been fairly stated in accordance with FGV's internal sustainability reporting guidelines and procedures.

**Other matters**

This report is addressed to FGV in connection with the performance of an independent limited assurance on Selected Information in the Subject Matter as reported by FGV in its FGV Annual Report 2016, and should not be used or relied upon for any other purposes. Our report is not to be disseminated to any third party in whole or in part. Accordingly, we will not accept any liability or responsibility to any other party to whom our report is shown or into whose hands it may come.

A handwritten signature in black ink, appearing to read "R. Matralegam".

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants  
Kuala Lumpur

29 March 2017

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Ninth (9<sup>th</sup>) Annual General Meeting of Felda Global Ventures Holdings Berhad ("FGV" or "the Company") will be held at the **Banquet Hall 1, Level B2, Menara Felda, Platinum Park, No. 11, Persiaran KLCC, 50088 Kuala Lumpur, Malaysia** on **Thursday, 25 May 2017**, at **11.00 a.m.**, or any adjournment thereof, for the transaction of the following business:

## AGENDA

### As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of a final dividend of 1 sen per ordinary share, under the single-tier system, in respect of the financial year ended 31 December 2016. **(Resolution 1)**
3. To re-elect the following Directors who retire by rotation in accordance with Article 88 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:
  - i) Dato' Yahaya Abd Jabar **(Resolution 2)**
  - ii) Datuk Dr. Omar Salim **(Resolution 3)**
  - iii) Dato' Mohamed Suffian Awang **(Resolution 4)**
4. To approve the payment of Directors' fees amounting to RM2,937,198.17 in respect of the financial year ended 31 December 2016. **(Resolution 5)**
5. To approve the payment of a portion of Directors' fees payable up to an amount of RM957,600.00, from 1 January 2017 until the next Annual General Meeting of the Company. **(Resolution 6)**
6. To approve the payment of benefits payable to the Non-Executive Chairman and Non-Executive Directors up to an amount of RM4,200,000.00, from 1 January 2017 until the next Annual General Meeting of the Company. **(Resolution 7)**
7. To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration. **(Resolution 8)**

# NOTICE OF ANNUAL GENERAL MEETING

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## As Special Business

To consider and if thought fit, to pass the following as Ordinary Resolutions:

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE EXISTING RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE FOR FGV AND ITS GROUP OF COMPANIES ("FGV GROUP") AND PROPOSED SHAREHOLDERS' MANDATE FOR THE NEW RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE FOR THE FGV GROUP** (Resolution 9)

**"THAT** subject always to the Companies Act, 2016, the Memorandum and Articles of Association (now known as the Constitution pursuant to the Companies Act, 2016) of FGV, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), other applicable laws, guidelines, rules and regulations, and the approval of the relevant governmental/regulatory authorities (where applicable), approval be and is hereby given to the Company and its subsidiaries to enter into all arrangements and/or transactions involving interests of the related parties as specified in Appendix I of the Circular to the Shareholders dated 26 April 2017 ("Circular"), provided that such arrangements and/or transactions are:

- (a) recurrent transactions of revenue or trading nature;
- (b) necessary for the day-to-day operations;
- (c) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and
- (d) not detrimental to the minority shareholders of the Company;

("Proposed Mandates");

**AND THAT** the Proposed Mandates shall commence immediately upon passing of this ordinary resolution and continue to be in force until:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which time the Proposed Mandates will lapse, unless the Proposed Mandates are renewed by a resolution passed at the next AGM of the Company; or
- (ii) the expiration of the period within which the next AGM is required by law to be held; or
- (iii) the Proposed Mandates are revoked or varied by resolution passed by the Shareholders of the Company in a general meeting of the Company,

whichever is the earlier;

**AND FURTHER THAT** authority be and is hereby given to the Directors of the Company and its subsidiaries to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to such transactions as authorised by this resolution and the Proposed Mandates."

9. **AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT, 2016** (Resolution 10)

**"THAT**, pursuant to Section 75 of the Companies Act, 2016 and subject always to the Company's Articles of Association, the Listing Requirements and approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be allotted and issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company as at the date of such allotment **AND THAT** the Directors be and are also hereby authorised to obtain all necessary approvals from the relevant authorities for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next AGM of the Company."

10. To transact any other business of the Company for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 2016.

# NOTICE OF ANNUAL GENERAL MEETING

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS ALSO HEREBY GIVEN THAT** subject to the approval of Shareholders at the Ninth (9<sup>th</sup>) AGM of the Company to be held on 25 May 2017, a final dividend of 1 sen per ordinary share, under the single-tier system, in respect of the financial year ended 31 December 2016 will be paid on 15 June 2017 to the Shareholders. The entitlement date for the said dividend shall be 31 May 2017.

**FURTHER NOTICE IS ALSO HEREBY GIVEN THAT** a Shareholder shall qualify for entitlement to the dividend only in respect of:

- i. Shares transferred into their securities account before 4.00 p.m. on 31 May 2017 in respect of ordinary transfers; and
- ii. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

**KOO SHUANG YEN (MIA 7556)**

**ABD RASHID ATAN (MIA 18390)**

Company Secretaries

Kuala Lumpur

26 April 2017

## NOTES:

1. A Member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of Members of the Company, shall be entitled to appoint any person as his Proxy to attend and vote instead of the Member at the meeting. There shall be no restriction as to the qualification of the Proxy.
2. A Proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.
3. A Proxy need not be a Member. A Member shall not be precluded from attending and voting in person at any general meeting after lodging the Proxy Form. However, such attendance shall automatically revoke the Proxy's authority. There shall be no restriction as to the qualification of the Proxy.
4. A Member may appoint up to two (2) Proxies to attend a general meeting of the Company. Where a Member appoints two (2) Proxies, the appointment of such Proxies shall not be valid unless the Member specifies the proportion of his shareholding to be represented by each of such Proxy. The instrument appointing a Proxy shall be in writing under the hands of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under its common seal, or the hand of its officer or its duly authorised attorney. An instrument appointing a Proxy to vote at a meeting shall be deemed to include the power to demand or join in demanding a poll on behalf of the appointor.
5. Where a Member is an exempt Authorised Nominee, which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") there is no limit to the number of Proxies which the exempt Authorised Nominee may appoint in respect of each omnibus account it holds to vote instead of it, and that a Proxy need not also be a Member and that where a Member appoints more than one (1) Proxy, the appointment shall be invalid unless it specifies the proportion of its holdings to be represented by each Proxy. An exempt Authorised Nominee refers to an Authorised Nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. **The instrument appointing a Proxy shall be deposited at the office of the Share Registrar of the Company at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia no later than Wednesday, 24 May 2017 at 1.00 p.m., and in default the instrument of Proxy shall not be treated as valid.**

# NOTICE OF ANNUAL GENERAL MEETING

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## 7. Members entitled to attend

For purposes of determining a Member who shall be entitled to attend the Ninth (9<sup>th</sup>) AGM of the Company, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd, in accordance with Article 54 of the Company's Articles of Association and Section 34(1) of SICDA, to issue a General Meeting Record of Depositors as at 15 May 2017. **Only a depositor whose name appears on the General Meeting Record of Depositors as at 15 May 2017 shall be entitled to attend the said meeting or appoint a Proxy(ies) to attend and/or vote on such depositor's behalf.**

## 8. Registration of Members/Proxies

Pursuant to Paragraph 8.29A(1) of the Listing Requirements, all the resolutions set out in the Notice of AGM will be put to vote by poll. **Registration will start at 8.30 a.m. and will end at a time as directed by the Chairman of the meeting.** The Shareholders and Proxies are requested to be punctual as the registration for attendance will be closed to facilitate the commencement of poll voting.

## EXPLANATORY NOTES ON ORDINARY BUSINESS:

1. **Agenda item No. 1** is meant for presentation and discussion only as under the provisions of Section 340(1)(a) of the Companies Act, 2016 and Article 125 of the Company's Articles of Association, the Audited Financial Statements do not require the formal approval of Shareholders and hence, will not be put for voting.

## 2. Ordinary Resolution 1 – Final dividend

With reference to Section 131 of the Companies Act, 2016, a company may only make a distribution to the Shareholders out of profits of the company available if the company is solvent. On 29 March 2017, the Board had considered the amount of dividend and decided to recommend the same for the Shareholders' approval. The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made on 15 June 2017 in accordance with the requirements under Section 132(2) and (3) of the Companies Act, 2016.

## 3. Ordinary Resolution 2, 3 and 4 – Re-election of Directors

The Nomination and Remuneration Committee has recommended and the Board has approved the Directors to stand for re-election.

The independence of Dato' Yahaya Abd Jabar and Dato' Mohamed Suffian Awang, who have served as Independent Non-Executive Directors of the Company has been assessed by the Nomination and Remuneration Committee and also affirmed by the Board to continue to act as Independent Non-Executive Directors of the Company. All the three (3) Directors standing for re-election have not exceeded the nine (9) years tenure and Dato' Yahaya Abd Jabar and Dato' Mohamed Suffian Awang have also not exceeded the nine (9) years tenure as Independent Directors.

## 4. Ordinary Resolution 5 – Directors' fees for the financial year ended 31 December 2016

Section 230(1) of the Companies Act, 2016 provides amongst others, that "the fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the Shareholders' approval shall be sought at the Ninth (9<sup>th</sup>) AGM on the Directors' remuneration in three (3) separate resolutions as below:

- **Resolution 5** on payment of Directors' fees in respect of the preceding year 2016;
- **Resolution 6** on payment of a portion of Directors' fees payable from 1 January 2017 until the next AGM ("Relevant Period"); and
- **Resolution 7** on payment of Non-Executive Directors' payable benefits in respect of the Relevant Period.

Resolution 6 and 7 has taken into consideration the maximum number of twelve (12) Directors as per the Company's Articles of Association. Currently there are nine (9) Directors.

# NOTICE OF ANNUAL GENERAL MEETING

There is no increase on Directors' fees for the financial year ended 31 December 2016. The Board subsequently approved the Nomination and Remuneration Committee's recommendation for the Directors' fees in FGV Board and its Board Committees to remain unchanged in respect of the financial year ended 31 December 2016 as set out in the table below:

Board/Board Committees	Annual Fees
Board	<ul style="list-style-type: none"> <li>- RM560,000 (Chairman)</li> <li>- RM120,000 (Non-Executive Directors)</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>- RM64,000 (Chairman)</li> <li>- RM32,000 (Non-Executive Directors)</li> </ul>
Investment Committee and Board Governance & Risk Management Committee	<ul style="list-style-type: none"> <li>- RM32,000 (Chairman)</li> <li>- RM16,000 (Non-Executive Directors)</li> </ul>
Nomination and Remuneration Committee	<ul style="list-style-type: none"> <li>- RM35,000 (Chairman)</li> <li>- RM20,000 (Non-Executive Directors)</li> </ul>

The Board also approved the Nomination and Remuneration Committee's recommendation not to pay fees to the Directors of subsidiaries which have incurred losses in respect of the financial year ended 31 December 2016.

## 5. Ordinary Resolution 6 – Directors' fees payable from 1 January 2017 until the next AGM of the Company

The proposed Ordinary Resolution 6, if passed, will allow the Company to pay a portion of Directors' fees of RM43,200.00 per month to the Non-Executive Chairman and RM5,000.00 per month each to two (2) Directors from 1 January 2017 until the next AGM of the Company (estimated for 18 months).

The breakdown is as follows:

	FGV	MSM Malaysia Holdings Berhad
Chairman	RM23,200.00 per month	RM20,000.00 per month
Two (2) Directors	Nil	RM10,000.00 per month

## 6. Ordinary Resolution 7 – Benefits payable from 1 January 2017 until the next AGM of the Company

The benefits payable comprises meeting allowances, medical coverage, insurance coverage, travel expenses, benefits in kind and other claimable benefits payable to the Non-Executive Chairman and Non-Executive Directors.

In determining the estimated total amount of benefits payable for the Directors, the Board considered various factors including the number of scheduled meetings for the Board, Board Committees and Board of subsidiaries as well as the number of Directors involved in these meetings including anticipated new appointment of Directors to the Board and Board Committees.

The estimated amount of RM4,200,000.00 for the Relevant Period is derived from a total of RM2,800,000.00 for the financial year 2017 and half (1/2) of the said amount equivalent to RM1,400,000.00 for the period from 1 January 2017 until the next AGM in 2018.

Payment of the benefits payable will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred if the proposed Resolution 7 is passed at the Ninth (9<sup>th</sup>) AGM. The Board is of the view that it is just and equitable for the Directors to be paid benefits payable on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the Relevant Period.

## 7. Ordinary Resolution 8 – Re-appointment of Auditors

The present Auditors, Messrs. PricewaterhouseCoopers ("PwC"), have indicated their willingness to continue their services for another year. The Audit Committee and the Board have considered the re-appointment of PwC as Auditors of the Company for the financial year ending 31 December 2017 and have collectively agreed that PwC has met the relevant criteria prescribed by Paragraph 15.21 of the Listing Requirements.

# NOTICE OF ANNUAL GENERAL MEETING

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## 8. Abstention from Voting

- (i) All the Directors who are Shareholders of the Company will abstain from voting on Ordinary Resolution 5, 6 and 7 concerning Directors' fees and benefits payable at the Ninth (9<sup>th</sup>) AGM of the Company.
- (ii) The Director referred to in Ordinary Resolution 3 who is a Shareholder of the Company will abstain from voting on the resolution in respect of his re-election at the Ninth (9<sup>th</sup>) AGM of the Company.

## EXPLANATORY NOTES ON SPECIAL BUSINESS:

### 1. Ordinary Resolution 9 – Proposed Mandates

The proposed Ordinary Resolution 9, if passed, will allow the Company and/or its subsidiary companies to enter into the Recurrent Related Party Transactions involving the interests, direct or indirect, of the related parties, which are recurrent transactions of a revenue or trading nature necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business on normal commercial terms which are not more favourable to the related party than those generally available to the public, and are not detrimental to the minority Shareholders of the Company.

Detailed information on the Proposed Mandates is set out in the Circular.

### 2. Ordinary Resolution 10 - Authority to Directors to allot and issue shares

The proposed Ordinary Resolution 10 is a new general mandate to be obtained from the Shareholders of the Company at this AGM and, if passed, will empower the Directors pursuant to Section 75 of the Companies Act, 2016 to allot and issue ordinary shares in the Company of up to an aggregate amount not exceeding ten percent (10%) of the issued share capital of the Company as at the date of such allotment of shares without having to convene a general meeting.

This general mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company. The general mandate from Shareholders is to provide the Company flexibility to undertake any share issuance during the financial year without having to convene a general meeting.

The rationale for this proposed mandate is to allow for possible share issue and/or fund raising exercises including placement of shares for the purpose of funding current and/or future investment projects, working capital and/or acquisitions as well as in the event of any strategic opportunities involving equity deals which may require the Company to allot and issue new shares on an urgent basis and thereby reducing administrative time and costs associated with the convening of additional Shareholders meeting(s). In any event, the exercise of the mandate is only to be undertaken if the Board considers it to be in the best interest of the Company.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Made pursuant to Paragraph 8.27(2) of the Listing Requirements

The details of the following Directors who are seeking re-election pursuant to Article 88 of the Company's Articles of Association are set out on pages 82, 83 and 85 of the Annual Integrated Report 2016:

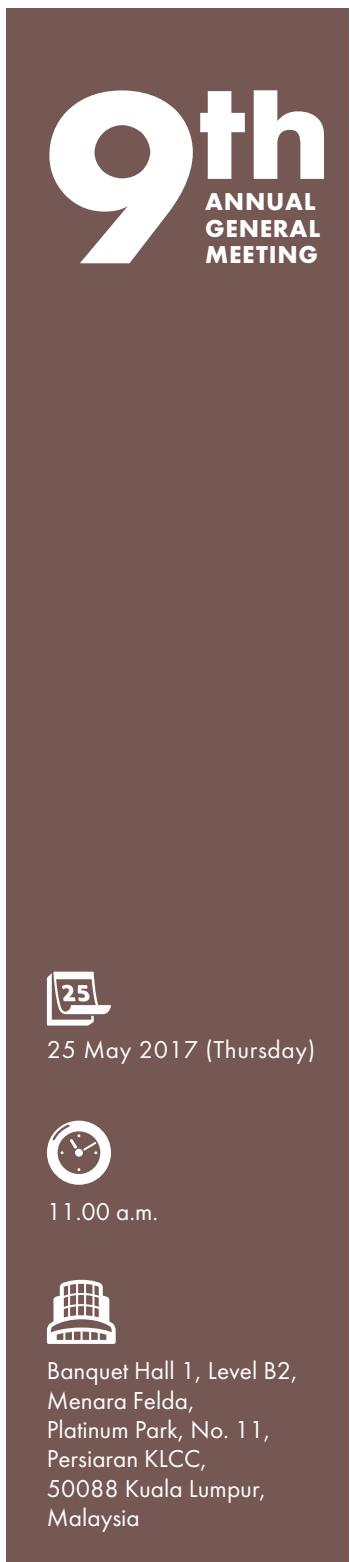
- i) Dato' Yahaya Abd Jabar
- ii) Datuk Dr. Omar Salim
- iii) Dato' Mohamed Suffian Awang

The details of the Directors' shareholdings in the Company are set out on pages 148, 149 and 343 of the Annual Integrated Report 2016.

The details on the authority to Directors to allot and issue shares in the Company pursuant to Section 75 of the Companies Act, 2016 are provided under the explanatory notes on Special Business in the Notice of AGM.

# ADMINISTRATIVE DETAILS

for the Annual General Meeting ("AGM") of Felda Global Ventures Holdings Berhad ("the Company" or "FGV")



## 1. ENTITLEMENTS TO ATTEND, SPEAK AND VOTE

**Only a depositor (Shareholder) whose name appears on the General Meeting Record of Depositors as at 15 May 2017 shall be entitled to attend, speak and vote at the AGM or appoint Proxies to attend, speak and vote on such depositor's behalf.**

## 2. PROXY

- a. The instrument appointing a Proxy (Proxy Form) shall be deposited at the Share Registrar of the Company at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia no later than Wednesday, 24 May 2017 at 1.00 p.m.
- b. If you are a Shareholder and wish to attend the AGM yourself, please do not submit any Proxy Form as you will not be allowed to attend the AGM together with a Proxy appointed by you.
- c. If you are a Shareholder and are unable to attend the AGM, and you wish to appoint a Proxy to vote on your behalf, please submit your Proxy Form in accordance with the notes and instructions printed therein.
- d. If you are a Shareholder and have submitted your Proxy Form prior to the AGM and subsequently decided to personally attend the AGM, please proceed to the Help Desk on the day of the AGM to revoke the appointment of your Proxy.
- e. **Only original duly executed Proxy Form is acceptable.**
- f. **Proxy Form submitted via fax or email is not acceptable.**

## 3. CORPORATE MEMBER

Any corporate member who wishes to appoint a representative instead of a Proxy to attend the AGM should submit the original certificate of appointment under the seal of the corporation to the office of the Share Registrar of the Company **no later than Wednesday, 24 May 2017 at 1.00 p.m.**

## 4. REGISTRATION

- a. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM will be put to vote by poll. **Registration will start at 8.30 a.m. and will end at a time as directed by the Chairman of the meeting.** The Shareholders and Proxies are requested to be punctual as the registration for attendance will be closed to facilitate the commencement of poll voting.
- b. Please read the signages to ascertain where you should register yourself as a Shareholder or Proxy for the meeting and join the queue accordingly.
- c. Please produce your **original MYKAD (for Malaysian) or Passport (for non-Malaysian)** to the registration staff for verification. **No photocopy of MYKAD or Passport will be accepted.** Please make sure you collect your MYKAD or Passport thereafter.
- d. **No person will be allowed to register on behalf of another person** even with the original MYKAD or Passport of that other person.
- e. You will be provided with an identification tag upon verification and registration.
- f. No person will be allowed to enter the meeting hall without the identification tag.
- g. The identification tag must be worn throughout the AGM.
- h. There will be no replacement in the event that you lose or misplace the identification tag.
- i. If you are attending the AGM as Shareholder as well as Proxy, you will be registered once and will be provided only one (1) identification tag to enter the meeting hall.
- j. The registration counter will handle only verification of identity and registration. If you have any enquiries or in need of clarification, please proceed to the Help Desk.

# ADMINISTRATIVE DETAILS

for the Annual General Meeting ("AGM") of Felda Global Ventures Holdings Berhad ("the Company" or "FGV")

## 5. HELP DESK

- a. Please proceed to the Help Desk for any clarification or enquiry.
- b. The Help Desk will also handle revocation of Proxy's appointment.

## 6. REFRESHMENTS

- a. Each **Shareholder** who is present at the AGM will be entitled to one (1) Breakfast Voucher only upon registration.
- b. Each **Proxy** who is present at the AGM will be entitled to one (1) Breakfast Voucher only upon registration (per head count), irrespective of the number of Shareholders he/she represents.
- c. If you are a **Shareholder and also a Proxy** who is present at the AGM, you will be entitled to one (1) Breakfast Voucher only upon registration (per head count).
- d. Please bring your Breakfast Voucher to the designated counter to collect your breakfast.
- e. There will be no lunch provided to Shareholders or Proxies who attend the AGM.

## 7. DOOR GIFTS

- a. Each **Shareholder** who is present at the AGM will be entitled to one (1) Gift Voucher only upon registration.
- b. Each **Proxy** who is present at the AGM will be entitled to one (1) Gift Voucher only upon registration (per head count), irrespective of the number of Shareholders he/she represents.
- c. If you are a **Shareholder and also a Proxy** who is present at the AGM, you will be entitled to one (1) Gift Voucher only upon registration (per head count).
- d. Please bring your Gift Voucher to the Door Gifts Counter to collect your door gifts.

## 8. PARKING

- a. Shareholders are encouraged to use the KELANA JAYA LINE Light Rail Transit (LRT) and descend at the Ampang Park Station, which is about 7 minutes walking distance to the venue of the AGM.
- b. FGV provides free parking **ONLY at Park Rite, located at Menara Naza, beside Menara Felda ONLY from 7.00 a.m. to 4.30 p.m.** Please produce your parking ticket during registration for validation.

## 9. ENQUIRIES FOR AGM

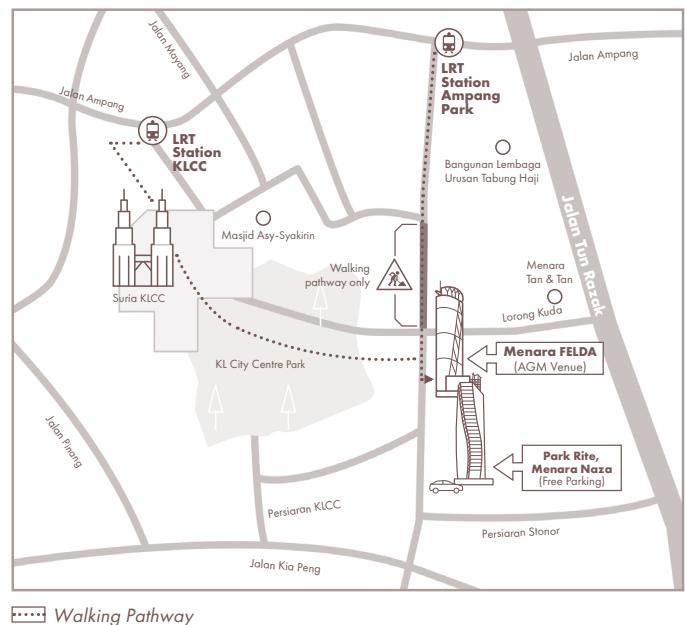
- a. If you have any enquiry relating to the administrative details of the AGM, please contact our Investor Relations and Enquiries during office hours:

Tel : +603 2859 0000 (Azlene Ariffin/Habsah Abu Bakar)  
Fax : +603 2859 0016  
E-mail : [fgv.enquiries@feldaglobal.com](mailto:fgv.enquiries@feldaglobal.com)

- b. If you have any enquiry relating to the registration and Proxy Form, please contact our Share Registrar during office hours:

Tel (Help Desk) : +603 7849 0777  
Fax : +603 7841 8151/8152  
E-mail : [ssr.helpdesk@sympphony.com.my](mailto:ssr.helpdesk@sympphony.com.my)

## 10. LOCATION OF AGM VENUE





## PROXY FORM

CDS ACCOUNT NO.:	NO. OF SHARES HELD:

I/We \_\_\_\_\_  
*(Full name of a Member in BLOCK LETTERS as per Identity Card ("MYKAD")/Passport/Certificate of Incorporation)*

MYKAD/Passport No. (for non-Malaysian)/Company No.: \_\_\_\_\_ of \_\_\_\_\_  
*(Address in full)*

Telephone No. \_\_\_\_\_ being a Member of Felda Global Ventures Holdings Berhad

("the Company"), hereby appoint \_\_\_\_\_  
*(Full name of Proxy in BLOCK LETTERS as per MYKAD/Passport)*

MYKAD/Passport No. (for non-Malaysian): \_\_\_\_\_ of \_\_\_\_\_  
*(Address in full)*

and/or failing him/her \_\_\_\_\_  
*(Full name of Proxy in BLOCK LETTERS as per MYKAD/Passport)*

MYKAD/Passport No. (for non-Malaysian): \_\_\_\_\_ of \_\_\_\_\_  
*(Address in full)*

or failing the abovenamed Proxies, the Chairman of the meeting, as my/our Proxy/Proxies to attend and vote for me/us on my/our behalf at the Ninth (9<sup>th</sup>) Annual General Meeting of the Company to be held at **Banquet Hall 1, Level B2, Menara Felda, Platinum Park, No. 11, Persiaran KLCC, 50088 Kuala Lumpur, Malaysia** on **Thursday, 25 May 2017**, at **11.00 a.m.** and at any adjournment thereof. My/our Proxy/Proxies is to vote as indicated below:

NO.	AGENDA			
		Resolution	For	Against
1	To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.	1		
2	Approval of a final dividend of 1 sen per ordinary share, under the single-tier system, in respect of the financial year ended 31 December 2016.	2		
3(i)	Re-election of Dato' Yahaya Abd Jabar as Director pursuant to Article 88 of the Company's Articles of Association.	3		
3(ii)	Re-election of Datuk Dr. Omar Salim as Director pursuant to Article 88 of the Company's Articles of Association.	4		
3(iii)	Re-election of Dato' Mohamed Suffian Awang as Director pursuant to Article 88 of the Company's Articles of Association.	5		
4	To approve the payment of Directors' fees for the financial year ended 31 December 2016.	6		
5	To approve the payment of a portion of Directors' fees payable from 1 January 2017 until the next Annual General Meeting of the Company.	7		
6	To approve the payment of benefits payable from 1 January 2017 until the next Annual General Meeting of the Company.	8		
7	Re-appointment of Messrs. PricewaterhouseCoopers as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration.	9		
8	Proposed Mandates.	10		
9	Authority to Directors to allot and issue shares pursuant to Section 75 of the Companies Act, 2016.			

(Please indicate with an "X" in the space whether you wish your votes to be cast for or against the resolutions. In the absence of such specific instructions, your Proxy will vote or abstain as he/she thinks fit)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

Signature(s)/Common Seal of Member(s)

The proportions of my/our holding to be represented by my/our Proxies are as follows:		
	No. of Shares	Percentage
First Proxy		
Second Proxy		
<b>Total</b>		<b>100%</b>

**Notes:**

1. A Member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of Members of the Company, shall be entitled to appoint any person as his Proxy to attend and vote instead of the Member at the meeting. There shall be no restriction as to the qualification of the Proxy.
2. A Proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.
3. A Proxy need not be a Member. A Member shall not be precluded from attending and voting in person at any general meeting after lodging the Proxy Form. However, such attendance shall automatically revoke the Proxy's authority. There shall be no restriction as to the qualification of the Proxy.
4. A Member may appoint up to two (2) Proxies to attend a general meeting of the Company. Where a Member appoints two (2) Proxies, the appointment of such Proxies shall not be valid unless the Member specifies the proportion of his shareholding to be represented by each of such Proxy. The instrument appointing a Proxy shall be in writing under the hands of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under its common seal, or the hand of its officer or its duly authorised attorney. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or join in demanding a poll on behalf of the appointor.
5. Where a Member is an exempt Authorised Nominee, which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") there is no limit to the number of Proxies which the exempt Authorised Nominee may appoint in respect of each omnibus account it holds to vote instead of it, and that a Proxy need not also be a Member and that where a Member appoints more than one (1) Proxy, the appointment shall be invalid unless it specifies the proportion of its holdings to be represented by each Proxy. An exempt Authorised Nominee refers to an Authorised Nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. **The instrument appointing a Proxy shall be deposited at the office of the Share Registrar of the Company at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia no later than Wednesday, 24 May 2017 at 1.00 p.m., and in default the instrument of Proxy shall not be treated as valid.**

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Annual General Meeting  
Felda Global Ventures Holdings Berhad  
25 May 2017

**7. Members entitled to attend**

For purposes of determining a Member who shall be entitled to attend the Ninth (9<sup>th</sup>) Annual General Meeting of the Company, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd, in accordance with Article 54 of the Company's Articles of Association and Section 34(1) of SICDA, to issue a General Meeting Record of Depositors as at 15 May 2017. **Only a depositor whose name appears on the General Meeting Record of Depositors as at 15 May 2017 shall be entitled to attend the said meeting or appoint a Proxy(ies) to attend and/or vote on such depositor's behalf.**

**8. Registration of Members/Proxies**

Pursuant to Paragraph 8.29A(1) of the Listing Requirements, all the resolutions set out in the Notice of AGM will be put to vote by poll. **Registration will start at 8.30 a.m. and will end at a time as directed by the Chairman of the meeting.** The Shareholders and Proxies are requested to be punctual as the registration for attendance will be closed to facilitate the commencement of poll voting.

**STAMP**

**Share Registrar**

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

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**[www.feldaglobal.com](http://www.feldaglobal.com)**

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