PROGRESSING WITH CHANGE

ANNUAL INTEGRATED REPORT 2018

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FGV HOLDINGS BERHAD

(FORMERLY KNOWN AS FELDA GLOBAL VENTURES HOLDINGS BERHAD)

11TH ANNUAL GENERAL MEETING

TM Convention Centre
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia

Tuesday
25 June 2019

11.00 a.m.

www.fgvholdings.com

OUR COVER STORY

The theme, 'Progressing with Change', reflects the Group's renewed focus following a recent period of challenge. Like the plain white cover adorning our AIR 2018, the Report focused on our fundamentals, steering away from excessiveness and giving precedence to good governance and accountability.

Indeed, we have embarked on a new chapter which has seen us take the steps needed to attain positive change and bring out the best in the Group. We are confident that our fresh approach will enable us to restore the Group and allow us to emerge with vigour and honour.

WE'VE HAD A CHALLENGING YEAR BUT WE FACED IT HEAD ON.

"We have embarked on the crucial first steps needed to rejuvenate our Group and place it back on track."

Datuk Wira Azhar Abdul Hamid
Chairman

SECTION 01

"WE BENCHMARKED OURSELVES AGAINST GLOBAL BEST PRACTICES"

SECTION 02

"WE STRIVED TO STAY TRUE TO OUR IDENTITY"

SECTION 03

"WE ESTABLISHED INTEGRATED AND COMPREHENSIVE IMPLEMENTATION PLANS"

SECTION 04

"WE PRACTICED LEADERSHIP BY EXAMPLE"

SECTION 05

"WE REMAINED FOCUSED ON VALUE CREATION"

SECTION 06

"WE REINFORCED OUR STANDARDS OF GOVERNANCE"

SECTION 07

"WE EXAMINED OUR NUMBERS"

SECTION 08

"WE UPHELD THE HIGHEST STANDARDS OF DISCLOSURE"

SECTION 09

"WE CONTINUED TO EMBRACE TRANSPARENCY AND INCLUSIVENESS"

ABOUT THIS REPORT

This 4th Annual Integrated Report (AIR) for the year ended 31 December 2018 (FY2018) represents more than just a record of our performance during the year. It represents our continued commitment to transparency and accountability which form the foundation for our Group's development of a sustainable business and delivery of value to our Stakeholders.

The preparation of this report reflects our integrated approach to operating our business, using the Six Capitals to achieve our strategic objectives and create long-term value for our organisation and our Stakeholders. The capitals, as identified by the International Integrated Reporting Council (IIRC), consist of Financial Capital, Natural Capital, Manufactured Capital, Intellectual Capital, Human Capital, and Social & Relationship Capital. These, in turn, represent stores of value we use as inputs to operate our business. By reporting based on the IIRC Framework, we aim to provide our Stakeholders with a broader view of how we create value and the impact our business generates on the Capitals. This approach has allowed us to produce this AIR in a way that is concise, strategic and forward-thinking to provide Stakeholders with more in-depth and meaningful information to aid in their decision-making.

In producing this report, we have followed the IIRC Framework and adhered to local reporting requirements, namely the Malaysian Code on Corporate Governance 2017 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities). We have also strived to meet global benchmarks by following the Global Reporting Initiative Standards on sustainability reporting.

www.sc.com.my
www.bursamalaysia.com
www.globalreporting.org

REPORTING SCOPE AND BOUNDARIES

Information in this AIR covers the value-creating activities within our reporting boundaries. These, in turn, were established based on the impact from our operations as a result of our internal structure and associated companies, as well as from outside our Group. We also report on developments, impact and other information which may fall outside our reporting boundaries but are considered highly material to our performance.

In terms of information reported in this AIR, we have categorised 'outside our Group' as assets which we do not own and operate under contractual obligation, as well as assets where we do not engage or employ workers.

Information in this AIR is confined to developments throughout the FY2018 period, beginning on 1 January 2018 to 31 December 2018. Unless otherwise stated, it covers all of FGV Holdings Berhad's businesses in Malaysia and other countries we operate in. This includes operations for which we own full control, subsidiaries and leased facilities. All significant items have been reported on a like-for-like basis with no major restatements undertaken.

In line with our efforts to integrate sustainability practices within all segments of our operations, we have renewed our reporting approach by including our sustainability disclosures throughout this AIR. This approach demonstrates the role of sustainability in each stage of value creation. It also differs from our practice in previous years of providing a separate sustainability statement within our report.

This report also includes all risks and opportunities that are material to our sustainability. These are related to our entities, operations and corresponding topic boundaries within the reporting period. The report however does not estimate or forecast future impacts of our material matters related to sustainability.

To assess potential risks to the environment, we apply the Precautionary Principle to avoid known and unforeseen negative impacts on the environment.

For a holistic view of our business, this AIR should be read in conjunction with the information available on our website.

www.fgvholdings.com

DETERMINING OUR MATERIAL MATTERS

This AIR was prepared based on the determination of our material matters. This ensures we provide a fair, accurate and comprehensive account of our strategy, performance and prospects. It also takes into account our response to the material matters in the financial, social, economic, environmental and governance aspects of our business.

During the year in review, we conducted a Materiality Assessment with the support of an independent consultant, engaging internal and external Stakeholders to gain their views on our Group's material matters. This process involved a review of our Materiality Matrix to determine the factors impacting our delivery of value.

Following this, we developed the content for this AIR by taking into account qualitative and quantitative considerations as well as factors which may affect our ability to achieve our strategic objectives and maintain the sustainability of our business. We also considered the issues discussed in reports presented to our Board of Directors, reported risks and the interests of our Stakeholders. Additionally, we factored in material impacts of the countries and regions where we operate.

UPHOLDING THE INTEGRITY OF REPORTING

In line with the emphasis we place on good governance, we have to the best of our ability strived to ensure the reliability and completeness of information presented in this report. In upholding the quality of this AIR, the report was reviewed by Reporting Committee members to ensure it complies with the IIRC Framework, sufficiently discusses the Group's material matters and fairly represents our integrated performance against the targets set for the year.

The report was further submitted to the Audit Committee for review and recommended to the Board for approval, together with the Group's Annual Financial Statements. Final approval for this AIR was granted by the Board.

In addition, the external auditors continued to support our assurance and approval objectives by providing external assurance on our Financial Statements. The external auditors have read the other information and in doing so, considered whether the other information is materially consistent with the Financial Statements or their knowledge obtained in the audit, or otherwise appears to be materially misstated. The external auditors also provided limited assurance review on our Statement on Risk Management and Internal Control.

OPPORTUNITIES FOR FEEDBACK

We recognise that continued improvement of our reporting practices and standards can only be done with the involvement of regular engagement with our Stakeholders throughout the year. This represents not only an important component of building Stakeholders' trust but also in enhancing the effectiveness of our strategy and implementing timely & relevant adjustments as required when new developments arise in our operating environment.

In line with this, we welcome feedback and enquiries from our Stakeholders and the public on our reporting. Our Investor Relations team can be contacted at:

03-2789 0000

fgv.investors@fgvholdings.com

NAVIGATION ICONS FOR CAPITAL REPORTING

In accordance with the IIRC Framework, we have aimed to report on our Group's performance following the Six Capitals of value creation and our material matters. As we intend to provide readers with a report that is engaging, interactive and straightforward, this report uses the following navigation icons to highlight information on the Six Capitals and our material matters:

6 CAPITALS

Financial

Financial Capital is the monetary assets available to an organisation for use in the production of goods or the provision of services obtained through financing, such as debt, equity or grants, or generated through operations or investments.

ABOUT THIS REPORT

Natural

Natural Capital includes resources, such as trees, animals, water, minerals and other natural resources which can be used by humans to provide a return.

Manufactured

Manufactured Capital is manufactured physical objects (as distinct from natural physical objects) that are available to an organisation for use in the production of goods or the provision of services, including buildings, equipment, and infrastructures. Manufactured capital is often created by other organisations, but includes assets manufactured by the reporting organisation for sale or when they are retained for its own use.

Intellectual

Intellectual Capital consists of organisational, knowledge-based intangibles, including intellectual property, such as patents, copyrights, softwares, rights and licences and 'organisational capital' comprising tacit knowledge, systems, procedures and protocols.

Human

Human Capital is people's competencies, capabilities and experience, and their motivations to innovate. It also represents alignment with and support for an organisation's governance framework, utilising a risk management approach. Human Capital is also made up of a talented, versatile and cohesive workforce, imbued with the right ethical values and the ability to drive the organisation's strategic intent and motivated to continually improve processes, products and services.

Social & Relationship

Social and Relationship Capital includes relationships within an organisation, as well as those between an organisation and its external Stakeholders, depending on where social boundaries are drawn.

MATERIAL MATTERS

- **YI** **Yield Improvement**
- **EP** **Economic Performance**
- **GE** **Governance, Ethics & Integrity**
- **HR** **Human Rights and Labour Relations**
- **RC** **RSPO Certification**

FORWARD-LOOKING STATEMENTS

Where necessary within this AIR, we have used forward-looking statements related to our Group's plans, objectives, strategies, future operations and performance. These statements are typically signalled by the use of words which include but are not limited to: 'expects', 'targets', 'intends', 'anticipates', 'believes', 'estimates', 'may', 'plans', 'projects', 'should', 'would' and 'will'.

These statements should not be taken as a guarantee of future operating, financial or other results as we remain subject to risks, uncertainties and assumptions against various possible scenarios. Subsequently, actual results and outcomes may significantly differ from forward-looking statements, whether express or implied. As such, we would like to clarify that our Group makes no express or implied representation or warranty that the results targeted by these forward-looking statements will be achieved. We are under no obligation to update these forward-looking statements or the historical information included in this AIR.

OUR COMMITMENT TO SUSTAINABILITY

Sustainability is a continuous journey which should be embarked upon collectively, with a sense of shared responsibility, support and leadership among industry, civil society and government. Through our own efforts, we believe in our ability to demonstrate that plantation capacity can be expanded in a way that is socially and environmentally responsible, while also preserving our financial position. This will help meet rising agricultural demands and enhance rural livelihoods while reducing pressure on natural forests, ensuring sustainable value creation for all our Stakeholders.

In view of this, we see sustainable practices as crucial to the health and longevity of our business, as well as to the creation of value for our Stakeholders. Thus, we are committed to embedding sustainability within our organisation and have reflected this in our new approach to sustainability reporting this year. Instead of providing a separate sustainability statement, we have adopted a holistic approach to our reporting by including our sustainability disclosures throughout this AIR. This also demonstrates the role of sustainability in each stage of value creation.

Our sustainability reporting practices adhere to Bursa Securities Sustainability Guidelines. We are also guided by the Global Reporting Initiative Standards on sustainability reporting, the International Integrated Reporting Council Framework and other global best practices. The following information discloses how we have complied with Bursa Securities Sustainability Guidelines and the respective section in which you will find the relevant information within this AIR.

SUSTAINABILITY GOVERNANCE

We uphold the highest level of sustainability governance through oversight by our Board of Directors, which is accountable for the Group's sustainability strategy and performance. The Board has also ensured that our refreshed Business Plan 2019-2021 (BP21) considered the sustainability of the Group's business, anchored by the Economic, Environment and Social pillars. Previously at the Management level, our Group President/Chief Executive Officer was responsible for the overall integration of sustainability in our business. The implementation of the Group's sustainability initiatives is further undertaken by our business units, led by the Group Sustainability & Environment Division.

SCOPE AND BOUNDARIES

The scope and boundaries can be found on page 1

SUSTAINABILITY GOVERNANCE

Our approach to sustainability management and its subsequent sustainability governance structures can be found on page 4

ENGAGING WITH OUR STAKEHOLDERS

How we engage with our Stakeholders, the impact they have on us and the trends from their relationship can be found on page 15

MATERIALITY ASSESSMENT

How we have conducted our Materiality Assessment, its results and how it links to our strategies can be found on pages 14-21

MAPPING AGAINST OUR SUSTAINABILITY INITIATIVES

We have mapped our sustainability initiatives against the Capitals of value creation. These can be found on the following pages:

Relating our Material Matters to the Six Capitals	Page 18
Management Discussion & Analysis	Pages 31-55

2018 SUSTAINABILITY KEY HIGHLIGHTS

14 mills RSPO-certified
(Total as at December 2018: 22 mills RSPO-certified)

7 mills MSPO-certified

Certified Sustainable Palm Oil and Palm Kernel

CSPO: **425,431** MT

CSPK: **109,185** MT

Ecosystem and Biodiversity Programme

- Sun Bear Conservation Programme
- Rafflessia Conservation & Interpretation Centre
- Mega Biodiversity Corridor Conservation Project
- Oil Palm Ecosystem Project

5 Private Public Partnership Programme (PPP) have been established for environmental management and monitoring

GHG Emissions

A reduction of **97,620** MT CO_2 eq.

14 biogas plants monitored

Planted **10,158** trees in Tree Planting Programme with Sabah Forestry Department

Sustainability Trainings

- Sustainability Training Session
- Environment Management Training
- MSPO Certification Training Part 2 (MS 2530-2:2013) for Independent Smallholders

119
total scholarships up to 2018

31
scholars are currently working in various subsidiaries in FGV

FTSE4Good

FGV Holdings Berhad included as a constituent of the FTSE4Good Bursa Malaysia Index

For further details on our sustainability initiatives can be found in the Management Discussion & Analysis on pages 31-55.

OUR VISION

To be among the World's Leading Integrated and Sustainable Agribusiness that Delivers Value to Customers and Stakeholders especially the Smallholders

OUR MISSION

To be a Global Leader by

1. Creating Value through our Human Capital
2. Embody Governance & Compliance Requirement
3. Building an Integrated Value Chain Advantage
4. Cultivating Diversification in Commodities and Geography

PLANTATION SECTOR

UPSTREAM

LANDBANK

439,725 Ha
Total Landbank
(Malaysia & Indonesia)

352,255 Ha
Total Planted Area
(Oil Palm, Rubber and Other Crops)

Planted Area

339,385 Ha Oil Palm

11,267 Ha Rubber

1,603 Ha Other Crops

PROCESSING FACILITIES

68 mills
- 22 RSPO-Certified
- 7 MSPO-Certified

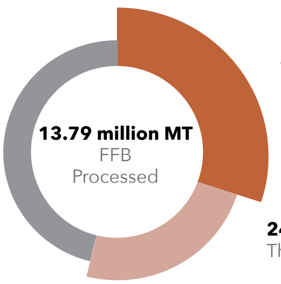
7
Rubber Processing Facilities

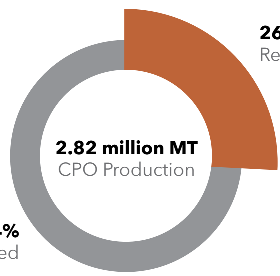
PRODUCTION

4.21 million MT
FFB production

By-products

- Empty Fruit Bunch
- Palm Kernel Shell
- Sludge Oil
- Biogas





RESEARCH AND DEVELOPMENT

>600,000 MT
Fertiliser Production

19.70 million MT
Seeds Production

Yangambi
Award-winning Planting Material

39%
Domestic Seeds Market Share

WHO WE ARE

Listed since:
June 2012

Presence:
11 Countries

Number of Employees:
18,742

Total Assets:
RM18.71 billion

DOWNSTREAM

9
Palm Oil Refineries
(5 owned, 4 JV)

4
Kernel Crushing Plants

2
Oleochemical Plants
(1 owned, 1 JV)

1
Biodiesel Plant

Saji
Flagship Brand

Product Range

- Oils and Fats (e.g. cooking oil, margerine, shortening)
- Fast-Moving Consumer Goods
- Oleochemicals
- Animal feed

SUGAR SECTOR

SUGAR

3
Sugar Refineries

Gula Prai
Flagship Brand

59%
Domestic Refined Sugar Market Share

Product range

White refined sugar of various grain sizes to soft brown sugar and molasses

LOGISTICS & SUPPORT BUSINESSES SECTOR

LOGISTICS AND STORAGE

1,065,200 MT
Edible Oil Storage Capacity

427
Liquid Tankers and Cargo Trucks

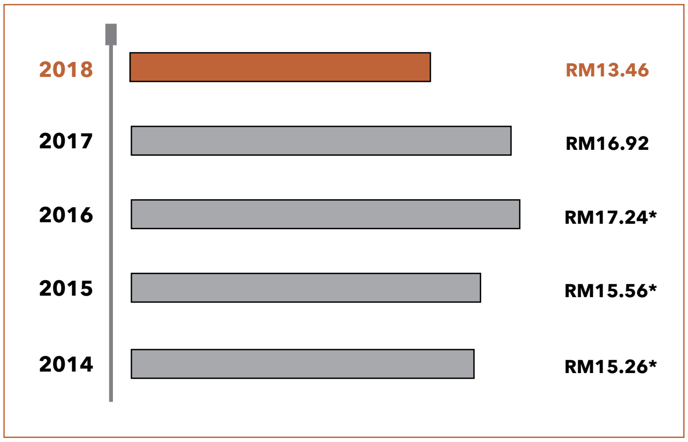
2
Jetty Operations

3
Warehouses

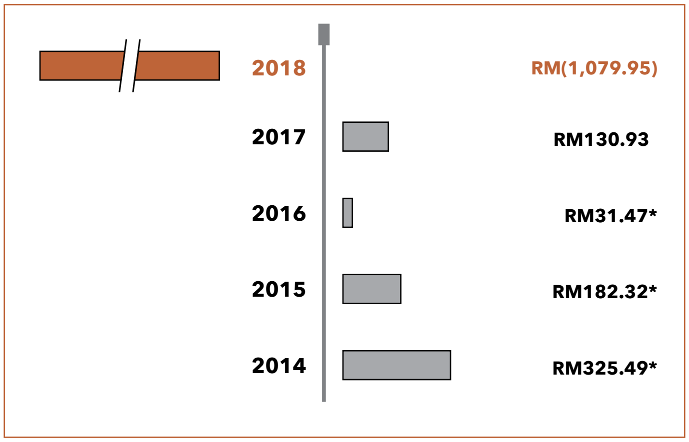
13
Liquid Terminals

FIVE-YEAR GROUP FINANCIAL SUMMARY

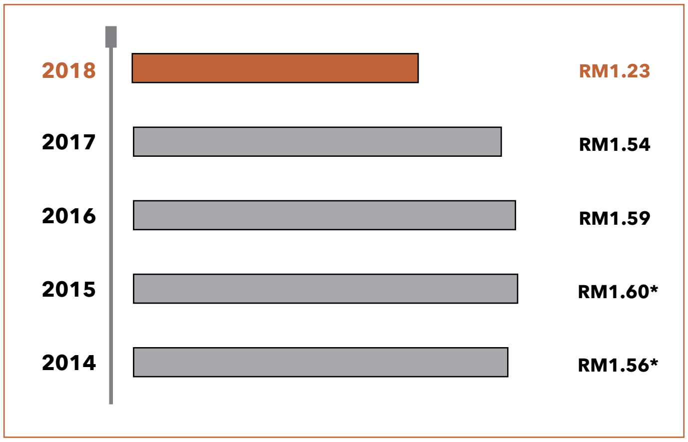
REVENUE (RM BILLION)



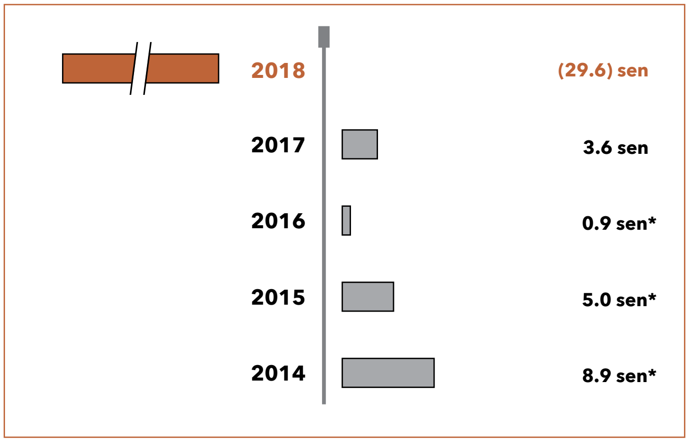
PROFIT/(LOSS) AFTER TAX AND MINORITY INTEREST (RM MILLION)



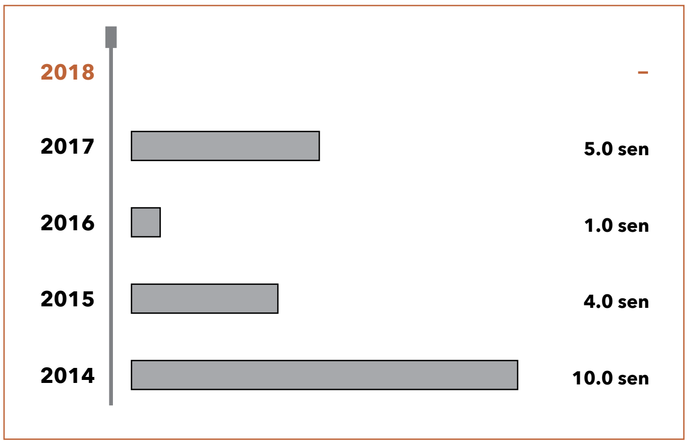
NET ASSETS PER SHARE (RM)



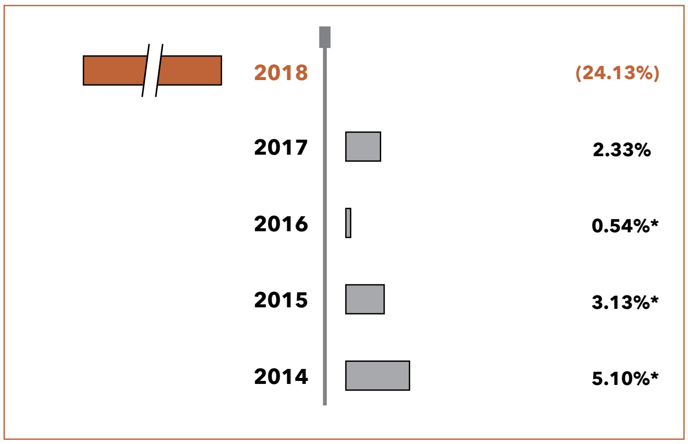
EARNINGS PER SHARE (SEN)



DIVIDEND PER SHARE (SEN)



RETURN ON SHAREHOLDERS' FUND (%)



** The comparative have not been restated following the first-time adoption of MFRS framework in 2018*

OUR CORPORATE DETAILS

BOARD OF DIRECTORS

Datuk Wira Azhar Abdul Hamid
Chairman, Non-Independent Non-Executive Director

Mohd Hassan Ahmad
Non-Independent Non-Executive Director
(Appointed on 26 September 2018)

Dato' Dr. Othman Haji Omar
Non-Independent Non-Executive Director
(Appointed on 1 October 2018)

Dato' Yusli Mohamed Yusoff
Senior Independent Non-Executive Director
(Appointed on 6 September 2018)

Dato' Mohamed Suffian Awang
Independent Non-Executive Director

Datuk Dr. Salmiah Ahmad
Independent Non-Executive Director

Dr. Mohamed Nazeeb P.Alithambi
Independent Non-Executive Director

Datuk Mohd Anwar Yahya
Independent Non-Executive Director

Dr. Nesadurai Kalanithi
Independent Non-Executive Director
(Appointed on 1 January 2018)

Datin Hoi Lai Ping
Independent Non-Executive Director
(Appointed on 6 September 2018)

Tan Sri Dr. Sulaiman Mahbob
Independent Non-Executive Director
(Resigned on 1 March 2018)

Dato' Sri Abu Bakar Haji Harun
Non-Independent Non-Executive Director
(Retired on 28 June 2018)

Dato' Zakaria Arshad
Non-Independent Executive Director
(Ceased as Non-Independent Executive Director on 12 September 2018)
(Resigned as Group President/Chief Executive Officer on 18 September 2018)

Datuk Siti Zauyah Md Desa
Non-Independent Non-Executive Director
(Ceased as Non-Independent Non-Executive Director on 26 September 2018)

Dato' Ab Ghani Mohd Ali
Non-Independent Non-Executive Director
(Resigned on 1 October 2018)

Datuk Muzzammil Mohd Nor
Alternate Director to Dato' Ab Ghani Mohd Ali
Non-Independent Non-Executive Director
(Resigned on 1 October 2018)

Dato' Yahaya Abd Jabar
Independent Non-Executive Director
(Redesignated from Senior Independent Non-Executive Director to Independent Non-Executive Director on 6 September 2018)
(Resigned on 19 November 2018)

REGISTERED OFFICE

Level 21, Wisma FGV
Jalan Raja Laut
50350 Kuala Lumpur
Malaysia

Tel : +603 2789 0000

Fax : +603 2789 0001

INVESTOR RELATIONS AND ENQUIRIES

Head of Investor Relations
Level 20, Wisma FGV
Jalan Raja Laut
50350 Kuala Lumpur
Malaysia

Tel : +603 2789 0000

Fax : +603 2789 0001

Website : www.fgvholdings.com

E-mail : fgv.investors@fgvholdings.com

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
(formerly known as 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 : bsr.helpdesk@boardroomlimited.com

COMPANY SECRETARY

Koo Shuang Yen
(MIA 7556)

AUDITORS

Messrs.
PricewaterhouseCoopers PLT
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Malaysia

Tel : +603 2173 1188

Fax : +603 2173 1288

Website : www.pwc.com/my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Listed since 28 June 2012
Stock Code: 5222

OUR GLOBAL PRESENCE

1 **USA**
- 1 oleochemical plant

2 **France**
- 1 trading office*

3 **Spain**
- 1 trading office*

4 **Turkey**
- 1 oil palm refinery*

5 **UAE**
- 1 trading office

6 **Pakistan**
- 1 oil palm refinery*
- 1 liquid terminal
- 1 jetty operation

7 **Thailand**
- 1 rubber processing facility

*	Joint Ventures (JV)
^	Excluding oil palm estates held under JV
#	Inclusive of plasma

OUR GLOBAL PRESENCE

8 Malaysia

- 331,560 Ha of planted oil palm estates
- 11,267 Ha of planted rubber estates
- 68 mills
- 4 rubber processing facilities
- 6 oil palm refineries* (2 are JVs)
- 4 kernel crushing plants
- 1 biodiesel plant
- 1 oleochemical plant*
- 3 R&D centres
- 3 sugar refineries
- 10 liquid terminals
- 3 warehouses
- 12 transport hubs
- 427 liquid tankers and cargo trucks
- 1 jetty operation

9 Indonesia

- 7,825 Ha of planted oil palm estates^#
- 1 rubber processing facility
- 1 liquid terminal
- 1 trading office

10 Cambodia

- 1 rubber processing facility

11 China

- 1 oil palm refinery
- 1 liquid terminal

OUR MARKET LANDSCAPE

2018 OVERVIEW

Global economic growth is forecasted to settle at 3.60% in 2018, a slight dip from 3.70% a year earlier. This is still considered a good year with real Gross Domestic Product (GDP) registering stronger-than-expected growth. The US, India and Brazil demonstrated strong growth whilst China and emerging markets remained robust. Nonetheless, global expansion has demonstrated underlying easing due to slower trade, tighter global financial conditions and higher crude oil prices.

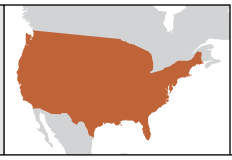
The declining trend since 2017 is expected to continue in 2019, forecasted at 3.50% due to slower growth in the USA and China. The downside will be limited by promising growth in most of the emerging markets and developing countries. Despite some potential signs of relief seen towards the end of 2018, the period of robust growth is probably behind us as the positive trends will not be enough to shift the gloom over the global outlook.

2019 MACROECONOMIC OUTLOOK

Although growth has peaked, the outlook for 2019 remains robust. Growth is expected to moderate to 3.50% in 2019, led by deceleration in the US and further softening in China, supported by stable growth in most emerging markets and developing countries. In the near-term, policy support and strong job growth continue to underpin domestic demand.

Real GDP Growth (%)

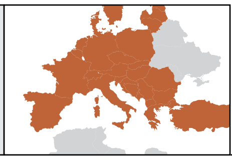
USA



2018	2.9
2019	2.3

USA economy to grow at slower pace due to:
- Rising trade barriers weighing on business sentiment
- Higher interest rates to affect consumer spending

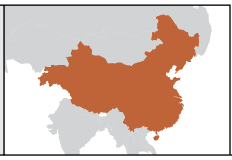
EU



2018	2.0
2019	1.8

2019 outlook to expand moderately due to:
- High public debt level in some member states, while the Eurozone's factious politics could be a source of financial volatility
- A no-deal Brexit poses a significant risk
- Consumption growth has been relatively slow
- Lower domestic demand and exports

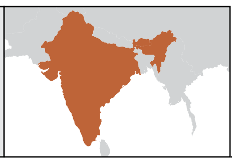
China



2018	6.6
2019	6.3

China's economy to continue to slow gradually as a result of:
- Easing monetary and fiscal policy
- Uncertainty around the extent of US-China trade tensions

India



2018	7.6
2019	7.7

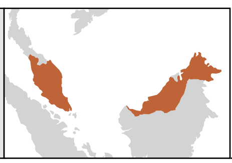
Stable growth outlook from steady domestic consumption and higher investment

ASEAN

2018	4.4
2019	4.3

Sound growth in 2019 due to:
- Firm private consumption, investment and export
- Worker and geographical advantage for Vietnam, Cambodia and Myanmar

Malaysia



2018	4.7
2019	4.6

Resilient outlook in 2019:
- Supported by domestic demand
- Growth to be anchored by private sector expenditure, in particular household spending, on the back on lower public spending

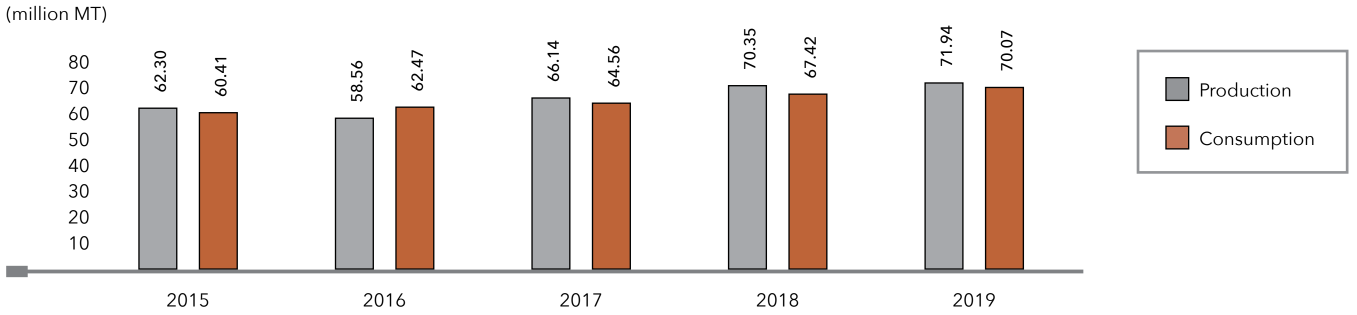
Source: EIU, World Bank, OECD, Ministry of Finance, Euromonitor, IMF, Goldman Sachs Research

2019 INDUSTRY OUTLOOK

PLANTATION - PALM OIL

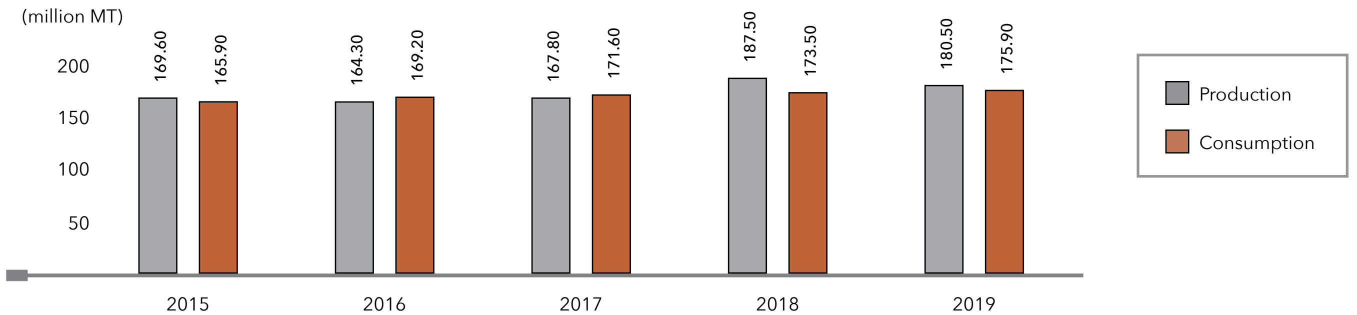
The global production of palm oil is expected to rise by a slower rate of 2.30% in 2019 while consumption growth remains strong at 3.90%. This is attributed to worker shortage in Malaysia, acreage limitation, below-potential yields and a lack of replanting to improve the age profile. Indonesia will show a stable growth of 3.80% while Malaysia will register a slight drop in production.

The outlook remains challenging for plantation players due to stock build-up and slower demand as a result of competition from soybean, as well as heavy stocks of other vegetable oil. However, this impact can be softened by higher biodiesel consumption in Indonesia and Malaysia and potentially higher demand from India due to a reduction in import duty. The possible return of the El Niño phenomenon will also weigh on future prospects for the palm oil market.



SUGAR

Global sugar output is forecasted to decline by 3.70% to 180.50 million MT in 2019, but remain above the five-year average. This is driven almost entirely by a supply drop in Brazil due to competition from bioethanol production and drought in producing regions. Meanwhile, consumption will remain stable with 1.40% growth to 175.90 million MT in 2019, supported by population growth and rising demand from emerging markets.



LOGISTICS

Malaysia's logistics sector shows a positive outlook in 2019-2020, underpinned by stable trade growth and increasing freight transportation. Total freight volume is expected to reach 1.50 million MT by 2020 at a growth rate of 8.0% per annum (2015-2020). The fragmented sector has seen a series of acquisitions especially in Third-Party logistics (3PL), with niche market segments such as cold chain and oil & gas. Similarly, the booming e-commerce sector supported by the establishment of the Digital Free Trade Zone (DFTZ), will drive activities in the e-commerce logistics space.

Source: EIU, Oil World, Rabobank, PwC

ASSESSING OUR MATERIAL MATTERS

OUR APPROACH

As part of our Integrated Reporting process and our efforts to achieve sustainability of our business, we endeavour to comprehensively disclose our growth strategies and measures to address the opportunities and risks affecting our operating environment. These matters are also those which have been identified as significant to our Stakeholders and have the potential to impact our delivery of value in the long-term.

During the year, we worked with an independent consultant to update our material matters through a Materiality Assessment. This represents a continuation of a similar exercise we conducted last year and marks our third Materiality Assessment since 2015. In contrast with the Materiality Assessment conducted in 2017, this year we adopted a more detailed approach to our Materiality Assessment process to adhere more closely to the principles of Integrated Reporting through the following steps:

IDENTIFY RELEVANT MATTERS 1

Based on a list of relevant matters gathered from our 2017 Materiality Assessment and research conducted using industry reports and peers, we ranked the relevance of these matters and how it affects our strategy and business model. Additional matters which were thought to be relevant were also incorporated in the relevant list and its definitions.

EVALUATE THE MATERIAL MATTERS 2

Once the matters were identified as relevant, we engaged with internal and external Stakeholders to consider the likelihood for the matters to happen and the impact on our value creation process. This allowed us to rank the importance of the matters to FGV as a business.

PRIORITISE THE MATERIAL MATTERS 3

We conducted another exercise with our Stakeholders to rate the material matters according to importance to them as Stakeholders. This provided us with a better understanding of their concerns and perspectives, especially on new issues raised during the year.

UPDATE THE MATERIALITY MATRIX 4

The results of the preceding steps were then collated to update the materiality matrix as shown on page 16. Similar to 2017, we mapped the material matters to the Economic, Environment and Social pillars in line with the holistic approach we take in the formulation of our business strategies. Subsequently, our Top Management reviewed and validated the matrix for completeness.

ASSESSING OUR MATERIAL MATTERS

STAKEHOLDER ENGAGEMENT

Following the identification and prioritisation of our material matters, we then conducted Stakeholder engagements on the issues identified as important to them. This provided us with insights into how best to address their needs as they relate to our ability to create value. This serves as part of our process to conduct active and open engagement with our Stakeholders as we value the relationships we have cultivated with them in the course of our business. It also ensures we effectively address the opportunities and risks which may affect our sustainability.

Our Stakeholder groups, the means through which we engaged them and the material matters identified as significant to them are disclosed as follows:

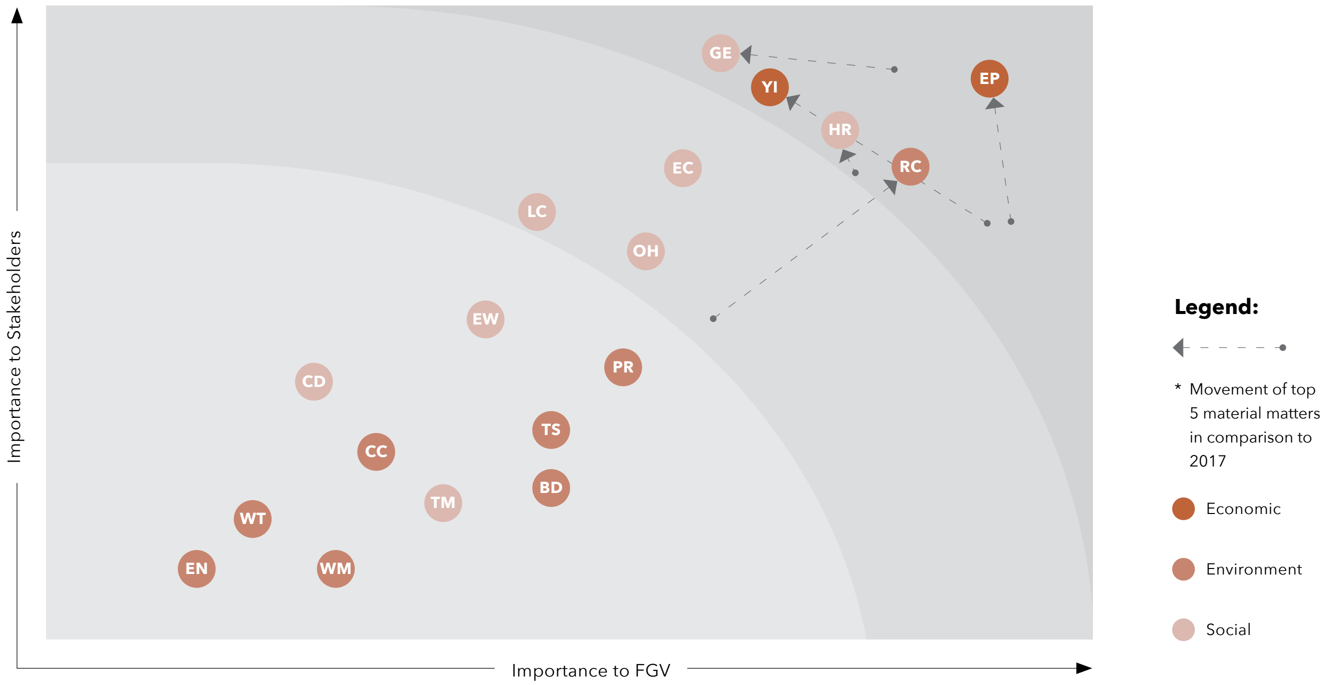
STAKEHOLDER ENGAGEMENT

STAKEHOLDER	DESCRIPTION	MEANS OF ENGAGEMENT	SIGNIFICANT MATERIAL MATTERS
Employees and Workers	Our employees and workers possess the technical expertise and experience to drive our business operations.	• Townhalls • Team meetings • Surveys • Company intranet • Newsletters	• Employee Engagement and Well-being • Occupational Health and Safety • Effective Communications
FELDA Settlers	Comprised of 112,635 Settlers that benefit from plantation income through Federal Land Development Authority (FELDA). Our profitability benefits FELDA and consequently, the Settlers.	• Monthly Management meetings with FELDA scheme managers • Roundtable on Sustainable Palm Oil (RSPO) certification assessments • Industry awareness trainings	• Community Development • Economic Performance • Effective Communications
Investors	Our Shareholders provide the financial capital to operate and grow our business.	• Quarterly and annual reports • Briefings • Roadshows • Website and social media updates	• Yield Improvement • Economic Performance • Governance, Ethics & Integrity
Customers and Joint-Venture (JV) Partners	Our customers and JV partners create the demand for our products and services.	• Roadshows • Surveys • Engagement meetings	• RSPO Certification • Effective Communications • Traceability/Supply Chain
Government	The government facilitates the running of our business by providing infrastructure and other means of support.	• Conferences • Engagement meetings • Dialogues	• Biodiversity and Deforestation Management • Governance, Ethics & Integrity • Human Rights
Suppliers	Our suppliers provide the materials that we need to produce our goods and services.	• Engagement meetings • Integrity assessments and training programmes	• Effective Communications • Economic Performance • Traceability/Supply Chain
Non-Governmental Organisations (NGO)	NGO help keep us abreast of socioeconomic developments that can impact our business.	• Dialogues • Corporate social responsibility activities and consultations	• Biodiversity and Deforestation Management • Traceability/Supply Chain • Human Rights
Regulatory Bodies	Regulatory bodies help keep our operations in compliance with regulations and guidelines that protect other Stakeholders' interests.	• Engagement meetings • Site inspections	• Occupational Health and Safety • Human Rights • Legal Compliance

ASSESSING OUR MATERIAL MATTERS

THE TOP MATERIAL MATTERS AND KEY CHANGES BETWEEN 2017 AND 2018

Our materiality matrix shows the 18 relevant matters identified through the combined 2017 and 2018 processes. In line with our holistic approach, we have grouped the material matters according to the Economic, Environment and Social pillars.



- GE Governance, Ethics & Integrity
- EP Economic Performance
- EC Effective Communications
- OH Occupational Health and Safety
- YI Yield Improvement
- RC RSPO Certification
- PR Products Responsibility
- TS Traceability/Supply Chain
- BD Biodiversity and Deforestation
- CC Climate Change
- TM Talent Management
- WM Waste Management
- LC Legal Compliance
- EW Employee Engagement and Well-being
- WT Water Management
- EN Energy Consumption
- CD Community Development (CSR)
- HR Human Rights and Labour Relations

Among the key changes between 2017 and 2018 were the addition of Labour Relations to Human Rights to cover equal remuneration and freedom of association. We also separated Talent Management from Employee Engagement and Well-being to provide greater coverage on talent development and succession planning.

For 2018, out of the 18 relevant matters identified, five matters ranked the highest by our Stakeholders and business were illustrated in the top-right corner of the matrix:

- **Economic Performance**
- **Yield Improvement**
- **Human Rights and Labour Relations**
- **Governance, Ethics & Integrity**
- **RSPO Certification**

Our top five material matters for 2018, which will be focused on throughout this Annual Integrated Report (AIR), differed from those identified in 2017. Effective Communications moved from the top matters to the middle as we conducted numerous engagements with our Stakeholders during the year. With regard to recent events related to sustainability, RSPO certification has climbed up the priority ladder to become one of the top Stakeholder concerns.

SETTING OUR MATERIAL MATTERS TO THE GLOBAL CONTEXT

In recent years, we have benchmarked our sustainability efforts against the United Nations' Sustainable Development Goals (SDGs), which consist of 17 global goals towards ending poverty, protecting the planet and ensuring the people enjoy peace and prosperity by the year 2030. 193 countries are signatories of the SDGs, including countries in ASEAN where the SDGs' movement continues to gain traction. In Malaysia, the SDGs Roadmap Phase 1 (2018-2020) is being developed to align the implementation of the SDGs with the 11th Malaysia Plan.

As global megatrends such as population growth, depletion of resources and epidemic diseases continue to emerge, the business landscape is presented with rapidly changing and unparalleled risks and opportunities. Consumers and investors, who now have information at their fingertips, are also placing greater pressure on businesses, especially those which are reliant on natural resources such as ours, to take responsibility for the impact we create on society and the environment. As a forward-looking business built on a legacy of sustainable development, inclusiveness and the uplifting of rural communities, we are committed to addressing these challenges and playing a role in ensuring the long-term well-being and prosperity of the planet and its people.

Against this backdrop, we believe in achieving sustainable development by incorporating the SDGs and its targets into our operations to meet the growing expectations from the public. We also see this as a viable approach to help strengthen our sustainability practices and improve our business performance in the long-term. It also provides us with business opportunities, in areas including food & agriculture, and energy & materials, to be created with the achievement of the SDGs.

We have identified 12 SDGs which we believe we can contribute to the most through our business activities. These cover areas throughout our value chain as well as the communities, human rights and the environment. We have further mapped these against the Six Capitals of value creation, as reported in our Management Discussion & Analysis section. In doing so, we aim to provide our Stakeholders with a clear view of our efforts to conduct our business beyond the bottom line and contribute to sustainable development.

The SDG targets we are aligned to and their relationships to the Six Capitals are as follows:

FINANCIAL CAPITAL

- 8 DECENT WORK AND ECONOMIC GROWTH

NATURAL CAPITAL

- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 14 LIFE BELOW WATER
- 15 LIFE ON LAND

MANUFACTURED CAPITAL

- 3 GOOD HEALTH AND WELL-BEING
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

INTELLECTUAL CAPITAL

- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

HUMAN CAPITAL

- 3 GOOD HEALTH AND WELL-BEING
- 8 DECENT WORK AND ECONOMIC GROWTH

SOCIAL & RELATIONSHIP CAPITAL

- 2 ZERO HUNGER
- 8 DECENT WORK AND ECONOMIC GROWTH
- 11 SUSTAINABLE CITIES AND COMMUNITIES

For further details on how we aligned the SDG targets to the Six Capitals can be found in the Management Discussion & Analysis on pages 31-55

ASSESSING OUR MATERIAL MATTERS

RELATING OUR MATERIAL MATTERS TO THE SIX CAPITALS

In line with our effort to publish this AIR according to the principles of Integrated Reporting with the disclosure of value creation, we have mapped our material matters to the respective Capitals that will be discussed in the Management Discussion & Analysis:

MATERIAL MATTERS	FINANCIAL CAPITAL	NATURAL CAPITAL	MANUFACTURED CAPITAL	INTELLECTUAL CAPITAL	HUMAN CAPITAL	SOCIAL & RELATIONSHIP CAPITAL
1. Biodiversity and Deforestation		√				
2. Climate Change		√				
3. Community Development (CSR)						√
4. Economic Performance	√		√			
5. Effective Communications						√
6. Employee Engagement and Well-being					√	
7. Energy Consumption		√				
8. Human Rights and Labour Relations						√
9. Legal Compliance					√	√
10. Occupational Health and Safety			√		√	
11. Products Responsibility			√			√
12. RSPO Certification						√
13. Talent Management				√	√	
14. Traceability/Supply Chain				√		√
15. Water Management		√				
16. Yield Improvement		√		√		
17. Waste Management		√				
18. Governance, Ethics & Integrity	*Governance, Ethics & Integrity will be discussed under Corporate Governance Overview Statement.*					

OUR STRATEGY

OUR TARGETED VALUE PROPOSITIONS

BEST-IN-CLASS OPERATIONS

STRONG FINANCIAL MANAGEMENT

WELL-ENTRENCHED GOVERNANCE AND ETHICS

STRONG SUSTAINABILITY AND SOCIAL RESPONSIBILITY ORIENTATION

KEY INPUTS

HOW WE SUSTAIN VALUE

FINANCIAL CAPITAL

- Shareholder equity: RM4.47 billion
- Total assets: RM18.71 billion
- Cash: RM1.22 billion

NATURAL CAPITAL

- Landbank: 439,725 Ha
- Mechanised area: 96,500 Ha
- Planted area
  a) 339,385 Ha (Oil Palm)
  b) 11,267 Ha (Rubber)
  c) 1,603 Ha (Others)

MANUFACTURED CAPITAL

- Number of mills: 68
- Palm oil refineries: 9 globally
- Sugar refineries: 3
- Liquid terminals: 13
- Liquid tankers and cargo trucks: 427

INTELLECTUAL CAPITAL

- 3 R&D centres
- Planting materials: Yangambi, 3-way and GT1

HUMAN CAPITAL

- Employees: 18,742 (Male: 84%, Female: 16%)
- Workers: 31,853 (Foreign: 85%, Local: 15%)
- Several new Top Management with proven track record and ability to drive change (total of 5)

SOCIAL & RELATIONSHIP CAPITAL

- RSPO membership commenced in 2016
- Partner and support 112,635 FELDA Settlers
- Contribution to conservation initiatives:
  a) Sun Bear Conservation Programme (SBCP)
  b) Rafflesia Conservation and Interpretive Centre (RCIC)
  c) Mega Biodiversity Corridor Conservation Project in Lower Kinabatangan Basin
  d) Tree Planting Programme

OUR BUSINESS ACTIVITIES THAT CREATE VALUE

ECONOMIC PERFORMANCE

YIELD IMPROVEMENT

HUMAN RIGHTS AND LABOUR RELATIONS

GOVERNANCE, ETHICS & INTEGRITY

RSPO CERTIFICATION

P.R.I.D.E

PLANTATION SECTOR

UPSTREAM ACTIVITIES
- Harvesting and production of FFB
- Processing of FFB into CPO
- Production and processing of rubber

DOWNSTREAM ACTIVITIES
- Refining of CPO
- Fractionation of RBDPO and Palm Olein
- Crushing of PK
- Production of FMCG
- Production of Oleochemicals (PME, fatty acids and glycerine)

R&D ACTIVITIES
- Research and Development
- Fertilisers processing
- Production and sale of planting materials

SUGAR SECTOR

- Sugar refining
- Sales and marketing of refined sugar and molasses

LOGISTICS & SUPPORT BUSINESSES SECTOR

- Bulking and transportation facilities and services
- Information & communication technology, engineering, security, properties and hospitality services

OUTPUTS

CREATING VALUE FOR OUR STAKEHOLDERS

FINANCIAL CAPITAL

- Revenue: RM13.46 billion
- Property, Plant & Equipment: RM10.52 billion
- Dividend from JV and associates: RM42.75 million

NATURAL CAPITAL

- FFB production of 4.21 million MT
- Average oil palm age profile of 14.3 years
- Carbon footprint down by 97,620 MT CO_2 eq.

MANUFACTURED CAPITAL

- CPO Production: 2.82 million MT
- OER: 20.49%
- Sugar production: 0.96 million MT
- Throughput handled: 7.01 million MT
- Tonnage carried: 5.18 million MT

INTELLECTUAL CAPITAL

- 19.70 million seeds sold
- 30 research publications
- Improvement in efficiencies through technological advancement
- Development of three new products for Downstream commercialisation

HUMAN CAPITAL

- Staff turnover rate of 3.8%
- 6,723 trainings conducted for our employees
- Right-sizing and right-fitting as part of our continuous manpower optimisation exercise

SOCIAL & RELATIONSHIP CAPITAL

- 14 mills RSPO-certified (total as at December 2018: 22 mills RSPO-certified)
- 7 MSPO-certified
- Contribution to conservation initiatives:
  - A total of 42 sun bears have been rescued, 32 released to the wild and six in rehabilitation centre
  - Establishing an area for in-situ and ex-situ conservation of Rafflesia species found in Malaysia
  - Re-establish a forest corridor network which enables safe migration of wildlife between key forest habitats and avoids human-wildlife conflict
  - Planted 10,158 trees in the Tree Planting Programme

VALUE CREATED

STAKEHOLDERS WHO BENEFIT FROM THE VALUE WE CREATE

A EMPLOYEES AND WORKERS

Creation of an environment which motivates our employees and workers to achieve career aspirations and cultivates a high-performance culture to propel the Group's growth.

B FELDA SETTLERS

Delivery of value through our continuous support in enhancing the livelihood of FELDA Settlers and advocating mutual growth and development of communities.

C INVESTORS

Regaining investors' trust in FGV as a stable investment proposition by demonstrating our ability to operate with good corporate governance, transparency and integrity, with improved operational processes.

D CUSTOMERS AND JV PARTNERS

Offering a variety of value-added products to the competitive market. Customers are also provided with high-quality, differentiated and innovative products. Additionally, we are working towards full certification of sustainable palm oil production to widen customers' reach.

E GOVERNMENT, REGULATORY BODIES, NGOs

Operating responsibly to contribute to socio-economic growth through job creation and tax payments. We also develop and retain positive relationships with authorities and support programmes which are beneficial for our Stakeholders.

OUR ORGANISATIONAL VALUES

Partnership -
Best solutions and ideas come from working with both colleagues (internal) and business partners (external).

Respect -
Our sustained success and achievements can only come from respect for people (colleagues, peers and business partners), as well as the environment, which is the main source of our business.

Integrity -
Integrity is about trust, honesty and sincerity. In our context, it means being responsible and accountable for one's own actions and behaviours. Each employee is responsible for the Group's success and business reputation.

Dynamism -
We strive to discover, create ideas and identify growth potential from uncharted opportunities and beyond traditional boundaries, all done in the best interest of the Stakeholders and communities.

Enthusiasm -
We strive to lead with passion and work with enthusiasm. We are enthusiastic about what we do, committed to the growth and future of our agribusiness, while at the same time, propagating sustainable development around the world.

THE LINKS BETWEEN MATERIAL MATTERS, STRATEGY AND RISKS

STRATEGIC INTENT	MATERIAL MATTERS	RISKS
BEST-IN-CLASS OPERATIONS We aim to establish a sustainable future for our Stakeholders by focusing on our core businesses and utilising our key assets efficiently. *For further details can be found in the Management Discussion & Analysis on pages 31-55*	YI	• Ageing oil palm profile affecting overall yield. • Shortages of foreign guest workers to work in the estates especially in Sabah & Sarawak. • Adverse weather conditions disrupting the growth of palm oil fruits. • Low Fresh Fruit Bunches (FFB) supply from external suppliers due to competitive market. • Land Lease Agreement (LLA) consideration. • Shrinking market share. • Cheaper sugar from other producer countries due to market liberation.
STRONG FINANCIAL MANAGEMENT We endeavour to create a strong financial environment that is resilient to internal and external challenges through prudent and optimised measures to maximise Stakeholders return. *For further details can be found in the Management Discussion & Analysis on pages 31-55*	EP	• Non-performing investments and impairments. • Escalating operational costs. • Volatility of Crude Palm Oil (CPO) price due to stockpile level and market demand. • Uncertainty on global economic conditions. • Volatility of commodity prices and foreign exchange movements.
WELL-ENTRENCHED GOVERNANCE AND ETHICS We strive to build a solid foundation for our business through good governance and ethical practices. *For further details can be found in Corporate Governance Overview Statement on pages 56-95*	GE	• Adverse reputational impact arising from perceived weakness in internal governance. • Potential loss arising from inadequate internal controls.
STRONG SUSTAINABILITY AND SOCIAL RESPONSIBILITY ORIENTATION We work closely with our people, customers and suppliers to lead the way in maximising resources without compromising on Economic, Environment and Social considerations. *For further details can be found in the Management Discussion & Analysis on pages 31-55*	RC	• Loss of opportunity in Roundtable Sustainable Palm Oil (RSPO) market due to non-compliance that prevent certifications. • Not meeting sustainability standards results in adverse reputational repercussions that can impact the Group's business.
	HR	• Shortage of talent pool and capabilities. • Change in regulations related to worker that will give significant impact to the Group.

Legend: Economic Environment Social

THE LINKS BETWEEN MATERIAL MATTERS, STRATEGY AND RISKS

MITIGATING MEASURES	2018 OUTCOMES
• Continuous replanting of 15,000 Ha per annum to achieve optimum age profile. • Continually working closely with relevant local and foreign authorities to have more varied access to foreign guest workers. • Provide conducive living environment to retain workers. • Increase in-field mechanisation on suitable area to improve harvester's productivity. • Flexible harvesting arrangement to maximise crop recovery during rainy season and use of rafting in flood prone areas. • Implement Good Agricultural Practices (GAP) to protect the trees from dry weather. • Revision of FFB pricing to attract higher FFB supply from suppliers. • Continuous engagement with related parties to seek assurance on tenure of LLA. • Progressively review and strengthen the marketing strategy and approach, and diversify our products (Downstream and Sugar products) to generate additional income stream. • Active engagement and discussion with the government and local authority.	• Replanted 13,119 Ha to reduce the proportion of old palm trees and improved the age profile to 14.3 years. • Obtained approximately 88% of worker requirement (comprised mainly of foreign guest workers) for estates from continued recruitment effort. • Heightened worker welfare through better provision of accommodation especially in Sabah area. • Additional 16,500 Ha was mechanised in 2018 to improve harvesters' man-to-land ratio. Total mechanised area to-date is 96,500 Ha. • Setup harvesting group to intensify crop evacuation during raining period. • Implemented GAP which include empty fruit bunches mulching and compost application. • Implemented a market driven-price mechanism to FFB suppliers. • Identified product development prospects for Downstream business and currently conducting the feasibility assessments. • Increased annual production of refined sugar capacity by 1.0 million MT.
• Assessment of the quality of existing assets and investments. • Identify non-core and non-performing assets for divestment. • Concerted drive towards cost containment across the Group. Budgets are closely scrutinised and monitored, ensuring continued adherence. • Constant monitoring of CPO price movement, regular review of trading strategies such as hedging and tolling, and production capacity e.g. estate cost control. • Proactive monitoring of the global macroeconomic landscape. • Continuous engagement with the government and relevant ministries to discuss issues related to FGV's businesses to mitigate the impact of price volatility.	• Performed impairments of Property, Plant & Equipment, Goodwill, Intangible Assets and Receivables. • Divested one non-core and non-performing assets to improve financial position. • Implemented Transformation Plan in the fourth quarter to improve operational efficiency. • Saved Headquarters cost through relocation of office. • Optimisation of manpower resources through Separation Schemes.
• Ensure the Group complies with the latest requirements of the Companies Act 2016, Malaysian Code on Corporate Governance 2017, and the Main Market Listing Requirements on Bursa Malaysia Securities Berhad. • Enhance the Group's governance by instituting comprehensive and more stringent Policies and Procedures across the Group. • Enforcement of Code of Business Conduct and Ethics for Employees (CoBCe). • Ensure timely and accurate disclosure is made on material matters.	• Enhanced Group corporate governance and business control by revising and enforcing Policies and Procedures of operational governance. • Strengthened Board oversight roles. • Group's strategic objectives were reviewed by the Board. • Engaged with investment community, media and bankers to stabilise the share price.
• Introduce structured, systematic and customised programmes which include detailed action plans for the mills to achieve full RSPO certification by 2021. • Monitor progress of the palm oil ban and continuous engagement with industry and relevant agencies to push palm oil agenda to the fore. • Proactive engagement with Key Stakeholders (e.g., Settlers, investors, customers, NGOs) to address any issues related to sustainability.	• 14 mills RSPO-certified (total as at December 2018: 22 mills RSPO-certified) • 7 MSPO-certified
• Provide attractive compensation and benefits packages, talent retention and succession planning, and trainings to enhance competency. • Provided wages to our workers between RM1,000 to RM2,500 in Peninsular Malaysia and RM920 to RM2,300 for Sabah before the implementation of the Minimum Wages Order (Amendment) 2018.	• Improved employees competencies through various trainings held throughout the year. • Better retention of foreign guest workers.

STOP THE DECLINE & DRIVE SUSTAINABLE GROWTH

Since our listing in 2012, our operating environment has changed substantially, reflecting developments in the global economy and the matters of concern to our Stakeholders. Following this, in 2018, together with our renewed leadership aspiration, we recognised a need to review the assumptions and growth focus of the Group strategic objectives. As a result, we reviewed our (SP20 (V2)) and formulated Business Plan 2019-2021 (BP21) which will cover the years 2019 to 2021. Our BP21 was developed around the following key principles:

1. Better resource utilisation to generate higher return on assets
2. Portfolio enhancements to balance the structural inefficiencies
3. Value maximisation through integrated business value chain
4. Commercially driven and accountable business decision making
5. Optimising human capital potential in driving growth

We take into account critical internal and external factors such as the strategic direction from the Board of Directors and the Management, operational challenges and the rapidly evolving industry, and market dynamics. In developing BP21, we conducted a comprehensive analysis of our existing business and asset portfolio and identified the key areas for improvement. Our strategy was then formulated to address those areas and deliver sustainable values to our Shareholders.

BP21 revolves around our business activities with a primary focus on three Sectors, namely Plantation, Sugar and Logistics & Support Businesses. We have developed a set of strategies for our core businesses and support functions categorised into four Strategic Thrusts:

1 Operational Improvement

Focuses on improvements across all our operations to maximise productivity, enhance quality and lower costs.

2 Products and Markets Penetration

Emphasises on optimising value in our Plantation, Sugar and Logistics & Support Businesses Sectors by venturing into high-margin downstream products, specialised sugar and logistics diversification, as well as through overseas expansion.

3 New Growth Area

Identify new and synergistic areas of growth to drive our long-term performance.

4 Financial and Capability Building

Adopting initiatives to improve our financial position and human capital capabilities to drive future growth, including stricter management of our finances and right-sizing our workforce.

In order to ensure BP21 presents a holistic view of our strategic objectives and initiatives, we incorporated the Economic, Environment and Social pillars into every aspect of our business operations. We are not only intending to grow in terms of size, but will also fully maximise our potential from being an integrated player and making sustainability our utmost priority. This helps to ensure that the drive to achieve our economic goals is balanced with efficient resource utilisation and strict adherence to corporate guardrails.

We believe there are sizeable and unlimited opportunities ahead for us to explore and tap into, provided we are bold, disciplined and prepared to change our way of doing business. As we are already an integrated palm player, there are more opportunities to expand our supply chain where higher margins and higher value can be captured. However, we shall remain cautious on potential threats which could hinder our progress.

OUR BUSINESS PLAN

STOP THE DECLINE & DRIVE SUSTAINABLE GROWTH

The Strategy Map illustrates the BP21 at Group and business levels, supported by the four Strategic Thrusts with three Key Enablers. The map also demonstrates the need for strong alignment and integration between various business objectives and the Group's vision and mission.

STRATEGY MAP

VISION

To be among the World's Leading Integrated and Sustainable Agribusiness that Delivers Value to Customers and Stakeholders especially the Smallholders

MISSION

To be a Global Leader by:
- Creating value through our human capital
- Embody governance & compliances requirements
- Building an integrated value chain advantage
- Cultivating diversification in commodities and geography

BUSINESS OBJECTIVES

PLANTATION SECTOR
Premier agribusiness producer focusing on operational excellence

UPSTREAM	DOWNSTREAM	R&D	NEW BUSINESSES
Largest producer of sustainable palm products	Maximising palm value chain	Driving innovation & growth	Livestock, animal feed & 'waste to wealth'

SUGAR SECTOR
World premium sugar producer

LOGISTICS & SUPPORT BUSINESSES SECTOR
Total integrated Third-Party Logistics solution and full-fledged ICT player

KEY ENABLERS

- HUMAN CAPITAL
- FINANCIAL
- SUSTAINABILITY

STRATEGIC THRUSTS

2019 - 2021

OPERATIONAL IMPROVEMENT
- Best management practices & GAP
- Improve efficiency and cost effectiveness
- Turnaround of Rubber business

PRODUCTS & MARKETS PENETRATION
- Enhance local biodiesel and produce second generation biodiesel for exports
- Serve larger markets in food, sugar, agri-products and logistics
- Improve product offerings to the market

NEW GROWTH AREA
- Landbank expansion through new acquisitions
- Venture into new areas that support growth
- Undertake strategic M&A

FINANCIAL & CAPABILITY BUILDING
- Strategic collaboration with reputable players in the market
- Right-sizing & right-fitting, build organisational capability, evaluate and reward right
- Strengthen balance sheet and divestment of non-core and non-performing assets

In recognising the urgency of implementing and achieving our goals in BP21, we have already embarked on key initiatives identified in this renewed strategy. We have further strengthened our operations by continuing to embed sustainable practices deeper within our culture and processes. Our efforts and results achieved thus far are disclosed throughout this report, particularly through our reporting of value creation according to the Six Capitals and our integration of sustainable activities along our entire value chain.

For further details on our strategic initiatives can be found in the Management Discussion & Analysis on pages 31-55.

Additionally, we have instituted significant improvements to our governance, as reflected in the changes in our Board composition, Management team and governance processes undertaken in 2018. Our more stringent approach to governance forms the foundation to drive our BP21 forward lying in achieving our long-term goals. With our collective efforts, we are confident that we are well-positioned to harness the opportunities ahead, putting us back on track to deliver sustainable value for our business and Stakeholders.

For further details on our commitment to corporate governance can be found in the Corporate Governance Overview Statement on pages 56-95.

STATEMENT FROM THE CHAIRMAN

> Dear Shareholders,
> It is my fervent hope that history will regard 2018 as a watershed year for FGV Holdings Berhad (FGV) – the year your Board of Directors took bold, concrete steps to set FGV back on the right track.

DATUK WIRA AZHAR ABDUL HAMID
Chairman

All of us on the Board agree that we were challenged, as we never have been before. There were several occasions when we debated long and hard over the best way forward, when there were difficult decisions to be made. On every occasion, we were guided by the principles of good governance, fairness and responsibility, fully aware that we serve our Shareholders, all of you, equally and without distinction.

I am pleased to report that today, we are starting to see the potential signs of recovery, although there is still some way to go.

REINFORCING OUR GOVERNANCE

In 2018, there were five new appointments to the Board to strengthen our oversight on governance and transformation. These new appointments comprise of Dr. Nesadurai Kalanithi, Dato' Yusli Mohamed Yusoff, Datin Hoi Lai Ping, Mohd Hassan Ahmad and Dato' Dr. Othman Haji Omar. With these appointments, your Board today consists of a diverse group of people with a combination of industry and subject matter expertise, who bring with them a wealth of experience and knowledge.

The Board also established two Special Board Committees; Special Board Committee 1 to evaluate the Group's past transactions and Special Board Committee 2 to monitor the Group's performance and advise on the steps needed to achieve agreed key result areas. Special Board Committee 2 also assumed the roles and responsibilities of the previous Group President/Chief Executive Officer (GP/CEO) in the interim period between the resignation of the previous GP/CEO and the appointment of the Interim Chief Executive Officer (Interim CEO). Special Board Committee 2 has ceased to operate following the appointment of the Interim CEO and Special Board Committee 1 will cease to operate once review of specific past transactions are concluded.

For further details on the establishment of Special Board Committees can be found in the Corporate Governance Overview Statement on pages 56-57.

In the fourth quarter of 2018 and the first quarter of 2019, steps were taken to strengthen FGV's leadership in key functions, especially with the appointment of Dato' Haris Fadzilah Hassan as the new Group Chief Executive Officer (GCEO).

With the new members of the Board and Management team in place, the Board is confident that the right steps are being taken to restore FGV's operations and financial standing, while governance and oversight processes are strengthened.

THE YEAR IN REVIEW

As a result of impairments totalling RM949 million over the 12 months ended 2018, FGV recorded a Loss Before Zakat and Tax (LBZT) of RM1.02 billion on the back of turnover of RM13.46 billion.

Without the impairments, FGV would have recorded a LBZT of RM74 million for the year compared to a profit in 2017.

This performance can be partly attributed to the decline in Crude Palm Oil (CPO) price, which averaged at RM2,282 per MT in 2018, compared to RM2,792 per MT in 2017. FGV's poor operational performance was also contributed to the Group's results.

There is clear evidence that FGV lags its peers in terms of productivity and cost, due to inefficiencies that were compounded by the sub-optimal oil palm age profile of its estates.

Against this backdrop, a review of the operations was undertaken in September and October 2018, which led to the development of FGV's Transformation Plan.

THE TRANSFORMATION PLAN

The first phase of the plan has been implemented and group-wide performance tracking is on-going. Several priority areas have been identified and work is underway to ensure that quick wins are realised as expeditiously as possible.

Thus far, as at March 2019, 62% of FGV's estates have successfully achieved or surpassed their yield targets, while a further 27% of estates are just shy of their targets. The targets were set based on oil palm age profile and site yield potential.

During the year, the Group recorded an 8% increase in CPO production cost (ex-mill) to RM1,737 per MT from RM1,601 per MT in 2017 as a result of lower Fresh Fruit Bunches (FFB) processed and lower CPO production. However, the Oil Extraction Rate (OER) improved to 20.49% from 19.83% in 2017, due to a higher oil-to-bunch ratio and better FFB quality. The OER also exceeded the nationwide average of 19.95%. With our Transformation Plan firmly in place, we target to improve our FFB yield to be in line with other large players in the industry and reduce CPO production cost (ex-mill) in 2019.

Our total workers stood at 31,853 in 2018, comprised mainly of foreign guest workers. Following aggressive recruitment measures, we obtained an 88% fulfilment of worker requirement mainly due to abscondment or the return of foreign guest workers to their home countries. We will continue our efforts to achieve 100% worker requirements in 2019.

The Transformation Plan is multi-pronged and include efforts to enhance efficiency and improve quality. FGV's harvesting systems are being revised and there is a renewed emphasis on good agricultural practices and clear quality targets have been set.

Furthermore, FGV continues to invest in correcting the age profile of our oil palm trees. In 2018, we completed felling for our replanting programme of 15,039 Ha, with a total replanted area of 13,119 Ha. Currently, 22% of our plantations can be classified as prime areas, whilst 28% of our hectarage is over 25 years. These trees are lower yielding and more difficult to harvest. Another 19% of our hectarage is classified as immature.

As we improve the management of our plantation operations, we target for 40% of our hectarage to be classified as prime. While this exercise will be costly, we must bite the bullet now to ensure the recovery of value from our plantation operations.

In addition to restructuring our plantation operations, we have identified several non-core and non-performing assets with an estimated value of RM350 million to be disposed off. The disposal of these assets is not only aimed at realising financial gains, but will also enable Management to focus on FGV's core operations to harness value for our Shareholders.

While these are still early days for FGV's turnaround, the Board is satisfied that we have embarked on the crucial first steps needed to rejuvenate the Group, to set it back on track. Although we concluded the year 2018 on a low note, we are optimistic for the future.

ENSURING SUSTAINABILITY

FGV is a relatively young organisation but its genesis lies in the vision of our founding fathers. In 1956, when the Federal Land Development Authority (FELDA) was established, it started a scheme, which assisted thousands of economically underprivileged families to own land for cultivation of rubber and oil palm.

We partner and support to sustain 112,635 FELDA Settlers who sell their FFB to us. In 2018, around 46% of our production was sourced from FELDA Settlers, with the remaining 24% sourced from third parties.

During the year, FGV was found to have been in violation of the Roundtable Sustainable Palm Oil's (RSPO) commitments, resulting in the suspension of our Serting mill's certification. Efforts are underway to take all corrective steps necessary to address the issues at hand. These include our engagement of external consultants to verify and endorse a number of measures we are introducing to meet the RSPO's requirements.

Additionally, we are in the process of establishing an Independent Advisory Panel to the Board. The Panel will publish two independent reports every year on our progress in relation to addressing the RSPO's requirements. The progress updates will be published on our website until all issues are resolved.

PLANNING FOR THE FUTURE

In addition to our Transformation Plan that has been put in place during the year, we reviewed the Group's strategic objectives and formulated our Business Plan 2019-2021 (BP21) to guide FGV in implementing value-adding activities to maximise Shareholder returns.

BP21 is anchored on the theme 'Stop the Decline and Drive Sustainable Growth' and is driven by the following key principles:

- Better resource utilisation to generate higher returns on assets
- Portfolio enhancements to balance structural inefficiencies
- Value maximisation through an integrated business value chain
- Commercially driven and accountable business decision-making
- Optimising human capital potential in driving growth

In line with these principles, we have identified four Strategic Thrusts to be implemented across our core businesses and support functions. These comprise operational improvements to maximise productivity, enhance quality and lower costs; products & market penetration to optimise value along our plantations, sugar and logistics value chains; new growth areas to identify strategic growth opportunities for long-term performance enhancement; and financial as well as capacity building to improve our financial position and human capital capabilities to drive our business forward.

With BP21, we aim to identify and solve shortcomings hindering FGV's growth and draw lessons from which we can move forward. Ultimately, we are steering FGV back on course to ensure its sustainability and realise value for our Shareholders.

For further details on the Strategy Map of BP21 can be found in Our Business Plan on pages 22-23.

ANNOUNCED FORENSIC AUDITS

In August 2018, FGV announced a total of six forensic audits and six internal investigations into various matters. Forensic investigators appointed by the Board, looked into the following cases:

1. The acquisition of Asian Plantations Limited (APL) in 2014
2. Investment into FGV Cambridge Nanosystems Ltd. in 2013
3. The acquisition of Troika Condominium units located in Kuala Lumpur in 2014
4. The lease of company cars in 2014
5. Investment into FGV Green Energy Sdn. Bhd. in 2015
6. The acquisition of Yapidmas Plantation Sdn. Bhd. (Yapidmas Plantation) in Sabah in 2015

On 23 November 2018, FGV announced that it had commenced legal proceedings in the Kuala Lumpur High Court against 14 defendants who are former Directors and employees of FGV, in relation to the APL case. FGV is seeking inter alia damages amounting to RM514 million for losses resulting from the acquisition of APL, or damages as assessed by the Court, general damages and interest.

On 30 November 2018, FGV announced the commencement of legal proceedings for the acquisition of Troika Condominium units and the lease of company cars.

Refer to our website for further details on the claims as disclosed in announcements to Bursa Malaysia. www.fgvholdings.com

The Board is still in the process of reviewing the findings and legal advice on the following completed forensic investigations:

1. The investment in FGV Cambridge Nanosystems Ltd.
2. The investment in FGV Green Energy Sdn. Bhd.

The forensic investigation into the acquisition of Yapidmas Plantation in Sabah remains in progress.

FGV also undertook internal investigations involving six matters which were grouped into three categories, namely:

(i) Open credit lines, poor purchasing trading practices and poor palm oil sales which resulted in bad debts. The legal actions taken to recover the debts are on going.

(ii) Direct awards of procurement contracts in breach of best practice. FGV has enhanced its procurement practices and will continue this effort.

(iii) Critical shortage of workers faced by the Group between May 2016 and April 2018 led to financial losses. FGV has undertaken aggressive worker recruitment in 2018 to restore our worker position.

The Board is guided by and committed to the highest principles of corporate governance in undertaking all necessary steps to safeguard FGV's interests. The Board has taken and will continue to take all necessary actions in a transparent manner and make relevant announcements on its actions in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

STATEMENT FROM THE CHAIRMAN

RETURNING VALUE TO OUR SHAREHOLDERS

After taking into account the operating landscape and challenges faced by the Group during the year, no dividend was declared for the financial year ended 31 December 2018.

ACKNOWLEDGEMENTS

Allow me to take this opportunity to extend my appreciation to my colleagues on the Board of Directors for their dedication to the cause we all share. They have discharged their duties admirably.

I would also like to thank the Management and employees of FGV who have persevered and proven their commitment to effecting positive change.

I would also like to record my gratitude to all our Stakeholders, who continue to support FGV throughout the year. We are confident that the strength of our relationships and the current efforts to transform the Group will bear fruit for all of us.

DATUK WIRA AZHAR ABDUL HAMID
Chairman,
Non-Independent Non-Executive Director

MESSAGE FROM THE GROUP CHIEF EXECUTIVE OFFICER

"Dear Shareholders,
I took over as GCEO on 23 January 2019, at the start of the new financial year and the point of a new beginning for FGV."

DATO' HARIS FADZILAH HASSAN
Group Chief Executive Officer

During the last financial year, our Board of Directors had made certain tough decisions that led to the appointment of several new members to the Management team. As such, the new Management team and I have inherited an aggressive Transformation Plan, with clear directions set and competitive targets to achieve. My job is to make sure that the team and I implement the plans successfully and deliver the promised results. In an open letter to our Shareholders on 14 January 2019, our Chairman, Datuk Wira Azhar Abdul Hamid outlined the historical reasons for FGV's current performance. Much of this is already well documented and thus, I will not dwell on the past, except to learn from it.

THE STEPS FORWARD

FGV's Transformation Plan is necessarily multi-pronged in its approach and is captured in our BP21. However, it can be synthesised into two broad areas of focus, namely:

Improving Operational and Financial Management

Addressing Our Human Capital Requirements

Driving culture change is not an easy task. Change is not always welcome and may face resistance in the best of organisations. Your Board and Management are well aware of the challenges ahead of us, and we are determined to succeed.

Arguably, the most important step was to ensure that FGV has the right team in place to achieve our Transformation Plan. Your Board of Directors took the lead by appointing several new members to the Management team, emphasising the need for a proven track record and the ability to drive change. This team has already started to move the levers of change within FGV.

We have started with the required top-down approach to address our Human Capital needs. Each member of the Management team will take the next steps forward to ensure that we have the optimal number of employees who are equipped with the right skill sets and empowered to perform. However, reducing 10% manpower will not be a simple task. While this will be painful, I am clear that this is the crucial way forward to be followed if we are to turnaround FGV. We will, however, ensure that any rationalisation will be fair, equitable and take into account the welfare of those affected.

The other critical aspect of our Transformation Plan lies in the review and reset of our operations, and better capital management. We have put in place various initiatives which remain on-going to improve our capital management and bring immediate benefits to our operations.

We know that our operational performance lags behind our industry peers. There are many reasons for this, some of which can be addressed immediately, such as savings from improved procurement processes which will run into millions of ringgit. However, other factors will take time to correct or reverse. We will continue to report transparently on the steps we are taking and the progress we are making.

Our estate and mill operations are also under review and several measures are being implemented to improve estate husbandry and mill practices. We are clear that our estate operations are the mainstay of the business and must be well managed for us to leverage on our many inherent strengths.

MESSAGE FROM THE GROUP CHIEF EXECUTIVE OFFICER

COMMITMENT TO SUSTAINABILITY

The Board and Management of FGV are fully committed to sustainable development. Even as we work to create value for our Shareholders, we must also strive to minimise our impact on the planet and bring positive change to all our Stakeholders. We believe that ultimately, sustainability must be part of our culture, embedded in every single employee and throughout our operations.

As part of our sustainability efforts, we aim to reduce any negative impact on the environment from our existing operations. Additionally, we stay true to our pledge of zero deforestation and reiterate our commitment not to develop on peat soil regardless of depth.

We are proud of our heritage, which was founded on the noble intentions of alleviating extreme poverty. We will work with, and never against, local communities and peoples. Wherever we go and in all that we do, we will do our best to find a balance between the well-being of the people, the environment and the Company. I believe there is no other way to move forward.

As I write this, the certification of FGV's Serting Mill is still suspended by the RSPO for worker violations and other non-compliances. The issues seen in Serting are instructive for us. There were many lapses in our management of Serting Complex, even when benchmarked against our own internal standards and policies. The good news is, we are now working twice as hard on corrective actions. There is far greater awareness within our organisation that once a commitment is made, it must be followed up with meaningful action.

PERCEPTION AND REALITY

The perception of FGV today is reflected in our share price. On the day I came onboard, our share price was at RM1.01, much better than the low of 63 sen it fell to on 14 December 2018, but a far cry from its 12-month high of RM2.15. Our listing price of RM4.55 seems like a distant dream.

The question I ask myself often is: when will we regain our footing, restore our pride and achieve our potential?

In 2018, with CPO prices under pressure, all the major plantation companies were negatively impacted, as reflected in the reduction of their market capitalisation by about 6%. In contrast, our share price fell by 60% in the same period. That decline in share price is reflective of our operational and financial performance, leadership issues, and the market's negative perception of FGV and our capacity to achieve a turnaround. While we execute our Transformation Plan, we must regain the confidence of the market and prove that we can perform at least as well as our peers.

THE YEAR AHEAD

The year 2019 will be our year of reckoning. There is much to do and even more to be achieved. Yet, we are poised for change, renewal and growth. With the direction and guidance of our Board of Directors and hard work from our dedicated team, I have no doubt that we will succeed.

HIGHLIGHTS

The report is aligned with

Bursa Securities Listing Requirements	International Integrated Reporting Council Framework
Global Reporting Initiative Standards	Bursa Securities MD&A Guidelines
Bursa Malaysia's Corporate Governance Guide 2017	

We have narrated the Management Discussion & Analysis (MD&A) on the Six Capitals of Integrated Reporting. This provides a more holistic view of both the financial and non-financial performance of our business.

MD&A

Financial Capital
- Financial performance for the Group and Sectors

pages 31-33

Natural Capital
- Landbank and estates' performance
- Environmental stewardship

pages 34-38

Manufactured Capital
- Operational performances:
  - Upstream (mills)
  - Downstream
  - Sugar
  - Logistics & Support Businesses

pages 39-44

Intellectual Capital
- Research and Development
- Intellectual Property

pages 45-47

Human Capital

pages 48-52

Social & Relationship Capital

pages 53-55

MOVING FORWARD PLAN

2019 KEY FOCUS AREA

ESTATES

- Implementation of **tasking system for harvester** and increase productivity from 1.4 to 1.5 MT/man-day
- **Complete harvesting round** at 2.5 rounds per month
- Expedite **new workers recruitment** to achieve 100% requirement
- **Continue replanting** of 15,000 Ha
- **Mechanise** 18,500 Ha to improve harvester's man-to-land ratio from 1:20 to 1:25
- New policy setting of ripeness standard to **reduce crop rejection** from 0.6% to 0.3%
- **Increase uptake of Crude Sustainable Palm Oil** by 40% (335k MT in 2018 to 426k MT)
- Optimise manuring programme by **changing fertiliser type and application process**

MILLS

- **Rationalise number of mills** to improve utilisation factor
- **Reduce CPO production cost (ex-mill)** below RM1,500
- Tighten **procurement process** involving capital and operating expenditures

OTHERS

- Divestment of **non-core and non-performing assets** with expected proceeds of RM350 million
- **Disposal of Chuping plantation land** under Sugar Sector
- **Expansion of storage capacity** by an additional 50,000 MT
- **Manpower rationalisation** by 10%

ACKNOWLEDGEMENTS

I would like to take this opportunity to record my gratitude to the Board of Directors for their stewardship which led the Group through its recent period.

I also extend my appreciation to all our employees for their diligence and steadfastness in carrying out their duties for our organisation. They play a crucial role in helping to realise our Transformation Plan and I look forward to serving alongside them as we embark on our new chapter.

My thanks also go to our Shareholders and FELDA communities for their continued support. Rest assured, these Stakeholders represent our utmost priority due to our shared history and common goal towards value creation.

Finally, I would like to express my appreciation to all our other Stakeholders, including our regulators, members of the media, suppliers and partners locally and abroad, for their cooperation. We look forward to our continued collaboration as we drive FGV into its next phase of growth.

DATO' HARIS FADZILAH HASSAN
Group Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS

In planning for the growth of our business, we consider the resources and relationships with our Stakeholders as vital in order to create value over time. Financial, Natural, Manufactured, Intellectual, Human, and Social & Relationship Capitals represent stores of value that are the basis of the Group's value creation. The success of the Group does not depend on a single capital. Instead, it should consider the contributions of other capitals in creating value to the Stakeholders. Our performance in delivering value from these Capitals, as well as the impact of our activities in 2018 are discussed in the subsequent sections of this Management Discussion & Analysis (MD&A).

FINANCIAL CAPITAL

We align our **Financial Capital** with Sustainable Development Goal (SDG):

8 DECENT WORK AND ECONOMIC GROWTH

Revenue

RM13.46 billion

in FY2018

LBZT

RM1.02 billion

in FY2018

OVERVIEW

Our financial position is a key indicator of the financial well-being of our business. Beyond the bottom line, we seek to manage our Financial Capital in a way that creates value by optimising our assets and liabilities. This allows us to prudently reinvest in the Six Capitals to achieve sustainable value creation.

MANAGING OUR FINANCIAL CAPITAL AND ITS OUTCOMES

The Group recorded revenue of RM13.46 billion in 2018, a 20% decrease from revenue of RM16.92 billion in 2017. The decrease in revenue was a result of the lower average Crude Palm Oil (CPO) price, a decrease in the sales volume and average selling price in Sugar and Rubber products as well as a decline in the average selling price for fatty acids and kernel related products.

The Group registered a Loss Before Zakat and Taxation (LBZT) of RM1.02 billion, attributed to a lower CPO margin as a result of the lower CPO price and higher CPO production cost (ex-mill) due to aggressive worker recruitment and rehabilitation activities.

During the year, we carefully examined the Group's financial position particularly in terms of our past investments which have been unprofitable, in line with accounting standards. Although the impairments dragged down the Group's 2018 results, the exercise was necessary due to the lower recoverable amount of those investments against their carrying value.

The total impairments came in at RM949 million, mainly due to the non-performing investments such as Asian Plantations Limited (APL), FGV Green Energy Sdn. Bhd. (FGVGE), and FGV Cambridge Nanosystems Ltd. (FGVCNS).

APL has been non-performing since its acquisition due to several challenges faced by the company, in particular its geographical location, worker shortages, weather and crop losses. Due to these factors and a lack of synergy derived since the acquisition of APL, we decided to reorganise its reporting structure. Subsequent to that, an impairment loss of RM513 million relating to goodwill was recognised in the Group's consolidated Financial Statements.

The impairment for FGVGE amounting to RM114 million was recorded in relation to its biodiesel plant which has been facing operational issues, while the impairment for FGVCNS amounting to RM52 million was recorded as the company has not yielded positive returns since its acquisition. Other than the above, there were also impairments recognised on long outstanding receivables due to the application of the new Malaysia Financial Reporting Standards (MFRS) 9 "Financial Instruments".

Without the impairments, FGV would have recorded a LBZT of RM74 million for the year compared to a profit in 2017.

Other than the above, the performance was also affected by the share of losses from joint ventures and associates recorded during the year. Notwithstanding that, we succeeded in claiming RM62 million in insurance via Felda Iffco Gida Sanayi, our joint venture's subsidiary in Turkey which partly offset the share of losses.

We had also made a provision of RM72 million for a Mutual Separation Scheme (MSS) to right-size our manpower based on our operational needs in line with industry standards.

FINANCIAL CAPITAL

The right-sizing initiatives will contribute to cost savings in the future. Additionally, the Group completed the disposal of our associate company, Taiko Clay Chemicals Sdn. Bhd. for a cash consideration of RM145 million.

We aim to better manage our Financial Capital in a way that creates value by optimising our assets and are committed to our Transformation Plan to return to profitability in 2019.

The following sections discuss the financial performance of our Plantation, Sugar, and Logistics & Support Businesses Sectors.

PLANTATION SECTOR

The Plantation Sector registered a LBZT of RM959.56 million from a profit of RM520.69 million in 2017 as the Sector was significantly impacted by the impairment losses in the goodwill that arose from the acquisition of APL.

The Sector's results were also weighed down by the lower average CPO price realised of RM2,282 per MT, compared with RM2,792 per MT in the previous year. This was further compounded by declining margins in the kernel crushing and refining business as well as lower volume and margins in the Research and Development (R&D) business.

Our Fresh Fruit Bunches (FFB) production weakened marginally to 4.21 million MT (2017: 4.26 million MT) with a FFB yield of 16.89 MT per Ha (2017: 16.94 MT per Ha) following the hectarage normalisation exercise undertaken during the year. Notwithstanding the above, we achieved a higher Oil Extraction Rate (OER) at 20.49% (2017: 19.83%) due to various measures undertaken in our estates and mills following our Transformation Plan which we introduced at the end of the third quarter of 2018 (3Q2018).

For further details on our estates and mills performances, please refer to Natural Capital and Manufactured Capital in this MD&A.

Revenue
RM10.23 billion
in FY2018

LBZT
RM959.56 million
in FY2018

SUGAR SECTOR

The Sugar Sector recorded lower revenue of RM2.20 billion from RM2.66 billion in 2017 due to the lower average sugar price of around RM2,200 to RM2,400 per MT (2017: RM2,600 per MT) as a result of the increased numbers of unregulated sugar and over-supply of refined sugar in the market.

Despite the challenging environment, the Sector achieved a turnaround to profitability, registering a Profit Before Zakat and Tax (PBZT) of RM58.67 million from a loss of RM1.88 million in 2017. The Sector's overall operation cost has improved by prioritising expenditures and conducting open tenders to secure competitive pricing that allowed the Sector to procure a lower average sugar cost of RM1,669 per MT (2017: RM2,131 per MT) for the year.

For further details on our Sugar Sector's operational performance, please refer to Manufactured Capital in this MD&A.

Revenue
RM2.20 billion
in FY2018

PBZT
RM58.67 million
in FY2018

FINANCIAL CAPITAL

LOGISTICS & SUPPORT BUSINESSES SECTOR

The Logistics & Support Businesses (LSB) Sector registered a lower PBZT of RM44.39 million from RM68.37 million in 2017, mainly due to the absence of a one-off gain from disposal of investment amounting to RM73.13 million recognised in the previous year and lower bulking throughput of 7.01 million MT (2017: 7.56 million MT), attributed to a high stock position and customers extending their rental period of the storage tanks.

For further details on LSB Sector's operational performance, please refer to Manufactured Capital in this MD&A.

Revenue
RM1.03 billion
in FY2018

PBZT
RM44.39 million
in FY2018

RISK ENVIRONMENT AND MOVING FORWARD PLAN

Challenges	Moving Forward
CPO price fluctuations	Reduce production cost by monitoring closely the estate and mill costs. We introduced several operational efficiency measures including structured block harvesting, stringent estates monitoring and intensifying FFB sourcing.
Higher CPO production cost	Monitor production cost by tightening the procurement process involving capital and operating expenditure especially on mills and estates. In early 2019, we introduced the revised procurement policy to be applied throughout the Group.
High dependency on imported raw materials	Monitor constantly global prices for raw materials and obtain industry feedback for a favourable pricing on back-to-back basis for domestic sales or forward buying.
Foreign exchange fluctuations on MYR against USD	Actively monitor the foreign exchange market to capture the downward trend of MYR/USD, hence gradually averaging down the cost of buying USD to ease in the Group's hedging strategies.
Non-performing investments and impairments	Implement stringent investment policy for future mergers and acquisitions.

NATURAL CAPITAL

Total Landbank
439,725 Ha

Malaysia
417,147 Ha

Peninsular: 252,903 Ha

Sabah and Sarawak: 164,244 Ha

Indonesia
22,578 Ha*

** Exclude ~ 42,000 Ha of landbank held under joint venture*

Total Planted Area
352,255 Ha

Oil Palm
339,385 Ha

Mature: 273,883 Ha**

Immature: 65,502 Ha

Rubber
11,267 Ha

Mature: 2,597 Ha

Immature: 8,670 Ha

Others
1,603 Ha

Mature: 96 Ha

Immature: 1,507 Ha

*** Total mature area for the Group (including unproductive planted matured area)*

We align our **Natural Capital** with Sustainable Development Goals (SDGs):

6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND

OVERVIEW

The natural resources within our control from which we produce our goods and services include our landbank, comprising mainly oil palm estates. From our planted area, we harvest FFB that are further processed into products such as oils and fats, Fast-Moving Consumer Goods (FMCG) and oleochemicals in our Downstream operations.

For further details on our products from Downstream operation, please refer to the Manufactured Capital in this MD&A.

NATURAL CAPITAL

We create a positive impact on our Stakeholders by value-adding our natural capital to meet Malaysia's agribusiness needs and export demand for commodities and hence continue to promote SDG 12: Responsible Consumption and Production. To minimise negative impacts, we are committed to adopting environmental best practices at our workplace and in our plantations, as well as contributing towards the preservation of flora and fauna within our landbank.

MANAGING OUR NATURAL CAPITAL AND ITS OUTCOMES

Our Upstream Cluster manages a total landbank of 439,725 Ha comprising 201 estates including rubber. 417,147 Ha of this landbank is located in Malaysia (252,903 Ha in peninsular and 164,244 Ha in Sabah & Sarawak) and 22,578 Ha is located in Indonesia.

The total landbank is made up of a total planted area of 339,385 Ha of oil palm and 11,267 Ha of rubber. Others crops make up a small portion of 1,603 Ha of the planted area.

Out of the total 339,385 Ha of oil palm planted area, 273,883 Ha consists of oil palm that has matured (more than four years old), whilst another 65,502 Ha are categorised as immature area, consisting of oil palm aged below 3 years old.

For the year under review, FFB production from our harvested area declined marginally to 4.21 million MT, from 4.26 million MT in 2017. The lower FFB production was due to the lag effect of the El Niño phenomenon in 2016, which reduced the number of bunches, especially from the older palms. However, young and prime palms appeared to perform better and partly compensated the effect with a higher number of bunches.

Worker shortages which persisted in Sabah and Sarawak earlier in the year also contributed to the lower FFB production. Although the shortages are negligible, ongoing efforts are underway to achieve 100% estate worker requirement.

For further details on our workers and how we manage them, please refer to Human Capital and Social & Relationship Capital in this MD&A.

As part of the Transformation Plan introduced in 2018, we exercised the normalisation of unproductive planted matured area and have identified around 25,000 Ha of land based on specific criteria. These criteria consisted of areas with limited accessibility, rehabilitation areas, areas with low palm stands due to pest and severe Ganoderma infection as well as uneconomic areas. Following this, we recorded a yield of 16.89 MT per Ha. Nevertheless, the implementation of stringent monitoring in the estates, extended working days at times and structured block harvesting introduced in end-2018 are expected to contribute to the higher yield as well.

Our activities in the year continued to include our replanting programme, for which we have committed to a disciplined replanting schedule of approximately 15,000 Ha with an allocation of around RM300 million per year. The replanting programme is aimed at correcting our average palm age profile. At our listing in 2012, around 50% of our estates had old palm trees (>20 years) due to insufficient replanting previously. This resulted in an average age profile of 16.3 years at the time. Through our continuous replanting programme, we managed to reduce the old tree age distribution to 34% in 2018.

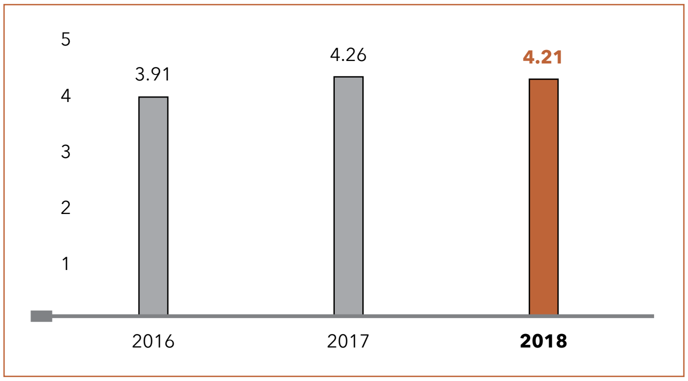
Malaysia's national replanting rate dropped to below 2% as a result of the bearish CPO prices recorded during the year. Most plantation companies adopt a more conservative replanting approach to manage costs when prices are low. However, FGV does not have this luxury due to our old palm age profile and in 2018 completed felling of 15,039 Ha with a total replanted area of 13,119 Ha. The shortage of around 13% was mainly due to the underperformance of the key contractor, causing a delay in major work. Nonetheless, the Group's average oil palm age had improved to 14.3 years in 2018. We will continue our replanting plan until we achieve a normalised average age profile of 12.0 years by 2026.

In a further effort to improve FFB production and reduce our dependency on manual workers, we have identified a total area of 115,000 Ha suitable for full mechanisation. Another 225,000 Ha will be partially mechanised due to the condition of its terrain. In 2018, an additional 16,500 Ha of area was mechanised, resulting in a total mechanised area of 96,500 Ha. We also purchased

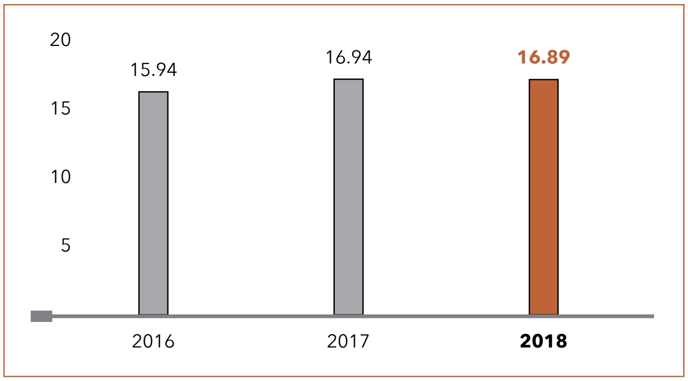
Total Replanted Area	Mechanised Area	Average Oil Palm Age Profile
13,119 Ha	16,500 Ha	14.3 years
2017: 10,675 Ha	2017: 26,000 Ha	2017: 14.8 years
2016: 16,320 Ha	2016: 11,700 Ha	2016: 15.0 years

NATURAL CAPITAL

FFB PRODUCTION (MILLION MT)



FFB YIELD* (MT/HA)



* *based on normalised planted area*

Planted

10,158 trees

under our Tree Planting Programme

Collected

1.10 MT

of recyclable items under our 3R Campaign

machines including mini tractors, three-wheelers and mini crawlers to improve in-field collection and reduce the number of workers needed for harvesting. Through this mechanisation plan, which will continue for the next five years, we expect to increase our harvesters' man-to-land ratio in mechanised areas from 1:20 to 1:25.

Through MSM Malaysia Holdings Bhd (MSM), we also operate 10.40 Ha of supplementary land in Chuping, Perlis for *"Harumanis"* mango. MSM implemented the Malaysian Good Agricultural Practice (MyGAP) for the mango project and successfully obtained the certification scheme based on Malaysian Standard MS1784:2005 launched by the Ministry of Agriculture and Agro-Based Industry.

MyGAP is an agricultural practice which emphasises on environmental, economic and social aspects to ensure the produce is safe and of good quality. The use of agrochemicals is greatly reduced under MyGAP to produce high-quality mangoes which are safe for consumption. The reduced usage of agrochemicals also minimises environmental pollution, along with ensuring the health and safety of our plantation workers.

ENVIRONMENTAL STEWARDSHIP

We undertake continuous efforts to manage our impact on the environment beyond our agricultural areas. This is to minimise our footprint and contribute to conservation to ensure environmental sustainability and preserve the well-being of our Stakeholders. We promote alignment to the SDG 13: Climate Action as we continue to take action to combat climate change and its impacts.

In line with this, we ensure that all our new developments do not encroach into areas which are environmentally sensitive or under protection, such as primary forests, wildlife reserves, peatlands, or land containing any High Conservation Value (HCV) elements. As such, we proactively engage in awareness and education programmes to disseminate our policies on the protection of natural habitats.

As part of these efforts, we work closely with external organisations such as the Malaysian Nature Society (MNS), National Wildlife Rescue Centre (NWRC) and University Kebangsaan Malaysia (UKM) in the Sun Bear Conservation Programme (SBCP). Under the SBCP, five Sun Bear Community Action Groups (CAG) involving 151 members have been established in Malaysia, in areas earmarked for a high probability of wildlife conflict with humans. These areas are located in Kuala Lipis, Pahang; Kuala Terengganu, Terengganu; Sahabat, Sabah; Gerik, Perak; and Mersing, Johor. Through our work in the SBCP, we were able to contribute to the rescue of 42 Sun Bears and the placement of six bears in rehabilitation centres. Another 32 bears were released, while two did not survive despite our best efforts to preserve their health and well-being.

The conservation effort and awareness creation among the local community on the importance of wildlife are in line with the Group's commitment to being a sustainable integrated

NATURAL CAPITAL

plantation company. Further to this, we aim to categorise our plantations as 'Wildlife Managed Areas' due to their close proximity to natural forests. Additionally, we have launched a book on sustainability entitled *"Kelestarian Alam Sekitar"*, a collaborative effort between FGV and UKM, which includes a chapter on Sun Bear Conservation Programme.

We also collaborate with Forest Research Insitute Malaysia (FRIM) on the development of the Rafflesia Conservation and Interpretive Centre (RCIC). This activity involves mapping the distribution of Rafflesia colonies and its host plants around FGV's plantations in Gerik, Perak and establishing an area for in-situ and ex-situ conservation of Rafflesia species found in Malaysia.

Our environmental activities also include a five-year commitment with Borneo Conservation Trust, and Sabah Wildlife Department through which we participated in the Mega Biodiversity Corridor Conservation Project in the lower Kinabatangan Basin. The aim of this project is to re-establish a network of forest corridors that will enable the safe migration of wildlife between key forest habitats, avoid human-wildlife conflict and protect wildlife habitat, especially for Bornean elephants and orangutans.

To further contribute to the preservation of nature, during the year, we worked with the Sabah Forestry Department and planted 10,158 trees under our Tree Planting Programme to minimise the impact and conflicts adjacent to forest boundaries where high wildlife values are present, as well as to create awareness on the importance of wildlife conservation, particularly in riparian buffer zones.

We also witnessed the encroachment of local communities in our identified conservation areas consisting of our riparian reserve and buffer zone. In an effort to mitigate this proactively, we engaged with relevant Stakeholders on our measures to address the issues and achieve sustainable development. 'No Hunting' warning signboards were put up at identified locations to deter illegal poachers and hunters within and around our plantation areas.

Throughout the year, continuous environment management trainings were conducted for our staff and local communities in areas located in Pahang, Terengganu, Johor, Perak and Sabah. The training is aimed at enabling these groups to champion environmental management and to serve as ambassadors in their region.

In November 2018, we held a 3R Campaign in Wisma FGV to inculcate recycling habits among our staff and promote environmental awareness. The event succeeded in collecting 1.10 MT of recyclable items from our employees.

WASTE AND WATER MANAGEMENT

We strive to reduce the environmental impact from our operations as much as possible, including by maintaining the biodiversity of our oil palm plantations to ensure its ecosystem services do not interrupt FFB production. We have also taken steps to maintain the water quality to avoid any adverse impact on FFB production and on the communities dependent on the rivers located near our plantations. These efforts are in line with SDG 6: Clean Water and Sanitation and SDG 14: Life Below Water as FGV sees great importance in ensuring availability and sustainable management of water and sanitation in the community around us.

On average, palm oil mills generate about 2.50 MT of Palm Oil Mill Effluent (POME) for every MT of CPO. Organic raw POME is highly acidic non-toxic wastewater and has high Biological Oxygen Demand (BOD) due to its rich nutrient content.

In line with this, we conduct stringent monitoring and treatment of the water discharged from our mills before it is released to the environment. We have implemented treatment processes to ensure that the BOD concentration is below the permissible level set by the Department of Environment (DOE) and have progressively installed bio-polishing plants. To date, we have invested RM70 million for 35 bio-polishing plants. A bio-dewatering plant removes solids in effluent discharged from a palm oil mill whilst a bio-polishing plant further filters the remaining effluent in the water. Filtered water from the bio-polishing plants is channelled through the irrigation system to the plantation, providing vital resources especially during the dry season. We also use the removed solids at the dewatering plants as organic fertiliser.

GREENHOUSE GAS EMISSIONS

As a resource-reliant organisation, we are committed to reducing Greenhouse Gas (GHG) emissions through operational approaches such as methane capture, bio-composting and the cogeneration of electricity from methane (CH_4) released by POME. We convert waste from our plantations and mills into biogas while producing Palm Oil-based Methyl Ester (PME) for use in biodiesel. With this, we are aligned to SDG 7: Affordable and Clean Energy by ensuring efficient use of energy in our operations.

For further details on our efforts to promote biodiesel, please refer to the Manufactured Capital in this MD&A.

NATURAL CAPITAL

In the long-term, we target to reduce our GHG emissions by 25% by 2020 from our baseline year of 2014. The majority of our emissions is in the form of biogas, which naturally forms when POME decomposes in the absence of oxygen. The capture of biogas from POME is, therefore, a clear priority for us in mitigating and reducing our overall GHG emissions. To do so, we leverage on our 25 biogas plants to reduce the release of carbon dioxide (CO_2) whilst generating electricity for domestic use. This enables the production of cleaner energy and works towards lowering the dependence on fossil fuels, which emit higher GHG.

UPHOLDING NO DEFORESTATION, PEAT AND EXPLOITATION (NDPE) COMMITMENTS

We continue to uphold our pledge to our NDPE commitments throughout our plantations. In line with this, our efforts in this area reflect our commitment to SDG 15: Life on Land, where we continue to protect and conserve the ecosystem around us by preventing land degradation. We have also committed to rehabilitate peatlands planted after 25 August 2016 and immediately cease all new developments on peatland regardless of when the land was acquired. Additionally, our pledge to avoid deforestation, conversion of HCV areas, new planting on peatland irrespective of its size and depth and development of areas classified as having High Carbon Stock (HCS) has been expanded to cover all areas covering previously acquired land, existing land and new land.

In 2018, we updated the Peat Restoration Management Plan for our landbank in Kalimantan, Indonesia, following a consultation meeting with Indonesia's Kementerian Lingkungan Hidup dan Kehutanan (KLHK) and Badan Restorasi Gambut (BRG). The KLHK had recommended that we restore the land's peat hydrological function by maintaining the groundwater level at less than 0.4 metres from the soil surface in affected areas. Furthermore, while no new planting is allowed in peat areas, it has been agreed that present planting on peatland will be maintained for at least one cycle and follow the requirement on the groundwater level.

Pursuant to the updated Plan, we have constructed and realigned all manual and automatic water level monitoring points and canal blocks in accordance to KLHK's recommendations. We will continue to monitor the water levels and report to KLHK as required.

RISK ENVIRONMENT AND MOVING FORWARD PLAN

Challenges	Moving Forward
Ageing oil palm tree profile affecting overall palm oil yield	Allocation of fund to support the continuous replanting programme of 15,000 Ha per annum to achieve the normalised age profile of 12.0 years.
Erratic weather conditions during the year	Focus efforts on Best Management Practices in the maintenance of estates infrastructure, innovative irrigation methods and closer tracking of weather conditions.
Uncertainty over status of the Land Lease Agreement (LLA)	• Continuous engagement with related parties to seek assurance on tenure of LLA. • Expansion of landbank focusing on brownfield areas.

MANUFACTURED CAPITAL

OVERVIEW

We leverage our fixed assets, namely Property, Plant and Equipment, to create value in a way which is safe, efficient, reliable and sustainable. During the year in review, we managed our Manufactured Capital to maximise output and mitigate our risks and weaknesses towards restoring the health of our business and generating value for our Stakeholders.

MANAGING OUR MANUFACTURED CAPITAL AND ITS OUTCOMES

PLANTATION SECTOR

We align our **Manufactured Capital** with Sustainable Development Goals (SDGs):

Our Manufactured Capital consists of our mills that process FFB into CPO. This is refined further through our Downstream operation into palm oil-based products such as oils and fats, FMCG and oleochemical derivatives. Our flagship cooking oil brand, SAJI, commands almost a quarter of the domestic market.

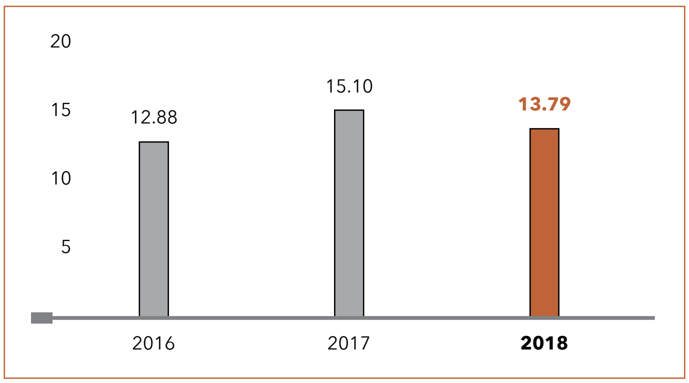
During the year under review, the number of mills we operated decreased to 68 from 69 mills reported in 2017, as we closed one mill, KS Lepar Utara 4, as part of our cost-rationalisation exercise. As at the end of the year, the total capacity of our mills amounted to 3,251 MT per hour.

We processed 13.79 million MT of FFB during the year, a decline of 9% from 15.10 million MT in 2017 due to lower FFB production and external sourcing. 30% of the total FFB processed was sourced from our own estates, while 46% and 24% were sourced from Federal Land Development Authority (FELDA) Settlers and third parties respectively, amounting to a sourcing ratio of 30:70. With this, we strive to ensure that our efforts to stay aligned to SDG 12: Responsible Consumption and Production remain consistent throughout the year.

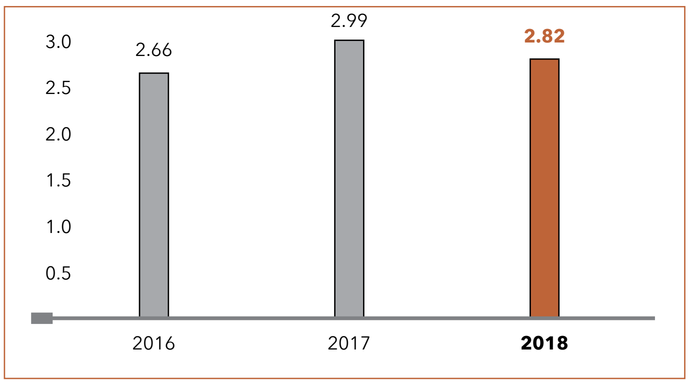
In tandem with the decline in FFB processed, our CPO production for 2018 dropped by 6% to 2.82 million MT compared to 2.99 million MT recorded in 2017. As a result, the average CPO production cost (ex-mill) stood at RM1,737 per MT, an increase of 8% from RM1,601 per MT in the previous year. The higher production cost was also attributed to the additional cost for our worker requirement of RM79.76 million (2017: RM50.82 million) as well as rehabilitation activities of RM83.35 million (2017: RM63.32 million) undertaken throughout the year.

Our OER improved to 20.49% from 19.83% last year, due to higher oil-to-bunch ratio and better quality of FFB produced, while the Kernel Extraction Rate (KER) rose to 5.23% from 5.09% in 2017. The higher OER and KER achieved also exceeded the nationwide average of 19.95% and 4.97% respectively.

FFB PROCESSED (MILLION MT)

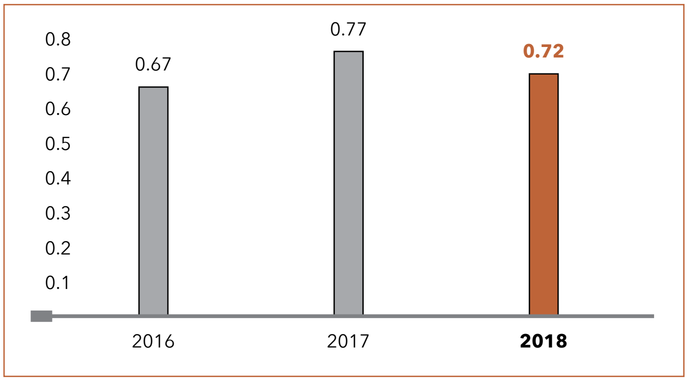


CPO PRODUCTION (MILLION MT)

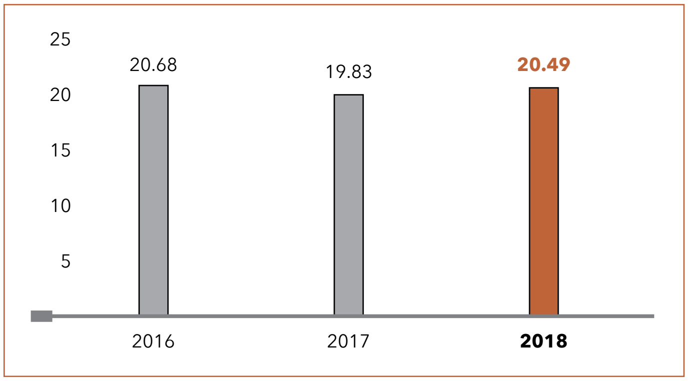


MANUFACTURED CAPITAL

PK PRODUCTION (MILLION MT)



OER (%)



Under the Mill Transformation Initiative, several measures have been implemented, including tightening process controls to minimise milling oil losses, intensifying FFB sourcing to increase mill utilisation and enhancing planning and supervision to control variable and fixed costs in the milling area. Results from these efforts are expected to be reflected from 2019 onwards.

In addition to our core processed products, we also produced varieties of by-products such as empty fruit bunch, Palm Kernel Shell (PKS), sludge oil and biogas.

As these by-products are readily available at zero cost, we introduced a 'Waste-to-Wealth' initiative to expand the revenue contribution from the by-products. This initiative aims to develop direct market access for PKS and conduct aggressive marketing for the other by-products.

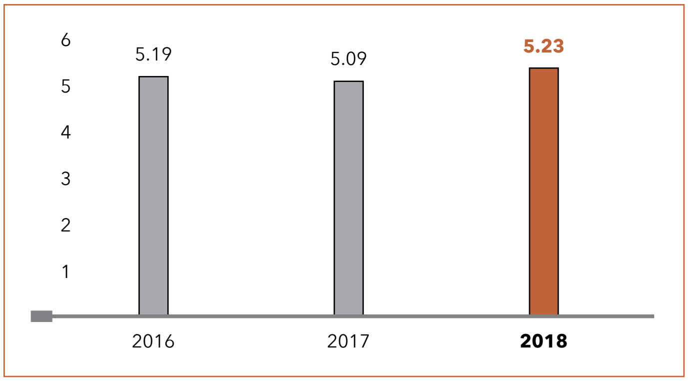
In 2018, we recorded a 14% improvement in the Shell Recovery Rate (SRR) to 1.14%, producing 150,011 MT of PKS for export to markets such as Japan and Korea. Despite the higher PKS volume, the slow off-take of PKS from the buyer interrupted the progress to generate higher revenue. To further promote higher PKS production, we undertake an annual SRR campaign in all of our mills, and rewarded five mills with highest SRR recorded.

Shell Recovery Rate (%)

1.14%

2017: 1.0%

KER (%)



Under our Downstream segment, we operate nine refineries, of which we owned five while four are operated through joint ventures. The combined refining capacity of all refineries amounts to close to 4 million MT per year. In 2018, we refined around 26% of our owned CPO to produce oils and fats for industrial usage and domestic consumption. In addition to our domestic business, we export our products to countries including Thailand, Myanmar, Bulgaria, Kazakhstan and Syria.

The Downstream Cluster registered marginally lower sales volume in the oils and fats segment due to a 5% decline in our FMCG sales volume. This is attributed to the government's decision to reduce its subsidy allocation for cooking oil by 20% monthly and a significant increase in the number of repackers in the non-subsidised range of products in the domestic market. The influx of repackers has led to an increase in the market share for

MANUFACTURED CAPITAL

'Other Brands' offered at lower prices, affecting the sales volume of existing national brands. Nonetheless, based on independent market research on the non-subsidised range conducted in 2018, our flagship brand, SAJI, continued to be the preferred brand for cooking oil. The decline in FMCG sales volume was also compensated by growth in our bulk sales volume which increased 7% year-on-year as we provided competitive pricing to local wholesalers.

In the export market, we recorded lower export volume for FMCG of 38% in 2018 following the introduction of the Group's strengthened credit policy, whereby a Letter of Credit or payment before shipment is required for all exports. This protects the Group from the likelihood of defaulted payments which would cause impairments in the future.

During the year, we reduced our Stock-Keeping Units (SKU) to 92 from 143 in 2017 following a rationalisation exercise undertaken for brand consolidation and to achieve economies of scale. The rationalised SKUs include SAJI Paste of Padprik and Nyonya varieties, variants of the Adela Cake Mix, Adela Margarine and Sunbear Hazelnut Spread. Our 92 SKUs now comprise of 49 Original Design Manufacturer (ODM) & industrial products and 43 Original Equipment Manufacturing (OEM) products.

To increase production efficiency and reduce dependence on manual worker, we undertook the second phase of automation upgrading of our palm oil refineries in Pasir Gudang and commenced automation upgrading for the production of the Seri Pelangi brand.

Meanwhile, we also upgraded the dust collector system for kernel crushing to improve the safety and health of our workers as well as enhance the air quality within the factory compound and neighbouring area. This is in line with SDG 3: Good health and well-being.

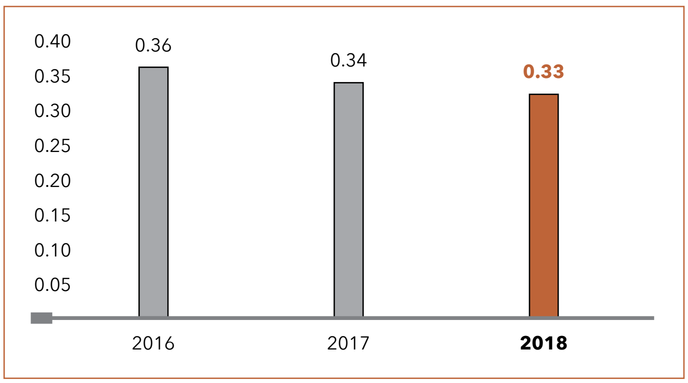
The Group registered a significant increase of 37% in the sales volume of PME and by-products, reaching 62,743 MT in 2018. The exceptional results followed the Group's efforts to implement various customer relationship management activities and participate in collaborations with oil and gas companies to obtain greater sales volume. In addition, we participated in activities to advocate for the B10 transport and B7 industrial mandate through the Malaysian Biodiesel Association.

In collaboration with the Malaysian Palm Oil Board (MPOB), we have achieved impressive results in biodiesel testing using B10 in our logistics, plantations and mill operations. The B10 usage test reflects our support for government efforts to increase the current B7 usage mandate to B10 and to scientifically prove that an increase of 3% PME does not negatively impact the performance and safety of transport and industrial machinery. This was demonstrated by the results of the six-month trial which ended in October 2018, where the consistent use of B10 in three tankers registered 125,580 litres used over a distance of 210,627 km.

For further details on the production of Palm Methyl Ester, please refer to the Natural Capital in this MD&A.

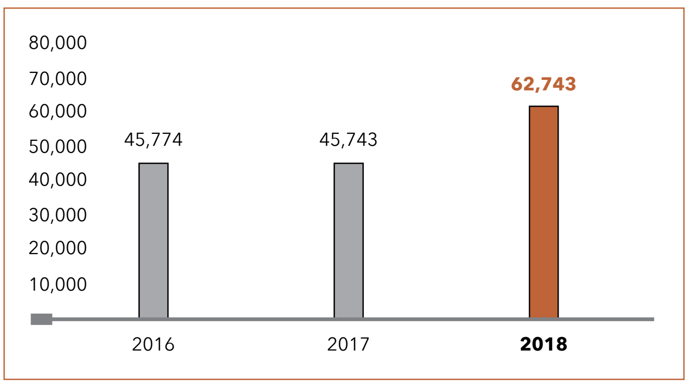
Our US operations, TRT-US, operates two kosher-certified production lines. While kosher-certified products are a niche market, we seek to further expand this business as we attempt to capture the premium from offering such products to boost Downstream revenue.

OILS AND FATS SALES VOLUME* (MILLION MT)



* *inclusive of FMCG and bulk oil sales volume*

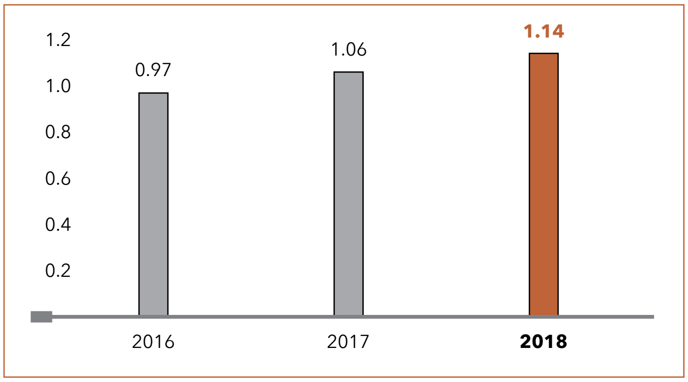
PALM METHYL ESTER AND BY-PRODUCTS SALES VOLUME (MT)



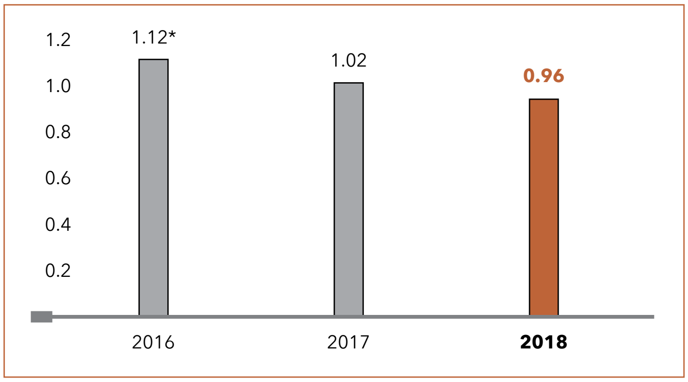
MANUFACTURED CAPITAL

SUGAR SECTOR

RAW SUGAR IMPORT VOLUME (MILLION MT)



REFINED SUGAR PRODUCTION VOLUME (MILLION MT)



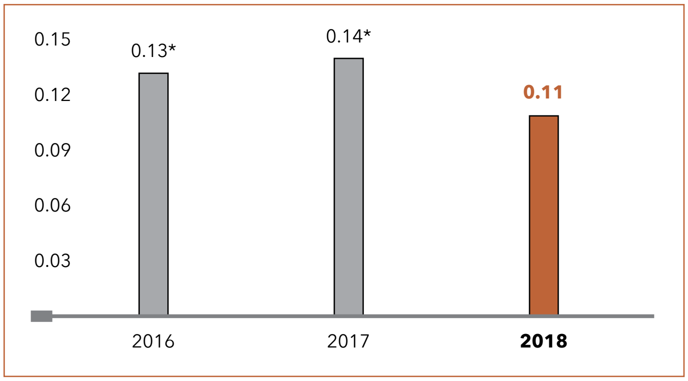
* *restated*

Our Sugar Sector is operated by MSM, Malaysia's leading sugar producer with a domestic market share of 59%. With the completion of its new sugar refinery in Johor at the end of 2018, MSM registered an annual production capacity of 2.25 million MT against 1.25 million MT in 2017. Its other two refineries are located in Perlis and Penang, with a production capacity of 0.20 million MT and 1.05 million MT, respectively.

Through MSM, we recorded full-year refined sugar production of 0.96 million MT in 2018, a 6% decline from 1.02 million MT in previous year. The lower production was attributed to the reduction of 6% volume in all segments and a 21% decrease in export volume. This was further compounded by the lower average selling price of 15% due to the new Approved Permits and market price distortion. Despite a challenging year experienced in 2018, we remain committed in ensuring national sugar security and implement a two-and-a-half-month requirement of raw and refined sugar to secure optimum sugar availability in the market.

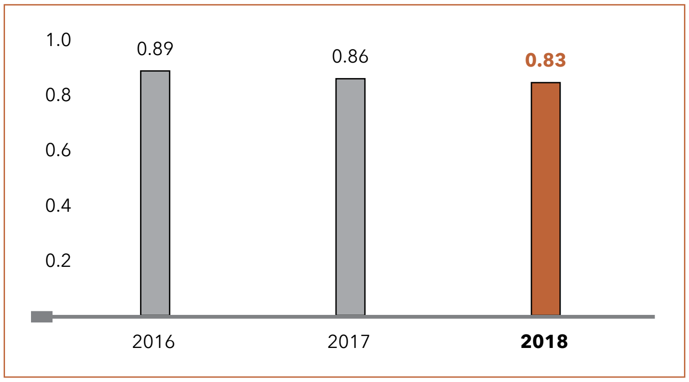
The Johor refinery commenced testing of sugar production with ICUMSA 100 specification followed by ICUMSA 45 specifications which will be supplied to various industries, wholesalers, and major international food and beverage customers. The refinery also conformed to Halal, Malaysian Standard (MS), QMS ISO 9001:2015, Kosher, FSSC22000, ISO22000, Hazard Analysis and Critical Control Points (HACCP) and Good Manufacturing Practice (GMP) certifications, ensuring the safety and quality of its sugar products.

EXPORT SALES VOLUME (MILLION MT)



* *restated*

DOMESTIC SALES VOLUME (MILLION MT)**



** *excluding molasses*

MANUFACTURED CAPITAL

LOGISTICS & SUPPORT BUSINESSES SECTOR

The LSB Sector reinforces our core business by connecting and controlling the flow of assets to drive group-wide efficiencies via Logistics and Support Businesses (Information & communications technology, engineering, security, properties, and hospitality services). This Sector assists in enhancing FGV's performance and driving improvements in our business activities, in line with our strategic goal to grow our business in adjacent fields. It also contributes to Group synergy by containing leakages and ensuring full utilisation of our capabilities.

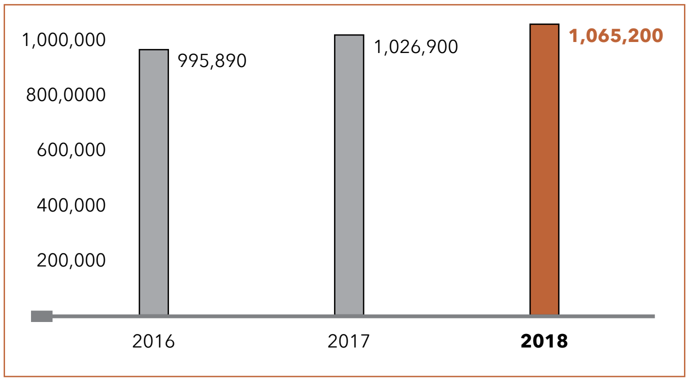
Our Logistics arm possesses one of the world's largest bulking and storage facilities for edible oil with a capacity of 1,065,200 MT comprising 866,900 MT located in Malaysia and Indonesia, 38,300 MT in Pakistan, and 160,000 MT of capacity in China through our 13 liquid terminals.

The transportation business is also instrumental to the Group's aim to be a total logistics solutions provider in Malaysia, with 427 liquid tankers and cargo trucks, while we are also embarking into Third-Party Logistics (3PL) for the FMCG business and building our capacity and capabilities in warehouse & logistics solutions. Additionally, in 2018, we upgraded our fleet capability through the purchase of 10 units of prime movers.

In 2018, through our subsidiary Felda-Johore Bulkers Sdn. Bhd. and FGV Transport Services Sdn. Bhd. (FGVTS, formerly known as Felda Transport Services Sdn. Bhd.), we recorded bulking throughput of 7.01 million MT, with transport volume of 5.18 million MT. The transport volume increased by 2% from 5.09 million MT in 2017 following higher tonnage carried for external customers. Our bulking volume decreased by 7% from 7.56 million in the previous year as a result of lower throughput due to a high stock position, and as customers extended their stay and occupied the storage tanks. This reduced the tank storage utilisation rate to 7.34 times from 7.92 times in 2017.

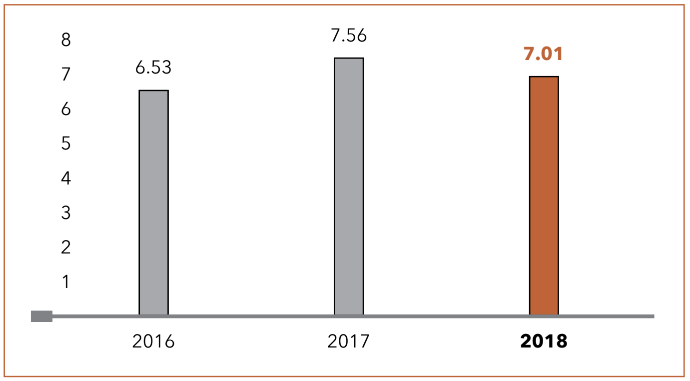
Through our subsidiary in Pakistan, F.W.Q. Enterprises (PVT.) Ltd., we diversified into liquid bulk storage with new capacity of 38,300 MT in Port Qasim. In 2018, the facility commenced operations and achieved a utilisation factor of 80% to serve the growing local market.

TOTAL STORAGE CAPACITY* (MT)



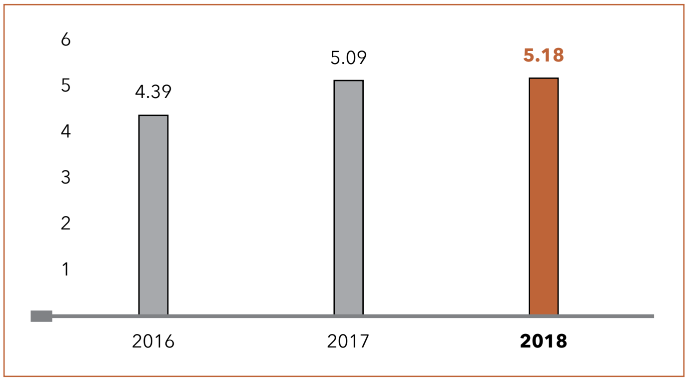
* *including FGV China Oil's storage capacity of 160,000 MT*

BULKING VOLUME (MILLION MT)

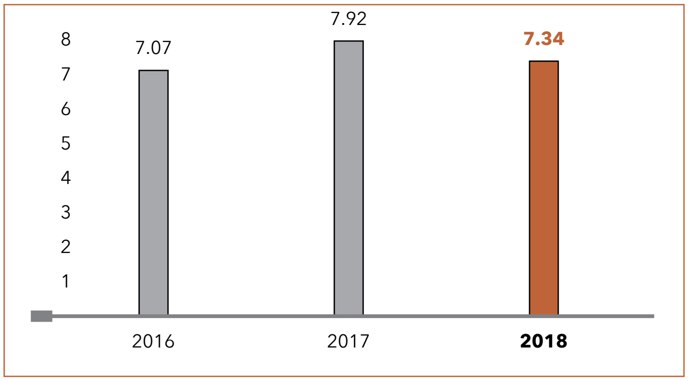


MANUFACTURED CAPITAL

TRANSPORT VOLUME (MILLION MT)



STORAGE TANK UTILISATION RATE (TIMES)

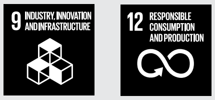


RISK ENVIRONMENT AND MOVING FORWARD PLAN

Challenges	Moving Forward
Dependency on palm production performance	Embark on innovation of products to diversify income stream following our initiative to commercialise by-products (e.g PKS, sludge oil) and venturing into high margin/ premium downstream products through collaboration with R&D.
Operational and service reliability due to aging machinery in the existing refineries	Establish consistent maintenance and servicing schedule for refining machinery and identify aging machinery for replacement.
Low supply of FFB from external parties	Revision of FFB pricing to attract higher FFB supply from suppliers.
Limited business opportunities within the Group	Progressively review and strengthen marketing strategy and approach by focusing on external customers/businesses.
Excess supply of refined sugar in the local market	Continuously improve marketing plan and strategy to penetrate export markets in Asia Pacific region.

INTELLECTUAL CAPITAL

We align our **Intellectual Capital** with Sustainable Development Goals (SDGs):



OVERVIEW

We create value from our Intellectual Capital by capitalising on our R&D capabilities to move our products and services higher up the value chain. This includes producing more innovative products throughout the oil palm lifecycle to contribute to industry development as well as achieve returns on investment. This comes hand in hand with SDG 9: Industry, Innovation and Infrastructure.

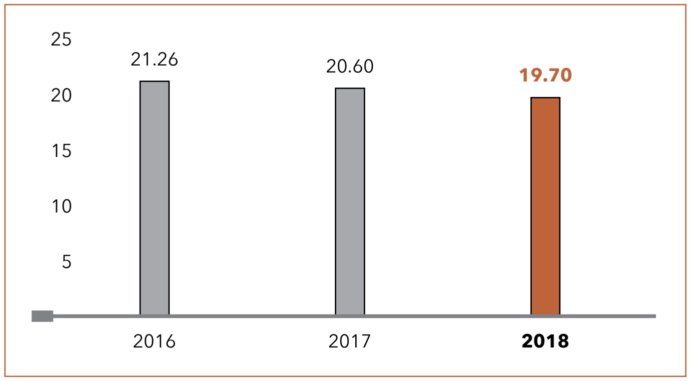
MANAGING OUR INTELLECTUAL CAPITAL AND ITS OUTCOMES

The development of our Intellectual Capital is spearheaded by our R&D Cluster, comprised of four main companies: FGV Agri Services Sdn. Bhd. (FGVAS, formerly known as Felda Agricultural Services Sdn. Bhd.), FGV Fertiliser Sdn. Bhd. (FGV Fertiliser, formerly known as FPM Sdn. Bhd.), FGV R&D Sdn. Bhd. (formerly known as Felda Global Ventures Research & Development Sdn. Bhd.) and FGV Applied Technologies Sdn. Bhd. (FGVAT).

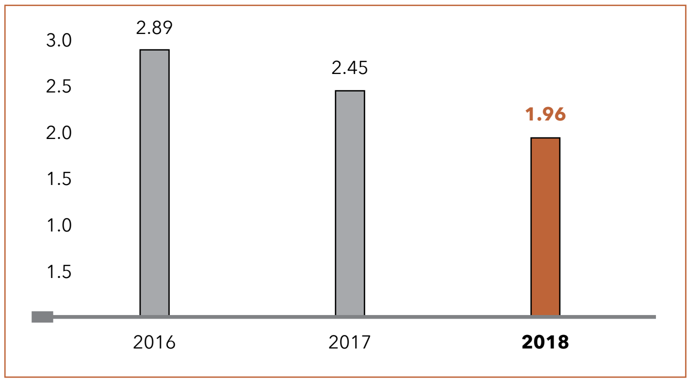
FGVAS is responsible for the production of seeds, seedlings, ramets and rat bait. The company produces Yangambi, the award-winning planting material that commands a 39% market share of Malaysia's seed market. FGV Fertiliser manufactures fertiliser while FGV R&D and FGVAT serve as the research arm for the Cluster, contributing to product development for the whole plantation supply chain. This covers the upstream and downstream segments including food and non-food products and technical services.

Through the R&D Cluster, we produced 19.70 million units of Yangambi seeds for the domestic and international markets in 2018, a slight decrease from 20.60 million units produced in 2017. The lower volume is attributed to a low seed germination rate, for which we have taken mitigation actions through stringent Standard Operating Procedures (SOP) and manpower adjustments.

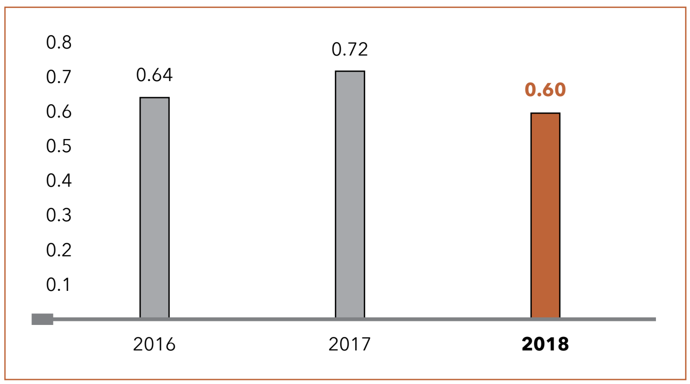
SEEDS SALES VOLUME (MILLION UNITS)



SEEDLINGS SALES VOLUME (MILLION UNITS)

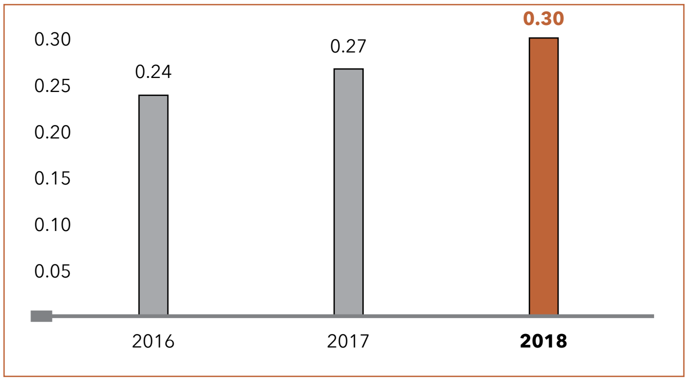


FERTILISER SALES VOLUME (MILLION MT)

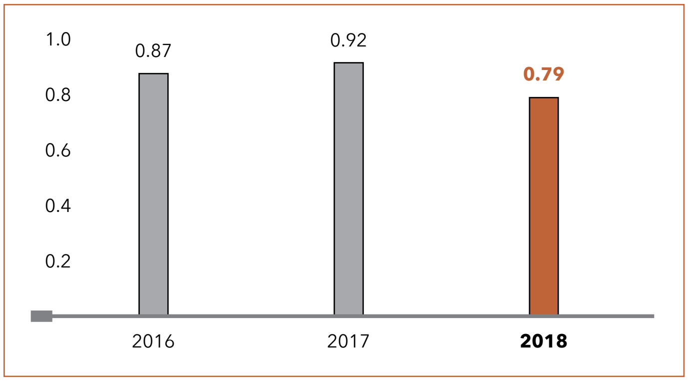


INTELLECTUAL CAPITAL

RAT BAIT SALES VOLUME (MILLION BOXES)



RAMETS SALES VOLUME (MILLION UNITS)



Around 10% of our seeds were exported to countries such as Indonesia, Sri Lanka, Papua New Guinea and Thailand. This has gained FGV a foothold in Southeast Asia's seed market.

In the fertiliser segment, we registered fertiliser sales of 0.60 million MT in 2018, a 17% reduction from 0.72 million MT in the preceding year. The decline in fertiliser sales was due to lower sales volume to key off-takers.

Our rat bait business is represented by our product known as BUTIK. In the period under review, we recorded sales of 0.30 million boxes, an 11% growth compared to 0.27 million boxes in 2017. This was mainly due to extensive marketing activities that were supported by our advisory team, as well as the replanting programme undertaken by the oil palm industry. We have successfully registered and commenced commercialisation of the rat bait to be used in paddy fields, making an expansion from its previous use in the oil palm plantation only.

The R&D Cluster has continued efforts to develop FGV's Intellectual Capital throughout the years, with an aim to enhance upstream yields. These efforts are coupled with the latest technology and premium planting materials, implementation of site-specific Good Agricultural Practices (GAP) and assigning dedicated agronomists for every zone in the plantation to improve the Group's operational performance. We work closely with the Upstream Cluster to improve the gap in yields and address issues to ensure our plantations perform according to the site-yield potential.

As part of the effort to improve our yield, we have conducted multiple R&D advisory visits to the estates to facilitate technology transfer, enhance the Group's R&D capability in the downstream segment and ensure all areas are standardised according to GAP.

In order to strengthen our technology transfer capabilities, we adopted Pictorial Work Instructions to convert the conventional SOP into pictorials to overcome language limitations as 85% of our workers are foreign guest workers.

Other R&D projects during the year include research on the production of lactic acid from Palm Kernel Cake for downstream commercialisation and to offer a higher value-added product. As the research programme is the first of its kind in the industry, we will file our patent for the programme in 2019. We also undertook the production of industrial margarine, mass blended oil and Palm Kernel Protein, which are expected to create a new revenue stream for the Downstream Cluster.

As we seek to ensure we possess sufficient talent to continue our research journey, we have implemented our R&D talent retention and management programme. We also allocated an average investment of around RM40 million per year for R&D programme.

In line with SDG 12: Ensure sustainable consumption and production patterns, we also took a significant step towards the sustainability of our Plantation Sector with the development of a Sustainability Index (SI) called 'i-Sustain' in collaboration with University Teknologi Malaysia. The system will measure the sustainability performance of our oil palm mills in a holistic manner and its development is in the final stage of completion.

In response to the challenges faced in tracking the original FFB purchased from third parties, in January 2017 we successfully developed our own web-based system called Sustainability Palm Oil Management System (SPOMS). This system consist of FGV-ToP and FGV-AIMS, Product Traceability and Audit Integrated System (Digital Documentation System) respectively.

INTELLECTUAL CAPITAL

With the establishment of this system, it improves our quality of audit documents management and ensures traceability and transparency of our product. In addition, this system offers a dashboard views to our certification status.

For further details on FGV-ToP System, please refer to the Social & Relationship Capital in this MD&A.

We have also developed systems to enhance our operations, a few of which are the Weighbridge Management System (WBS), Integrated Logistic & Distribution System (ILDS) and Integrated Estate Management System (iEMS).

WBS is an industrial weighing system used across industries which generates accurate transaction entries, reduces errors, and improves productivity and enhanced security. The system enables users to control and monitor the weighing operation to prevent fraud and minimise errors through its weighing policy configuration settings.

ILDS is an application that integrates all silo applications across millers, refiners, bulkers and transporters into one platform. This improves visibility, transparency and efficiency across our palm oil supply and distribution chain. It also eliminates repetitive processes, avoids duplication of data entries, greatly reduces the need for physical documents and improves turnaround time in intra-company transactions.

iEMS is a web-based plantation management computing solution comprising four prime systems such as Corporate, Estate, Platform and Lite which integrates end-to-end plantation process and accounting transactions. The applications allows for seamless information flows in real-time from the collection platform up to Senior Management, with the ability to be accessed anywhere and anytime. It also features the ability to integrate with various other systems such as SAP software solutions.

RISK ENVIRONMENT AND MOVING FORWARD PLAN

Challenges	Moving Forward
Low germination rate	Conduct relevant studies in terms of bunch ripeness and moisture content to increase the germination rate.
Pest and disease attack	Perform research and develop cloning for specific traits of planting material products to overcome pest and disease issues.
Cyber threat on company IT infrastructure	Ensuring business continuity plan is in place to reduce downtime due to cyber attack.
Restriction on export of planting materials to foreign and high domestic market competition	Setting up seed garden in neighbouring country through proposed joint venture.
High and borderless competition in fertiliser business	Expand to new overseas market such as Southeast Asia region.

HUMAN CAPITAL

OVERVIEW

We focus our Human Capital on providing career development opportunities to attract and retain high-performing employees. We also place emphasis on the health and safety of our employees, many of whom are involved in labour-intensive activities in our plantation and other operations. During the year, our initiatives to increase the value of our Human Capital included strengthening the capabilities of our employees to support their career development. Furthermore, we reinforced our safety & health policies and processes to ensure the well-being of our workforce.

MANAGING OUR HUMAN CAPITAL AND ITS OUTCOMES

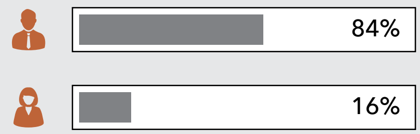
Our workforce plays a vital role in realising our Group's aspirations. In light of this, we take guidance from SDG 8: Decent Work and Economic Growth, as fundamental to how we approach our Human Capital commitments. As at the end of 2018, we recorded a total headcount of 18,742 people, made up primarily of employees in our Plantation Sector who represent 64% of our employees. Our Logistics & Support Businesses Sector accounts for 25% of our headcount, followed by our Sugar Sector who represent 8% of our staff. Our staff turnover rate remained low as 3.8%, which also marked a further improvement from 4.0% in 2017.

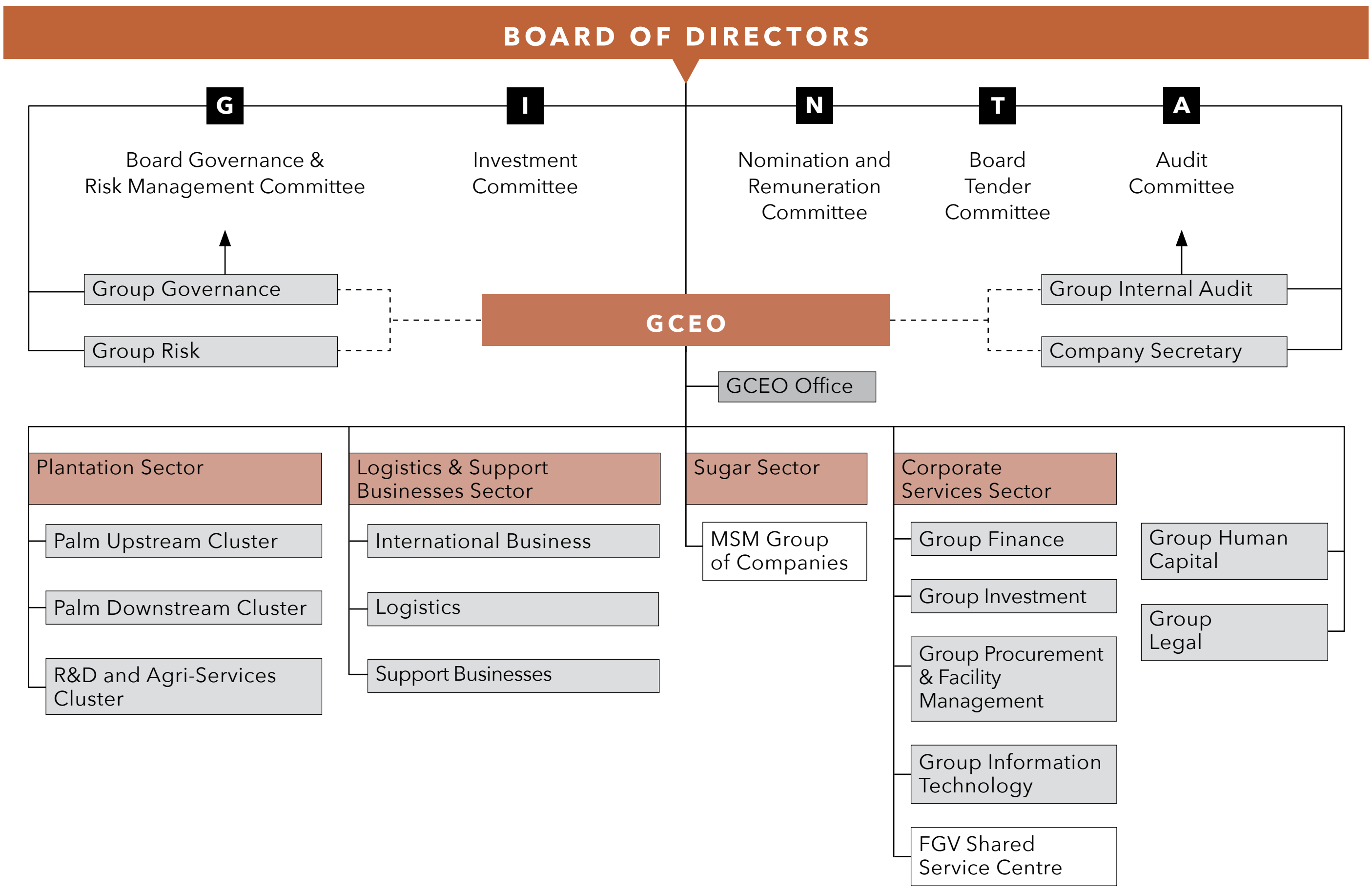
We align our **Human Capital** with Sustainable Development Goals (SDGs):

Total Employees

18,742

Gender Diversity





HUMAN CAPITAL

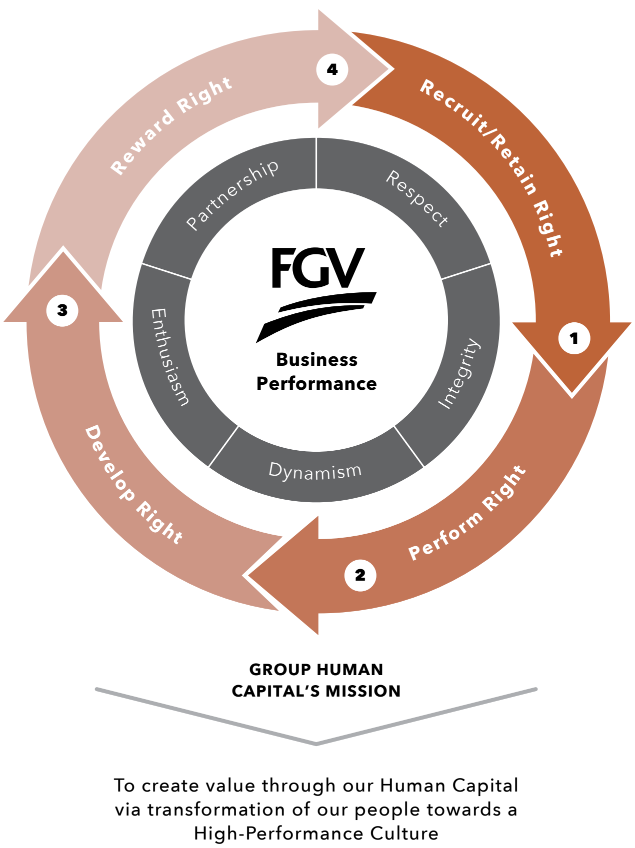
RENEWING OUR LEADERSHIP AGENDA

By the end of the first half of 2018, we had identified serious capacity gaps in management which could have prevented the Group from stemming the decline in our business and implementing an effective turnaround. However, by January 2019 the Group had fully put in place a new, capable Management team. They will drive the Group's Transformation Plan with guidance from our Board of Directors. We are confident of instituting the necessary changes to optimise financial returns from the Group's operations, thereby enhancing value for our Stakeholders.

DRIVING THE PERFORMANCE OF OUR BUSINESS

At FGV, we continually assess, develop and strengthen our Human Capital to ensure that we have the right competencies and that our people have the right qualities, dynamics and passion to drive the Group's various initiatives. The approach we take to our Human Capital development is guided by our Human Capital strategy framework as illustrated below:

HUMAN CAPITAL STRATEGY FRAMEWORK



NURTURING TALENTS

1

Graduate Trainee Programme

We continue to implement our Graduate Trainee Programme which aims not only to grow our talent pool but also contribute to nation-building by equipping fresh graduates with work experience and skills. During the year, 25 cadet planters were selected to fill assistant estate manager positions with another 15 Information Technology (IT) trainees hired for IT-related positions at FGV Prodata Systems Sdn. Bhd. (formerly known as Felda Prodata Systems Sdn. Bhd.).

2

Cadet Supervisor Programme

We sought to fulfil our plantations manpower needs by hiring ex-armed forces personnel from the "*Perbadanan Hal Ehwal Bekas Angkatan Tentera*". Candidates undergo six-months training under our Cadet Supervisor Programme, with successful candidates being offered permanent positions within the Group. During the year, 25 candidates participated in the programme and to date, three cadets have completed the programme and are currently serving as estate supervisors.

3

Scholarship Programme

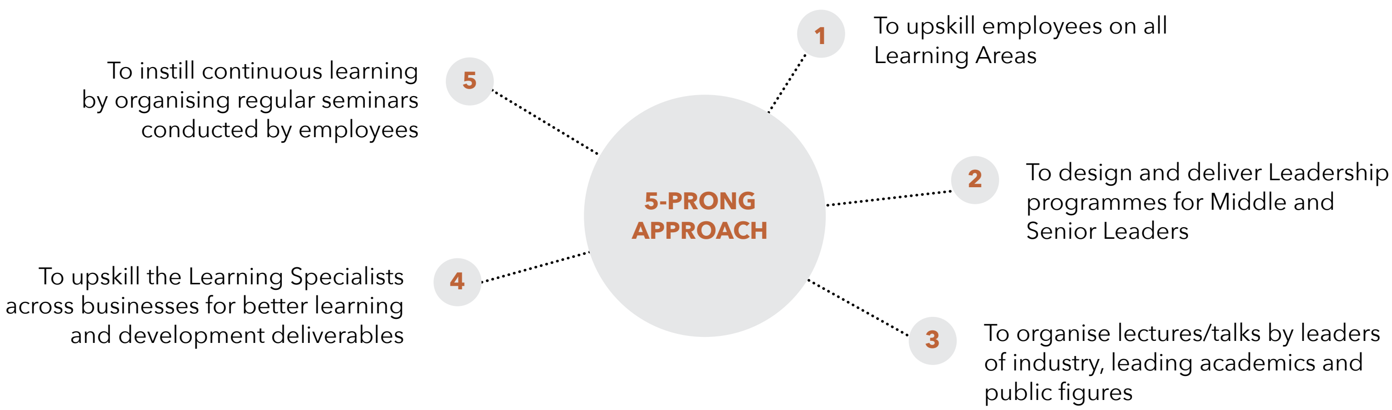
We provide scholarships to tertiary students pursuing selected fields of study locally and abroad. Since 2006, we have sponsored 51 students in pursuing their A-Levels at Kolej Yayasan UEM before continuing with degree programmes at top universities in the UK, while another 68 recipients have benefited from scholarships for studies at local public universities. To date, we have 31 scholarship recipients serving the Group.

HUMAN CAPITAL

Talent Development

In line with FGV's mission of 'Creating Value through Our Human Capital', we are clear that to be a global leader, the Group needs to leverage and develop our most important asset, our people. As part of our Develop Right strategy, we have in place programmes and support systems to ensure systematic development of our people. This is guided by our Learning Road Map Strategy which adopts a five-pronged approach to equip our people with solid fundamental learning and ensure that they are ready for the challenges ahead.

Phase 1 : 2015 - 2016	Phase 2 : 2017 - 2019	Phase 3 : 2020 onwards
• Core & Fundamentals Learning & Development • Operational Effectiveness & Excellence	Structured & Systemized Development	Organizational Capability & Learning Culture



In 2018, we conducted 6,723 trainings for our employees including functional trainings to improve their skills, personal effectiveness courses emphasising performance management as well as environmental capacity-building on safety and health to ensure they are kept abreast of current developments. Of these, 494 programmes were conducted in-house by our experienced and certified trainers with expertise in a vast array of general, technical and competency-based learning areas. Our employees also participated in 10 programmes conducted abroad.

PERFORMANCE AND REWARD

Reward Right Initiative

Under our Reward Right initiatives, we have identified four key aspects to arrive at the right rewards for our employees. These comprise linking rewards with our business strategies; devising a more inclusive rewards model; enhancing employee communication on our rewards programme; and driving a high-performance culture. We have also introduced a new bonus structure to reinforce cooperation and collaboration between the Group, Sectors, Divisions, Clusters, Companies and individuals. During the year, we made a clear distinction in terms of bonus payouts between performing and non-performing companies and individuals to incentivise our employees to maintain or improve their performance.

Long-Term Incentive Plan (LTIP)

We also continue to implement our Long-Term Incentive Plan (LTIP) to reward, retain and motivate our employees as they contribute to our growth. Based on the mechanism approved by our Board of Directors in February 2016, 11.67 million shares were granted under a Restricted Share Plan to eligible employees in 2018. The vesting of the shares, expected in three years based on a ratio of 30:30:40, is dependent on the employees' performance level.

HUMAN CAPITAL

HR PLANNING

Manpower Optimisation

We embarked on a continuous manpower optimisation exercise with the introduction of Separation Schemes in the fourth quarter of 2018. During the year, we offered Separation Schemes to selected employees with poor health conditions as certified by registered medical practitioners, and employees demonstrating low performance due to their age and an identified lack of motivation. Of 711 employees identified, 667 employees accepted the scheme with a total cost of RM72 million. We expect to gain annual savings of RM25 million from the exercise, which will continue on a staggered basis until the end of the first quarter of 2019.

Worker Requirement

We employed total workers of 31,853 in 2018, the majority of which comprised foreign guest workers recruited mainly from Bangladesh, India and Indonesia. Following aggressive recruitment measures, we were able to fulfil 100% of our worker requirement for Peninsular Malaysia in the first quarter of the year. However, by the end of the year this reduced to 88% as a number of foreign guest workers absconded or returned to their home countries. As we have utilised nearly 100% of the 12,000 plantation worker quota received in end-2017, our effort continues to fulfil our worker requirement by applying for additional quota from the government.

For further details on worker shortages and how we manage our foreign guest workers, please refer to Natural Capital and Social & Relationship Capital in this MD&A.

Total Workers

31,853

2017: 28,397
2016: 23,096

EMPLOYEES AND WORKERS' SAFETY AND WELL-BEING

As a labour-intensive business, we place emphasis on the health and safety of our employees and workers, by providing a safe environment for them to work in. We are proud to highlight improved incidents statistics in 2018, with the number of injuries declining to 298 during the year from 356 in 2017, although we incurred a slightly higher Lost Time Injury Frequency Rate of 3.19 in 2018 against 3.12 in 2017.

We benchmark and strive to emulate industry best practices and international standards and maintained our certifications for all our mills during the year. We have 91 certifications for OHSAS 180001: 2007, 79 certifications for ISO 14001:2004/2015 and six certifications on MS 1722:2011. Our efforts to ensure an adequate Occupational Safety & Health (OSH) environment were recognised with multiple awards from the Malaysian Society for OSH, with a unit within FGV Palm Industries Sdn. Bhd. (FGVPI, formerly known as Felda Palm Industries Sdn. Bhd.) receiving the Grand Award. FGV Holdings Bhd. and FGV Plantations (Malaysia) Sdn. Bhd. (FGVPM, formerly known as Felda Global Ventures Plantations (Malaysia) Sdn. Bhd.) Ladang Bera Selatan 7 received the Gold Class 1 Award while MSM Prai received the Gold Class 2 Award.

Year-round engagements to build a safety culture meant that during the year, 5,101 of our employees participated in various OSH campaigns, competitions and programmes. We also continued our participation in the Systematic of Occupational Health Enhancement Level Programme (SoHELP) in support of efforts by the Department of Safety and Health to enhance management of chemicals, noise and ergonomics at the workplace.

Number of Injuries

298

2017: 356
2016: 272

Lost Time Injury Frequency Rate

3.19

2017: 3.12
2016: 2.25

HUMAN CAPITAL

In an effort to further inculcate a culture of safety within our Group, in 2018 we launched the FGV Safe 10 initiative, comprising a list of Dos and Don'ts to be practiced by our employees:

- Wear seat belts in vehicles and helmets on motorcycles
- Do not use mobile phone while driving and observe the speed limits
- Follow safety rules and procedures at work premises
- 5S Practice good housekeeping and cleanliness
- Practice good working environment by reducing, reusing and recycling
- Wear correct Personal Protective Equipment (PPE) at all times when required
- Observe safe manual handling techniques when carrying out physical tasks
- Handle sharp equipments and machines with care
- Use valid Permit to Work (PTW) required by the job
- Notify all incidents and accidents

We also marked the establishment of an Emergency Response Team (ERT) to serve our operations in Bandar Sahabat in Lahad Datu, Sabah. The team will enable the Bandar Sahabat community to manage disasters and emergencies prior to the arrival of the local emergency service agencies. In line with this, we conducted a Disaster Simulation and Emergency Response Exercise focused on FGVPI's Independent Power Producer (IPP) biomass plant. The exercise included the participation of other external agencies and enabled the ERT to enhance its disaster preparedness, planning and response capabilities.

RISK ENVIRONMENT AND MOVING FORWARD PLAN

Challenges	Moving Forward
Surplus of employees	Rationalise workforce to identify gaps and to improve productivity and efficiency.
Human capital inadequacy	Implement succession planning and training programmes covering skills, performance management and capacity building to improve employees' competency.
Shortage of workers due to abscondment and workers returning to home countries	Continuous engagement through G2G and direct contact with the suppliers to secure 100% worker requirement.

SOCIAL & RELATIONSHIP CAPITAL

OVERVIEW

We remain committed to building our Social & Relationship Capital as we recognise the value of contributing to the development of sustainable communities. To this end, our initiatives during the year continued to focus on activities impacting key Stakeholders including our employees, communities and the environment.

From our engagement with our Stakeholders, the key material matters identified for 2018 were Yield Improvement, Economic Performance, Governance, Ethics & Integrity, Human Rights & Labour Relations, and Roundtable on Sustainable Palm Oil (RSPO) Certification. These are important to build our customers' confidence in our oil palm production and at the same time improve our competitive edge in the oil palm business.

For further details on our Material Matters can be found in Assessing Our Material Matters on pages 14-18.

We align our **Social & Relationship Capital** with Sustainable Development Goals (SDGs):

2 ZERO HUNGER

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

MANAGING OUR SOCIAL AND RELATIONSHIP CAPITAL AND ITS OUTCOMES

MALAYSIA SUSTAINABLE PALM OIL CERTIFICATION FOR SMALLHOLDERS

As one of the largest supporters of Smallholders in the world, we seek to partner, support and sustain of 112,635 FELDA Settlers. Supporting the Smallholders provides a valuable opportunity to improve social outcomes, which we are committed to playing a role in and hence, contributing to SDG 2: Zero Hunger (Target 2.3 - Double the Agricultural Productivity and Incomes of Small-scale Food Producers).

As part of the yield improvement programme, we are supporting and assisting FELDA in getting Scheme Smallholders Malaysia Sustainable Palm Oil (MSPO) certified, in line with the government's call for all Scheme Smallholders to be MSPO-certified by end-2019.

MSPO is the first Malaysian certification scheme that was launched in 2015. This scheme focuses on developing rural communities to contribute to the national socio-economic agenda. Being among the first few plantation companies to be MSPO-certified, we have gained an advantage and in-depth knowledge to assist Independent Smallholders (ISH) in this area.

In supporting Independent Smallholders who supply FFB to our mills, we collaborated with the MPOB to assist in registering these ISH under MPOB Sustainable Palm Oil Cluster (SPOC).

In addition, we have also trained 150 of our officers on the MSPO certification's requirements which is important to enable these officers to provide the necessary support to the ISH in pursuing their MSPO journey.

Support

112,635

FELDA Settlers

TRACEABILITY

We work closely with our value chain partners to ensure they embed traceability and transparency in their operations in line with SDG 8: Decent Work and Economic Growth, as we seek to strengthen the sustainability of the value chain. Our traceability system, FGV-ToP, has enabled us to identify all our sources of FFB up to the plantation and smallholder level. We have completed the first phase of traceability until the mill level. The second phase involves traceability at FGV estates and FELDA settlers and the third phase will cover traceability to the outgrower and Independent Smallholder level. The two remaining phases are targeted for completion in 2025.

For further details on FGV-ToP System, please refer to the Intellectual Capital in this MD&A.

REDEFINING OUR IDENTITY

The Group officially changed its name to FGV Holdings Berhad from Felda Global Ventures Holdings Berhad through an Extraordinary General Meeting (EGM) which took place on 29 June 2018. Subsequent to this, 13 of our subsidiaries changed their names in 2018, while another eight subsidiaries underwent their name-change exercise until March 2019. This exercise was undertaken to streamline our brand and to emphasise our position as an integrated and diversified business.

SOCIAL & RELATIONSHIP CAPITAL

During the year we also relocated from Menara FELDA and Balai FELDA to Wisma FGV in Jalan Raja Laut, Kuala Lumpur, an exercise that took place between August 2018 and January 2019. Our headquarters was officially relocated to Wisma FGV on 1 October 2018. With over 2,000 staff now working under one roof, we have been able to improve efficiency and streamline our processes.

Changed name to
FGV Holdings Berhad

22
out of our 68 mills
have been RSPO certified

EFFECTIVE COMMUNICATION AND ENGAGEMENT PROGRAMMES

In 2018, we organised several environmental programmes for six community groups in five wildlife/biodiversity hot spot areas. The programmes were aimed at empowering local communities to manage the environmental-related issues in their vicinity, with the help from some of our collaborative partners in our environmental stewardship programme.

These collaborations were undertaken through programmes such as World Wildlife Day in March 2018. We also contributed to a knowledge-sharing session with students from UKM during UKM Wildlife Day in November 2018. As one of Malaysia's leading plantation companies, our participation in these activities was aimed at further engaging with the local communities on environmental protection and conservation.

The FGV Tekam Forest Trail Run was held on 5 August 2018 at Pusat Penyelidikan Pertanian Tun Razak in Tekam, Pahang as part of our corporate brand positioning and to engage with our external stakeholders. More than 500 local and international participants took part in the trail run, which took them through our plantation and premises. Apart from creating brand awareness for FGV, this event also helped to promote the industry at large.

ROUNDTABLE ON SUSTAINABLE PALM OIL

The RSPO initiative serves as a platform to drive sustainability in the palm oil industry. The RSPO Principles and Criteria (P&C) is the most widely used sustainability standard, with about 20% of global palm oil certified to this standard. In line with our commitment to sustainability and SDG 11: Sustainable Cities and Communities, FGV has been involved actively in the RSPO since its establishment in 2003. We participated in the development of its P&C in 2005, the first P&C review in 2012 and the second review in 2017.

Our commitment to the production of sustainable palm oil stems from its commercial and reputational benefits. A study shows that RSPO members outperformed the FTSE Bursa Malaysia Asian Palm Oil Plantation Index by around 6% in the last five years. From a business perspective, Certified Sustainable Palm Oil (CSPO) may increase revenues due to better premium for CPO and opportunities from increased market penetration. Furthermore, the requirements for CSPO encourage us to double our efforts to protect the forest and the communities that live in and around the forests.

In line with our pledge to the RSPO, we received certification for 14 mills, making a total of 22 RSPO-certified mills as at December 2018, with certified quantities of 425,431 MT CSPO and 109,185 MT of Certified Sustainable Palm Kernel. We will continue to re-certify all our mills by 2021, as we seek to avoid loss of opportunity in the CSPO market due to non-compliance that prevents certifications. Further to this and following the government's initiative on MSPO, seven mills have also been MSPO-certified, with the remainder to be completed by end of 2019.

Since 2016, we have placed emphasis on enhancing the human rights & labour relations practices at our plantation operations. Despite our best efforts to implement fair labour practices, there are challenges that remain to be addressed, as outlined in the RSPO's Complaints Panel directives published in November 2018.

Recognising the urgency of the matter, we have formulated actions to manage those gaps. All sustainability-related policies and procedures are being reviewed and revised, and shall be communicated for implementation. We are committed to ensure that the gaps and challenges are addressed effectively.

In addition, we are in the process of engaging external consultants to verify and endorse the many new measures we are implementing. Further to this, we are also in the process of establishing an Independent Advisory Panel to the Board. The Panel will publish two independent reports every year on our progress in relation to addressing the RSPO's requirements. The progress updates will be published on our website until all issues are resolved.

SOCIAL & RELATIONSHIP CAPITAL

In line with RSPO's initiative for worker welfare and human rights, we believe it is vital to provide basic necessities and improve workers' living standards in compliance with the Workers' Minimum Standards of Housing and Amenities Act 1990 to retain our workforce in the estates. In 2018, we introduced a housing programme for the workers, which is split into two packages. Package 1 covers 158 blocks in Peninsular Malaysia while package 2 consists of 298 blocks in Sabah and Sarawak.

For Package 2, we have achieved 70% completion and are currently connecting the areas with electricity supply. For Package 1, due to major delays in its construction, we have re-tendered the package to a new contractor that will commence work within the first half of 2019. We aim for the workers housing to be completed by end-2019 to ensure that our workers can thrive both within and outside of work.

For further details on the total workers in FGV, please refer to the Human Capital in this MD&A.

INCLUSION IN FTSE4GOOD INDEX SERIES

Our efforts to embed sustainability throughout our organisation as well as uphold high standards of sustainability practices have resulted in our inclusion as a constituent of the FTSE4Good Bursa Malaysia Index in 2018. Our inclusion follows an independent assessment according to the FTSE4Good criteria which found FGV to have satisfied the requirements to become a constituent of the index. The assessment on companies' performances are carried out every six months.

The FTSE4Good Index series, created by global index provider FTSE Russell, measures the performance of companies which demonstrate sound Environmental, Social and Governance practices and is used by a wide variety of market participants to create and assess responsible investment funds and other products.

RISK ENVIRONMENT AND MOVING FORWARD PLAN

Challenges	Moving Forward
European Union (EU) ban on palm oil due to alleged sustainability issues	Monitor progress of the ban and work closely with government agencies and industry players to counter EU's anti palm oil campaign.
Not meeting sustainability standards and possibility for RSPO certifications to be revoked	• Strengthen engagement with our Stakeholders to address their concerns. • Focus on ethical treatment towards the worker by improving basic necessities and living standards following the Workers' Minimum Standards of Housing and Amenities Act 1990.

INSIDE THIS STATEMENT

We have structured this year's Corporate Governance Overview Statement (CGOS) in the following way, based upon the principles set out in the Malaysian Code on Corporate Governance 2017 (MCCG 2017) and Bursa Malaysia's Corporate Governance Guide 2017.

This CGOS should be read in conjunction with the Corporate Governance Report, which is available on our website, www.fgvholdings.com

CONTENTS

> We have embraced change and transformation across many areas of the business, and I believe FGV is well-positioned to address its immediate challenges and plans for the future.

DATUK WIRA AZHAR ABDUL HAMID
Chairman

The Board of Directors (the Board) of FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad) (FGV or the Company) believes that effective corporate governance is critical to delivering our strategy and creating long-term value for our Shareholders. In addition to implementing improvements in governance, we have refreshed our governance and integrity framework to support the clear and consistent delegation of authority from our Board to senior levels of the organisation and beyond. This will enable faster, better decision making and help us live up to our values in everything we do.

The Board adopted a refreshed set of delegations of authorities for FGV and its Group of Companies (FGV Group or the Group) that facilitates the governance of official responsibilities, created clearer personal accountability, and enabled better decision making at the top of the business.

Additionally, we further strengthened and embedded our core value of governance and integrity with numerous activities throughout the year. These include, collaborating with the Malaysian Institute of Integrity to conduct an Integrity Assessment Survey which utilised their Integrity Assessment Tool, forming a Central Reporting and Investigation Authority, instituting governance Policies and Procedures to govern the formulation of overall policies and managing while strengthening our Whistleblowing Policy.

ESTABLISHING SPECIAL BOARD COMMITTEES

Special Board Committees were established with specific remits. The Special Board Committee 1 was formed to oversee processes involved for review and evaluation of several of the Group's past transactions. These were specific past transactions that were required to be reviewed and evaluated by the Board. The Special Board Committee 1 had engaged independent consultants and specialists to undertake the review, advise and provide guidance on the matters. The Special Board Committee 1 will cease to operate once the review of the specific past transactions is concluded.

The Special Board Committee 2 had the task of closely monitoring the performance of the Group, advising on ways to achieve the agreed key result areas. The Special Board Committee 2 paved the way for a more coordinated interaction between Management and the Board. Additionally, Special Board Committee 2 assumed the roles and responsibilities of the previous Group President/Chief Executive Officer (GP/CEO) from

CHAIRMAN'S GOVERNANCE OVERVIEW

HOW WE HAVE ENHANCED OUR GOVERNANCE STRUCTURES

1. Enhanced and strengthened Group Procurement Policies and Procedures. Page 88
2. Enhanced and strengthened the Credit Control Policy and Sales Payment Term Policy. Pages 83, 85
3. Enhanced and strengthened Group Investment Policy. Pages 66, 85
4. Strengthened Board Oversight. Pages 86, 87
5. Changed its Constitution to be in line with the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Page 67
6. The search for a new Group Chief Executive Officer (GCEO) was an exhaustive process. First, candidates were sourced through an independent third party service provider. Then, a Search Committee, consisting of a majority of the Independent Directors of FGV, sifted through the list of candidates, giving great attention to the appropriate criteria, having regard to the candidates' background, breadth and depth of experience, and qualifications. Short-listed candidates were then placed through a rigorous and intense interview process with an interview panel, where their character, attitude, and response, were assessed. The final few candidates were then presented to the Nomination and Remuneration Committee for consideration and deliberation, during which results of checks and assessments with third parties were provided. The Nomination and Remuneration Committee's final recommendation, together with its deliberation, were then submitted to the Board for final approval. Pages 67, 74

the interim period between the previous GP/CEO resigning to the appointment of an Interim Chief Executive Officer (Interim CEO). Special Board Committee 2 ceased to operate on 18 September 2018 when the Interim CEO was appointed.

CHANGES TO THE BOARD

We made major changes to our Board, culminating in a majority of 7 Independent Non-Executive Directors out of 10 members. We welcomed Mohd Hassan Ahmad and Dato' Dr. Othman Haji Omar as Non-Independent Non-Executive Directors, Dato' Yusli Mohamed Yusoff as Senior Independent Non-Executive Director as well as Dr. Nesadurai Kalanithi and Datin Hoi Lai Ping as Independent Non-Executive Directors.

We took the decision to ensure that the newly appointed GCEO was neither a Director on the Board nor a Government Appointed Director, thus ensuring a defined separation of power. We enhanced and strengthened the Board Committees' Terms of Reference and Board Charter to align with current guidelines and frameworks. Furthermore, we enacted a policy to only allow internal candidates to be Directors of subsidiaries.

OUR CULTURE

As Chairman, I am responsible for establishing and embedding the culture of the Board, which in turn sets the tone from the top for the Company. The Board and I have a strong belief that the way we conduct business and the way we engage with our customers, Shareholders and other Stakeholders, needs to be aligned to our values and purpose to mitigate uncertainty, and this in turn will ensure our long-term success.

VALUING SUSTAINABILITY

The Board and I hold the values of sustainability in high regard and continue to progress with our sustainability initiatives, which incorporate the requirements of all of the sustainability standards and regulations to which the Group has committed. Together, these initiatives reinforce the Group's commitment to well-established best practices, including sustainable development through the provision of socio-economic benefits for local communities, the protection of biodiversity and ecosystem functions, zero-burning, reducing greenhouse gas emissions and a zero-tolerance approach to bribery and human rights violations.

THE YEAR AHEAD

We have embraced change and transformation across many areas of the business, and I believe FGV is well-positioned both to address its immediate challenges and to plan for the future. Indeed, I am looking forward to the role we will all play in taking FGV to greater heights.

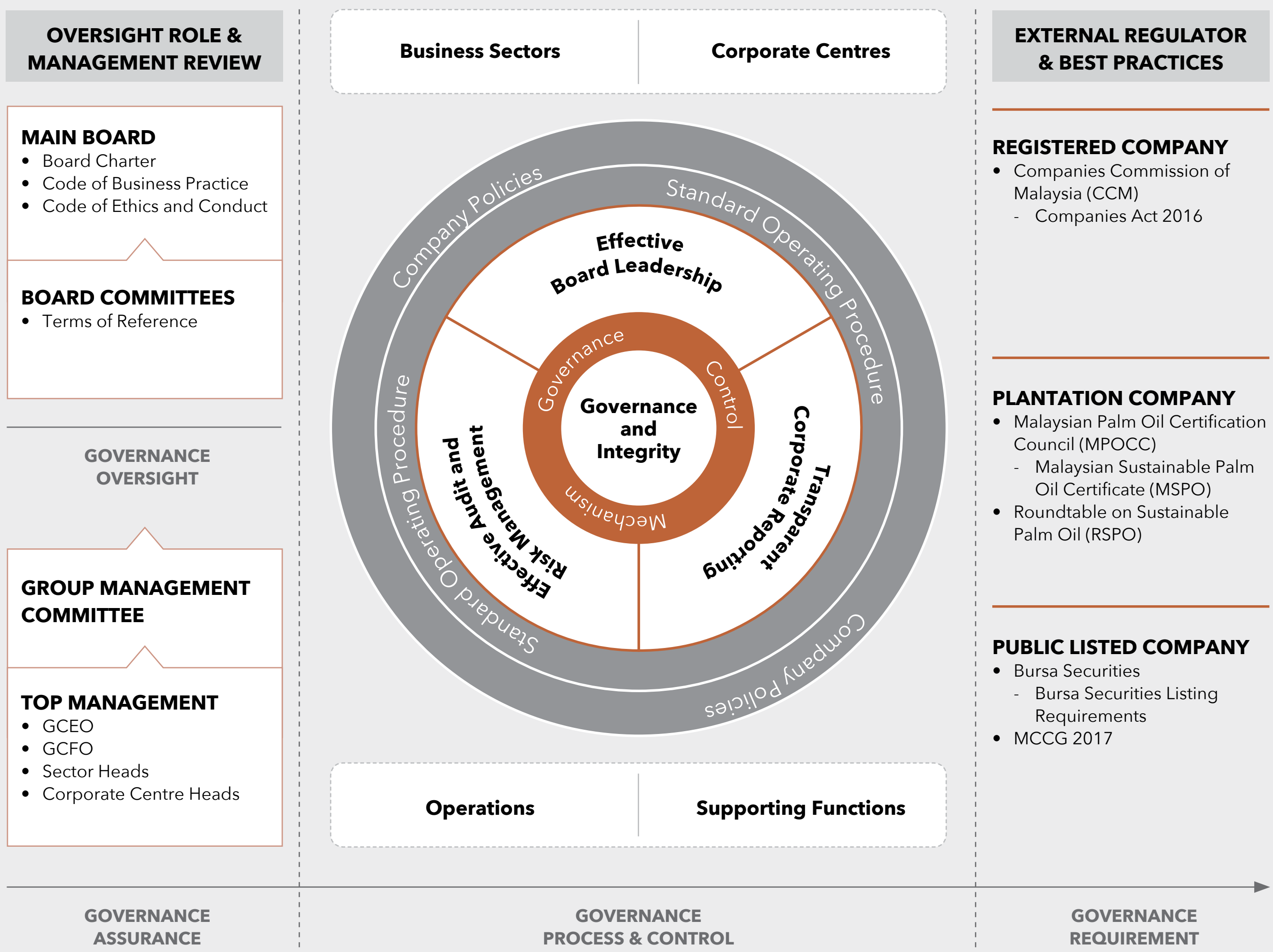
DATUK WIRA AZHAR ABDUL HAMID
Chairman,
Non-Independent Non-Executive Director

OUR GOVERNANCE AND INTEGRITY FRAMEWORK

In line with the Board's commitment, FGV has now adopted a new Governance and Integrity Framework. The revised Governance and Integrity Framework clarifies further the chain of command, delegation of authority, accountability and decision-making process of the Group.

The Board ensures that the Group and its subsidiaries comply with the requirements of the Companies Act 2016 and any other legislative requirements such as the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities), adherence to the guiding principles of the Malaysian Code on Corporate Governance 2017 (MCCG 2017), in alignment with the Guidelines on Adequate Procedures for Corporate Liability, and any others within the ambit of the Governance and Integrity Framework, with the intent to safeguard our Shareholders' best interest.

FGV GOVERNANCE AND INTEGRITY FRAMEWORK



GOVERNANCE AT FGV: LEADERSHIP AND EFFECTIVENESS

OUR BOARD

GENDER DIVERSITY

Male	70%
Female	30%

BOARD BALANCE AND COMPOSITION

7 Independent Non-Executive Directors

3 Non-Independent Non-Executive Directors

Representatives of FGV's Special Shareholder | Representative of FGV's Major Shareholder | Representatives of Minority Shareholders and the Public

DATUK WIRA AZHAR ABDUL HAMID
Chairman,
Non-Independent
Non-Executive Director

Malaysian, 57

Skills and Qualifications:
Datuk Wira Azhar is a Fellow Member of the Association of Chartered Certified Accountants, UK, as well as a Member of the Malaysian Institute of Accountants. His experience spans the areas of finance and business development, while he has also served in various leadership positions with other plantations companies and conglomerates.

Tenure:
More than 1 year

Directorship of Public Companies:
Chairman, MSM Malaysia Holdings Berhad and Director, Icon Offshore Berhad and Hume Industries Berhad

MOHD HASSAN AHMAD
Non-Independent
Non-Executive Director

A T S

Malaysian, 44

Skills and Qualifications:
Mohd Hassan brings to the Board his extensive knowledge as an economist and background in accounting and finance, as well as in the area of economic and fiscal policy through his long-standing career at the Ministry of Finance. He holds a Bachelor of Accountancy from University Putra Malaysia, a Diploma in Public Management from the National Institute of Public Administration and a Master of Economics (Financial Economics) from the University of Sydney, Australia. He is also a Member of the Malaysian Institute of Accountants.

Tenure:
Less than 1 year

Directorship of Public Companies:
Director, Keretapi Tanah Melayu Berhad

DATO' DR. OTHMAN HAJI OMAR
Non-Independent
Non-Executive Director

I

Malaysian, 59

Skills and Qualifications:
Dato' Dr. Othman offers experience in various sectors including engineering, construction, entrepreneurship and academia. He is also the co-founder of an online social/corporate social responsibility platform. He graduated with a Bachelor of Engineering (Civil) from the University of Tasmania, Australia and holds a Master of Business Administration (Strategic Management) from the Paris Graduate School of Management, France as well as a Doctorate in Business Administration from the University Institute of International & European Studies in the Netherlands/International University of Georgia, Tbilisi, Georgia.

Tenure:
Less than 1 year

Directorship of Public Companies:
Nil

DATO' YUSLI MOHAMED YUSOFF
Senior Independent
Non-Executive Director

N G

Malaysian, 60

Skills and Qualifications:
Dato' Yusli brings with him a distinguished career serving home-grown companies, in various leadership positions. His experience spans engineering, conglomerates and the capital market, where he has served in various positions including Chief Executive Officer and Executive Director of Bursa Malaysia Berhad. He is also currently the President of the Malaysian Institute of Corporate Governance. He is qualified in both the fields of economics and accounting, with a Bachelor of Economics from the University of Essex, UK and Membership of the Institute of Chartered Accountants in England & Wales and the Malaysian Institute of Accountants.

Tenure:
Less than 1 year

Directorship of Public Companies:
Director, Westports Holdings Berhad, AirAsia X Berhad, Mudajaya Group Berhad and Mulpha International Berhad

DATO' MOHAMED SUFFIAN AWANG
Independent
Non-Executive Director

N I T

Malaysian, 47

Skills and Qualifications:
Dato' Mohamed Suffian brings with him vast experience and knowledge in the field of law, and the construction of affordable houses. He holds a Bachelor of Laws (Honours) and a Diploma in Public Administration from University Teknologi Mara, Malaysia.

Tenure:
More than 4 years

Directorship of Public Companies:
Chairman, Pecca Group Berhad and Director, Koperasi Permodalan Sukarelawan Kuala Lumpur Berhad

SKILLS AND EXPERIENCE

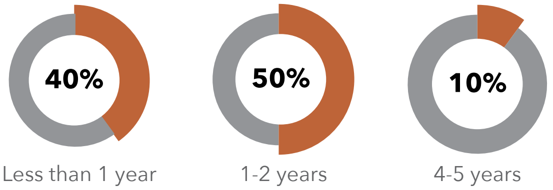
Upstream Business	Public Policy and Regulatory
Financial Acumen	Strategy and Risk
Governance	Corporate Knowledge
Legal and Mergers & Acquisitions	Corporate Global Experience

MEMBERSHIP IN BOARD COMMITTEE

- A Audit Committee
- N Nomination and Remuneration Committee
- G Board Governance & Risk Management Committee
- I Investment Committee
- T Board Tender Committee
- S Special Board Committee 1

OUR BOARD

TENURE



MEMBERSHIP IN BOARD COMMITTEE

- A Audit Committee
- N Nomination and Remuneration Committee
- G Board Governance & Risk Management Committee
- I Investment Committee
- T Board Tender Committee
- S Special Board Committee 1

Representatives of Minority Shareholders and the Public

DATUK DR. SALMIAH AHMAD

Independent
Non-Executive Director

G

Malaysian, 63

Skills and Qualifications:
Datuk Dr. Salmiah contributes to the Board her expertise in scientific research in palm oil and oleochemicals with government agencies for palm oil development. Her career spans leadership positions with the Malaysian Palm Oil Board while she is also experienced in the rubber industry in Malaysia and globally, having served as Director General of the Malaysian Rubber Board and Chief Executive Officer of the International Rubber Consortium. She holds a Bachelor of Science (Organic Chemistry), Master in Science (Organic Chemistry) from Northern Illinois University, ILL, US and PhD in Physical Chemistry from Imperial College, London, UK.

Tenure:
More than 1 year

Directorship of Public Companies:
Nil

DR. MOHAMED NAZEEB P.ALITHAMBI

Independent
Non-Executive Director

I T S

Malaysian, 66

Skills and Qualifications:
Dr. Mohamed Nazeeb has developed his expertise in agriculture and plantations through his background in research and his experience serving plantation companies in Malaysia as an agronomist and Head of Crop Production. He has also led plantation companies in the capacity of Director of Plantations, Head of Plantation Advisory and Head of Research and Development. He holds a Bachelor of Science (Honours) and a PhD in Agronomy from University of Malaya, Malaysia.

Tenure:
More than 1 year

Directorship of Public Companies:
Nil

DATUK MOHD ANWAR YAHYA

Independent
Non-Executive Director

A S

Malaysian, 64

Skills and Qualifications:
Datuk Mohd Anwar provides invaluable experience in accounting and finance supported by his experience with international consulting firms and state investment and development bodies. He holds a Bachelor of Science (Honours) in Economics & Accountancy from the University of Hull, UK and is a Member of the Institute of Chartered Accountants in England and Wales, the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

Tenure:
More than 1 year

Directorship of Public Companies:
Director, Maybank Islamic Berhad, Fraser & Neave Holdings Berhad, Pelaburan Hartanah Nasional Berhad and Amanah Saham Nasional Berhad

DR. NESADURAI KALANITHI

Independent
Non-Executive Director

S

Malaysian, 62

Skills and Qualifications:
Dr. Nesadurai Kalanithi has a comprehensive knowledge of palm oil having been involved in research and market development. She is familiar with international markets having worked and travelled extensively in Europe, Australia and Asia. She held the position of Director, Product Development and Advisory Services at Malaysian Palm Oil Board and subsequently as Minister in the Embassy of Malaysia and Mission to the European Union. She holds a PhD in Biochemistry and Molecular Biology from the University of Reading, UK.

Tenure:
More than 1 year

Directorship of Public Companies:
Nil

DATIN HOI LAI PING

Independent
Non-Executive Director

A I

Malaysian, 57

Skills and Qualifications:
Datin Hoi Lai Ping has built her career in banking and finance, gaining experience with local and Australian financial institutions. She was also a partner in an international consulting firm which helped clients implement strategic change. She holds a Bachelor of Economics, majoring in Accounting, from Monash University, Victoria, Australia and is an Associate Member of CPA Australia.

Tenure:
Less than 1 year

Directorship of Public Companies:
Director, Zurich Life Insurance Malaysia Berhad

None of the Directors have any conflict of interest with the Company, family relationship with any Director and/or Major Shareholder, or have any convictions for offences (other than traffic offences) within the past five years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Full biographical details of each Director with information on date of appointment to the Board, membership in Board Committees, qualification, working experience and occupation, directorship in other public companies and number of Board meetings, attended in the financial year are available on our website www.fgvholdings.com

Board activities are listed out on pages 66-67.

OUR MANAGEMENT

GENDER DIVERSITY

Male	82%
Female	18%

AGE DIVERSITY

73%	**27%**
50 years and above	**40 to 49 years**

GROUP MANAGEMENT COMMITTEE

DATO' HARIS FADZILAH HASSAN

- Group Chief Executive Officer

Malaysian, 51

Tenure:
Since 23 January 2019

Skills and Qualifications:
Dato' Haris Fadzilah possesses vast experience in the plantation industry, having served leadership positions in various plantation companies in Malaysia. He has also worked for a number of national companies in the automotive and the oil and gas industry. Prior to his appointment as GCEO of FGV, he headed the commercial and land management division of another national company, this time in the mass rail industry. He holds a Bachelor of Business Administration and Master of Business Administration from the University of Miami, US. He had also completed the Advanced Management Programme at Columbia Business School, Columbia University and the Senior Management Development Programme at the Harvard Business School Alumni Club of Malaysia.

Directorship in other public companies:
Director, MSM Malaysia Holdings Berhad

DATO' MOHD HAIRUL ABDUL HAMID

- Group Chief Financial Officer

Malaysian, 48

Tenure:
Since 2 January 2019

Skills and Qualifications:
Dato' Mohd Hairul is a seasoned accountant, serving Malaysian conglomerates as Chief Financial Officer in its plantation, energy and utilities divisions. His last appointment prior to joining FGV was Chief Financial Officer of the first mass rail rapid transit developer in Malaysia. He is a Fellow of the Association of Chartered Certified Accountants as well as a Member of the Malaysian Institute of Accountants.

Directorship in other public companies:
Nil

SYED MAHDHAR SYED HUSSAIN

- Chief Operating Officer of Plantation Sector and Head of Palm Upstream Cluster
- Group Chief Transformation Officer

Malaysian, 57

Tenure:
Since 16 April 2018 *(Group Chief Transformation Officer)*
Since 12 November 2018 *(Chief Operating Officer of Plantation Sector & Head of Palm Upstream Cluster)*

Skills and Qualifications:
Syed Mahdhar is an industry expert with experience working in Malaysia's largest plantation company. He also possesses experience in the areas of Quality Assurance, Sustainability, Safety, Standards and Compliance and has helmed leadership positions prior to joining FGV. He holds a Bachelor's Degree in Chemistry (Honours) from Universiti Sains Malaysia.

Directorship in other public companies:
Nil

DATO' KHAIRIL ANUAR AZIZ

- Chief Operating Officer of Sugar Sector
- Executive Director of MSM Malaysia Holdings Berhad

Malaysian, 52

Tenure:
Since 1 February 2017 *(Chief Operating Officer of Sugar Sector)*
Since 22 November 2017 *(Executive Director of MSM Malaysia Holdings Berhad)*

Skills and Qualifications:
Dato' Khairil brings over 25 years of experience to the business as he held various C-Level senior positions covering various industries from manufacturing, construction, telecommunication, logistics and commodity. He is involved in the field of marketing, sales and international business in these industries. He possesses a strong business and leadership record and has a deep understanding of the consumer business landscape in the Asian region via his senior appointment in various industry associations. Under his leadership, MSM Malaysia Holdings Berhad Group of Companies (MSM Group) underwent a turnaround strategy which saw the company restores its value by improving profit, cash flow, mitigate risks and increase revenue. He holds a Bachelor of Arts Degree in Business Administration, Marketing Management (Honours) from Coventry University, UK.

Directorship in other public companies:
Executive Director, MSM Malaysia Holdings Berhad

OUR MANAGEMENT

GROUP MANAGEMENT COMMITTEE

AZMAN AHMAD

- Chief Operating Officer of Logistics & Support Businesses Sector

Malaysian, 57

Tenure:
Since 1 January 2018

Skills and Qualifications:
Azman has spent much of his career within the Lembaga Kemajuan Tanah Persekutuan (FELDA) Group of Companies (FELDA Group), working his way up to become Chief Executive Officer of Felda-Johore Bulkers Sdn. Bhd. before his departure in 2013 to join FGV. His vast expertise in logistics and operations earned him the position as Chief Operating Officer of the Logistics & Support Businesses Sector in 2018. In addition to a Bachelor of Science in Maritime Technology (Honours) from the University of Wales Institute of Science and Technology, UK, he also holds a Diploma in Management from the Malaysian Institute of Management.

Directorship in other public companies:
Nil

MAZRI ABDUL RAHIM

- Chief Human Resources Officer

Malaysian, 51

Tenure:
Since 19 November 2018

Skills and Qualifications:
Mazri has served in the area of human resources for various multinational companies (MNC) throughout his career, which has included postings in Europe and ASEAN countries. He is experienced in serving fast-moving consumer goods MNCs in the areas of manufacturing human resource operations, compensation and benefits, global human resource systems deployment and organisational development. In addition, Mazri has also served Malaysian Government-Linked Companies in the telecommunication and banking sectors. He obtained his Bachelor of Business Administration, Majoring in Personnel & Industrial Relations from University of North Texas, US, and has completed senior leadership certification programmes with International Institute for Management Development Lausanne, Switzerland and INSEAD Business School of the World, Singapore.

Directorship in other public companies:
Nil

FAKHRUNNIAM OTHMAN

- Chief Investment Officer

Malaysian, 51

Tenure:
Since 1 May 2016

Skills and Qualifications:
Fakhrunniam is experienced in the areas of accounting and corporate finance, having served foreign and local oil and gas, engineering and telecommunication companies. He has also gained experience in leadership positions, including with companies abroad. He joined the FELDA Group in 2005 and was previously FGV's Chief Strategy Officer prior to his current appointment as Chief Investment Officer in 2018. A Chartered Accountant with the Malaysian Institute of Accountants, he is also an MBA-holder from the Royal Melbourne Institute of Technology, Australia and a member of the Fellowship Association of Chartered Certified Accountants (ACCA), UK.

Directorship in other public companies:
Nil

IDA SURYATI DATUK AB. RAHIM

- Chief Counsel

Malaysian, 47

Tenure:
Since 11 December 2017

Skills and Qualifications:
Ida possesses vast experience in legal and corporate secretarial fields having worked as in-house legal counsel and company secretary of MNC and public-listed plantation companies. She has been admitted to the High Court of Malaya as an advocate and solicitor in 1997 and has a company secretary license. She holds a Bachelor of Law (Honours) from Universiti Kebangsaan Malaysia and Master of Law from University of Cambridge, UK and University of Malaya, Malaysia respectively. She has served FGV since 2011 in several capacities, including as the Head & Company Secretary of FGV Group and held various roles in International Business Division, Group Governance Division and Sustainability & Environment Division of FGV.

Directorship in other public companies:
Nil

OUR MANAGEMENT

GROUP MANAGEMENT COMMITTEE

WAN NORMAN NASIR

- Chief Risk Officer

Malaysian, 46

Tenure:
Since 26 January 2015

Skills and Qualifications:
Wan Norman spent most of his career with one of the global banking groups in Malaysia as risk manager for its consumer portfolio. In this role, he managed and grew the bank's cards asset base to become the biggest and best performing in the country. He has also headed the retail risk department for the Malaysian operations of a Saudi-based Islamic bank, managing its full suite of Islamic retail financing products. As Chief Risk Officer of FGV, he has embarked on establishing of an effective and robust risk management framework to enhance strategic decision-making in the FGV Group, to mirror as much as possible the established risk infrastructure, practice and processes in financial institutions, besides strengthening the existing Enterprise Risk Management and Business Continuity Management frameworks. Wan Norman is a law graduate of King's College London, and holds an MBA from Nottingham University Business School, UK.

Directorship in other public companies:
Nil

DATO' ABDUL WAHAB ABDUL AZIZ

- Head of Group Governance

Malaysian, 59

Tenure:
Since 1 December 2016

Skills and Qualifications:
Dato' Abdul Wahab is the Head of Group Governance Division of FGV. He started his career in 1984 with the Malaysian Anti-Corruption Agency (MACC), where he served for more than 35 years. During his tenure there, he gained vast experience in investigation, prosecution, intelligence and prevention. He has also held various senior leadership positions which include Director of Training, Director of Community Education and Director of Excellence & Professionalism. He was later seconded to the country's leading trustee company, before his secondment to FGV in 2016. He has also served as a Director at the Malaysian Anti-Corruption Academy (MACA), where he was responsible for introducing its Certified Integrity Officer (CeIO) Programme. He holds a Bachelor of Arts (Honours) in Industrial and Organisational Psychology from National University of Malaysia and a Master in Industrial and Organisational Psychology from the University of New Haven, US.

Directorship in other public companies:
Nil

KOO SHUANG YEN

- Company Secretary

Malaysian, 56

Tenure:
Since 1 July 2014

Skills and Qualifications:
Koo has been a longstanding employee of the FELDA Group since joining as Head of Finance at Felda Engineering Services Sdn. Bhd., a position she helmed for 15 years. She later developed her career across FGV Group in the areas of accounting and finance and secretarial services. In addition to her current post as Company Secretary of FGV Group, she also serves as Company Secretary of MSM Malaysia Holdings Berhad. She is an Associate of the Chartered Institute of Management Accountants, UK and a Chartered Accountant with Malaysian Institute of Accountants.

Directorship in other public companies:
Nil

AZNUR KAMA AZMIR*

- Chief Financial Controller

Malaysian, 44

Tenure:
Since 1 March 2019

Skills and Qualifications:
Aznur possesses extensive experience in accounting and financial management, beginning her career with one of the big four global accounting firms. She has since served the FGV Group in the areas of group financial accounting, strategy and investment, including as Chief Financial Officer of MSM Malaysia Holdings Berhad and Group Financial Controller for Plantation Sector. Aznur holds a Bachelor of Accounting (Honours) and an MBA from the Royal Melbourne Institute of Technology (RMIT), Australia. She is also a Chartered Accountant with the Malaysian Institute of Accountants, a Fellow of Association of Chartered Certified Accountants UK and a Fellow of the Chartered Institute of Management Accountants, UK.

Prior to her appointment as Chief Financial Controller, she was Acting Group Chief Financial Officer and the Head of Group Finance Division for FGV from 18 October 2018.

Directorship in other public companies:
Nil

**Aznur Kama Azmir and Zalily Mohamed Zaman Khan are the Permanent Invitees to the Group Management Committee. Zalily's profile can be found on page 82*

None of the Group Management Committee members have any conflict of interest with the Company, family relationship with any Director and/or Major Shareholder, or have any convictions for offences (other than traffic offences) within the past five years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Full biographical details of each Group Management Committee member with information on date of appointment to the position, qualification, working experience, occupation and directorship in other public companies are available on our website, www.fgvholdings.com

BOARD ROLES AND MEETING ATTENDANCE

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 reviews and adopts a strategic plan and oversees the conduct of the Group's business, identifies key risks and ensures the implementation of appropriate controls and mitigation measures, reviews succession planning, appointment of Board members, Board Committees members, Board members of FGV's subsidiaries and Top Management, oversees the development and implementation of Investor Relations programmes and Shareholders Communication Policy; and reviews the adequacy and the integrity of management information.

OVERVIEW OF BOARD ROLES

CHAIRMAN
Primary role is to ensure the smooth functioning of the Board in the interest of good corporate governance and preside over meetings of Directors.

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS
Acts as a bridge between Management and Stakeholders, particularly Shareholders.

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
Point of contact for Shareholders and other Stakeholders to convey their concerns.

INDEPENDENT NON-EXECUTIVE DIRECTORS
Protects the interests of minority Shareholders and contributes significantly to the Company's decision-making by bringing in the quality of detached impartiality.

GROUP PRESIDENT/ CHIEF EXECUTIVE OFFICER
Plays a pivotal role in ensuring that matters that have been delegated to Management are efficiently executed.

MEETING ATTENDANCE DURING THE DIRECTORS' TENURE

Directors	Percentage	Number of Board meetings attended (during the Directors' tenure)
DATUK WIRA AZHAR ABDUL HAMID	100%	17/17
MOHD HASSAN AHMAD[1]	85.7%	6/7
DATO' DR. OTHMAN HAJI OMAR[2]	66.7%	4/6
DATO' YUSLI MOHAMED YUSOFF[3]	100%	7/7
DATO' MOHAMED SUFFIAN AWANG	100%	13/13*
DATUK DR. SALMIAH AHMAD	100%	13/13*
DR. MOHAMED NAZEEB P.ALITHAMBI	94.1%	16/17
DATUK MOHD ANWAR YAHYA	100%	17/17
DR. NESADURAI KALANITHI[4]	94.1%	16/17
DATIN HOI LAI PING[5]	85.7%	6/7
TAN SRI DR. SULAIMAN MAHBOB[6]	100%	2/2
DATO' SRI ABU BAKAR HAJI HARUN[7]	20%	1/5
DATO' ZAKARIA ARSHAD[8]	100%	7/7**
DATUK SITI ZAUYAH MD DESA[9]	90%	9/10
DATO' AB GHANI MOHD ALI[10]	72.7%	8/11
DATUK MUZZAMMIL MOHD NOR[11] *(Alternate Director to Dato' Ab Ghani Mohd Ali)*	-	1/11
DATO' YAHAYA ABD JABAR[12]	100%	11/11***

Board Activities can be found on pages 66-67

The division of roles between the Chairman and the current GCEO can be found in the Corporate Governance Report on our website, www.fgvholdings.com

NOTES:

[1] *Appointed as Director on 26 September 2018.*
[2] *Appointed as Director on 1 October 2018.*
[3] *Appointed as Director on 6 September 2018.*
[4] *Appointed as Director on 1 January 2018.*

MEETING ATTENDANCE

During the financial year 2018 (FY2018), the Board met 17 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 and Board Committees meetings held in FY2018 and have complied with the Bursa Securities Listing Requirements save for Dato' Sri Abu Bakar Haji Harun who had retired on 28 June 2018.

The attendance of the respective Directors in respect of the Board and Board Committees meetings held during FY2018 is set out below:

FOR FY2018

Audit Committee	Nomination and Remuneration Committee	Board Governance & Risk Management Committee	Investment Committee	Board Tender Committee	Special Board Committee 1	Special Board Committee 2
-	-	-	-	-	-	4/4
3/3	-	-	-	3/3	4/5	-
-	-	-	2/2	-	-	-
-	3/3	1/1	-	-	-	-
-	8/8	-	6/6	8/11	-	-
-	-	5/5	-	-	-	4/4
-	-	-	6/6	11/11	12/13	4/4
12/12	-	-	-	-	13/13	-
-	-	-	-	-	9/13	-
3/3	-	-	2/2	-	-	1/2
-	-	1/1	-	-	-	-
-	1/4	-	-	-	-	-
-	-	-	-	-	-	-
7/9	-	-	-	8/8	7/8	-
-	-	-	2/4	-	-	-
-	-	-	-	-	-	-
9/9	5/7	4/5	-	-	-	-

[5] *Appointed as Director on 6 September 2018.*
[6] *Resigned as Director on 1 March 2018.*
[7] *Retired as Director on 28 June 2018.*
[8] *Ceased to be a Director on 12 September 2018.*
[9] *Ceased to be a Director on 26 September 2018.*
[10] *Resigned as Director on 1 October 2018.*
[11] *Resigned as Alternate Director on 1 October 2018.*
[12] *Resigned as Director on 19 November 2018.*
* *There were four Board meetings in FY2018 which Dato' Mohamed Suffian Awang and Datuk Dr. Salmiah Ahmad were not required to attend.*
** *There were three Board meetings in FY2018 which Dato' Zakaria Arshad was not required to attend.*
*** *There were two Board meetings in FY2018 which Dato' Yahaya Abd Jabar was not required to attend.*

BOARD ACTIVITIES

WHAT THE BOARD DID THIS YEAR

Board activities are structured to develop the Group's strategy and to enable the Board to support executive management on the delivery of the Group's strategy within a transparent governance framework. Key matters considered by the Board in 2018 were as follows:

STRATEGY, RISK AND SUSTAINABILITY

- Business Plan 2019-2021 (BP21) and Budget 2019 for FGV Group
- 1H 2018 Mid-Year Review and 2H 2018 Forecast
- 2018 Top Management Key Performance Indicators (KPI)
- FGV Turnaround Plan
- FGV Group Quarterly Risk Report
- FGV Group and Upstream Cluster Risk Appetite Statements
- Risk Register and FGV Group Top 10 Risks
- Enhanced Project Risk Assessment
- Governance Quantum Leap project
- Scenario Analysis exercise
- Risk Management Framework Roadmap
- Organisation structure
- Updates on sustainability matters

INVESTMENTS AND DIVESTMENTS

- Enhanced and strengthened Group Investment Policy
- Divestment of FGV subsidiaries and joint venture companies
- Liquidation and striking off of FGV subsidiaries and joint venture companies
- Assessment on the effectiveness of partnership and joint venture performance
- Entering into Memorandum of Understanding (MoU)

FINANCIAL

- Financial Statements for FY2017
- Quarterly Report on Consolidated Results
- FGV Group's recurrent related party transactions
- Re-appointment of external auditor for FY2018
- Audit fee for FGV Group for FY2018
- FGV and FGV Group's financial performance against budget and key performance targets

GOVERNANCE

- Board Charter, Terms of Reference of Board Committees, Group Human Resources Policies, Discretionary Authority Limits and establishing Legal Authority Limit and Signing Protocol, Finance Policies and Procedures, Business Continuity Management Policy and Framework, Sustainability Policy, Treasury Policies and Procedures Manual in relation to Foreign Exchange Hedging, Procurement Policies and Procedures and FGV Board Remunerations Policy
- Schedule of FGV Board meetings for the year 2019
- Status of compliance to MCCG 2017
- Material litigation updates within the Group
- Formation of new Board Committees
- Group Internal Audit Charter

GOVERNANCE AT FGV: LEADERSHIP AND EFFECTIVENESS

BOARD ACTIVITIES

SUCCESSION PLANNING, APPOINTMENTS AND REMUNERATION

- Review Board composition
- Appointment of Government Appointed Director
- Appointment of Director representing FGV's Major Shareholder
- Appointment of new Independent Directors
- Remuneration package of the Chairman
- Appointment of Chairman of Nomination and Remuneration Committee, Board Governance & Risk Management Committee and Board Tender Committee
- Revision of composition of the Board Committees of FGV
- Board Performance Evaluation (assessment of the effectiveness of the Board, Board Committees and Individual Directors and Independent Directors of FGV Board)
- Re-election of Directors
- Annual fees for the Board and the Board Committees
- Change of directorship in FGV Group
- Promotion of the Group's Top Management positions
- Performance bonus and annual salary increment for employees of FGV Group
- Extension of the Fixed Term Contracts for the Group's Top Management
- Medical benefits
- Long Term Incentive Plan
- Top Management movements
- Resignation of Group President/Chief Executive Officer (GP/CEO) and Group Chief Financial Officer (GCFO)
- Appointment of Interim Chief Executive Officer and Acting Group Chief Financial Officer
- Appointment of GCEO, GCFO, Chief Human Resources Officer (CHRO) and Chief Procurement Officer

ANNUAL INTEGRATED REPORT 2017

- The Annual Integrated Report 2017 including the Chairman's Statement, Group President and Chief Executive Officer's Message, Management Discussion & Analysis, CGOS, Board Committees' Reports, Statement on Risk Management and Internal Control, and Sustainability Statement
- Formation of a Reporting Committee for Annual Integrated Report 2018

OTHERS

- Litigations pertaining to acquisition of Asian Plantations Limited and Troika Condominium units, lease of company cars and debt recovery
- Internal investigations into various matters
- Forensics and associated processes related to the Group's past investments
- Adoption of new FGV Constitution
- Change of name from Felda Global Ventures Holdings Berhad to FGV Holdings Berhad

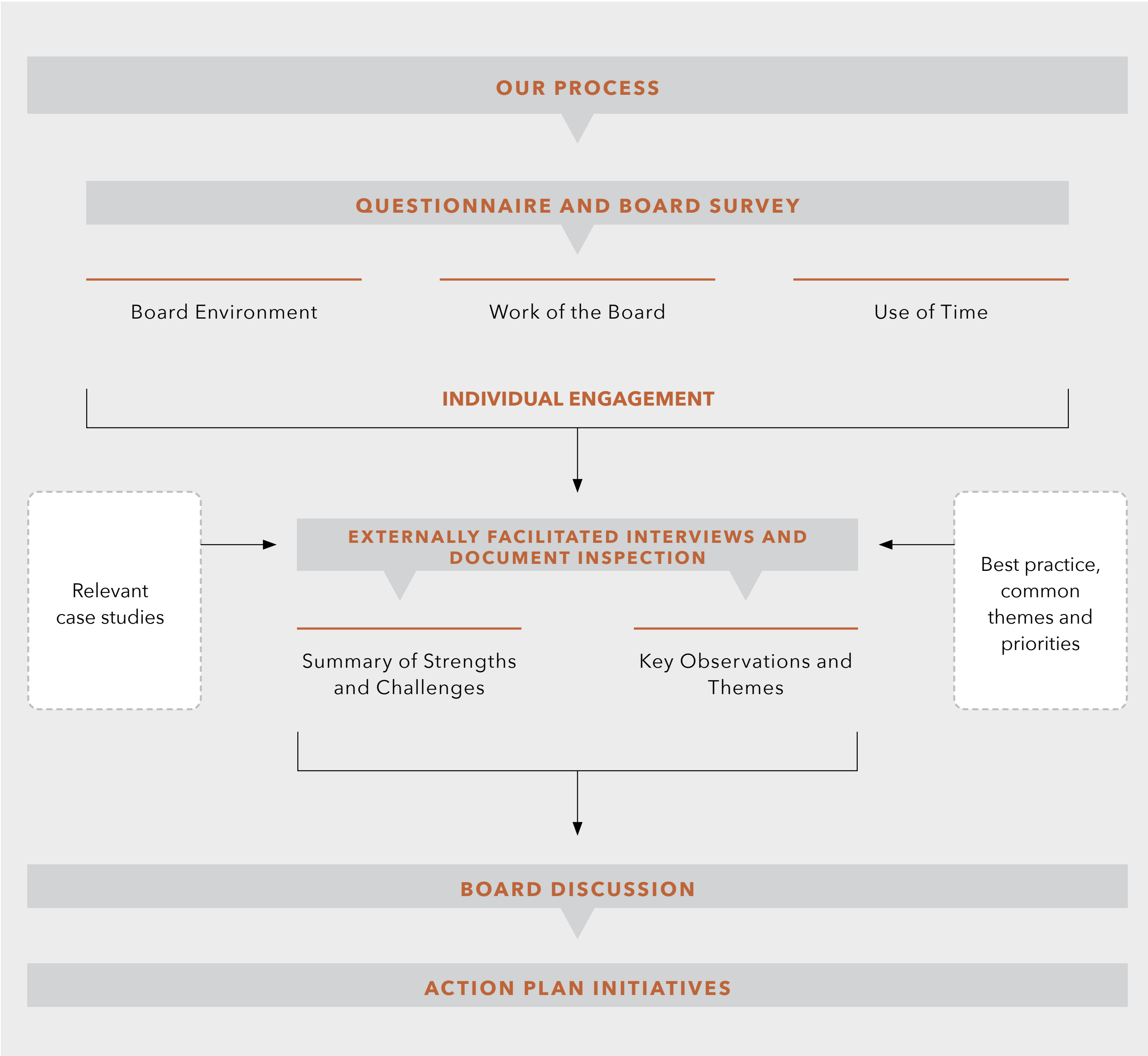
PRIORITIES FOR FY2019

- The Group's strategic plan taking into account change in leadership, operational challenges, industry and market dynamics. The revised strategic plan is guided by four strategic thrusts as follows:

  1. Operational Improvement
  2. Products and Markets Penetration
  3. New Growth Area
  4. Financial and Capability Building

- Board Succession Planning
  Board Succession Planning did not commence in 2018 as the new Board members were just appointed. However, efforts have been undertaken to appoint an independent third party service provider to develop Board Succession Planning

BOARD PERFORMANCE EVALUATION



BOARD ACTION PLAN EXECUTED

- Achieved target of 30% female Directors on the Board
- Enhanced Board composition with the appointment of new Independent Directors with mixed skill sets and experience

More information on the Board Performance Evaluation process can be found in the Corporate Governance Report on our website, www.fgvholdings.com

BOARD INDUCTION AND TRAINING

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Induction programmes were conducted for newly appointed Directors via briefings by the Executive Committee (EXCO) members 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 (MAP) 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. 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.

During the year 2018, the Directors have attended the following training programmes:

TRAINING PROGRAMMES ATTENDED BY THE BOARD IN 2018

Directors	Programmes
Datuk Wira Azhar Abdul Hamid	• Malaysia's War on Corruption Symposium 2018 – MeLearn Global • The 16th Annual Roundtable Conference on Sustainable Palm Oil Conference – A Renewed Commitment to Achieving Market Transformation – Roundtable on Sustainable Palm Oil • Group Finance MFRS 16 Training – In-house • Seminar Pengurus Kluster Sawit Huluan 2018 – In-house • Breakfast Series: Companies of the Future – The Role of Boards – Bursa Malaysia Berhad • Regulatory Updates Seminar for Directors 2018 – Aram Global Sdn. Bhd. • Corporate Governance - Recent changes in Companies Act 2016, Bursa Securities Listing Requirements and MCCG 2017 – KPMG
Mohd Hassan Ahmad	• Induction programme – In-house
Dato' Dr. Othman Haji Omar	• Bursa Breakfast Series: Non-Financial Does it Matters – The ICLIF Leadership and Governance Centre • Induction programme – In-house
Dato' Yusli Mohamed Yusoff	• What's New in Procurement Governance – Malaysian Institute of Corporate Governance • MCCG 2017 – Symphony Digest • Resolving Conflict in the Boardroom – The ICLIF Leadership and Governance Centre • Induction programme - In-house
Dato' Mohamed Suffian Awang	• MCCG 2017 – Boardroom • Strategic Plan 2020 (SP20 (V2)) – In-house
Datuk Dr. Salmiah Ahmad	• Regulatory Updates Seminar for Directors of Public Listed Companies and Unlisted Companies 2018 – Aram Global Sdn. Bhd. • Independent Directors Programme – The Essence of Independence - Bursa Malaysia Berhad • Anti-Corruption Summit 2018 – Good Governance and Integrity for Sustainable Business Growth – Aram Global Sdn. Bhd. • Regulatory Updates Seminar for Directors 2018 – Aram Global Sdn. Bhd.

BOARD INDUCTION AND TRAINING

TRAINING PROGRAMMES ATTENDED BY THE BOARD IN 2018	
Directors	**Programmes**
Dr. Mohamed Nazeeb P.Alithambi	• Board Committees – Disclosure Framework and Key Activities – Bursatra Sdn. Bhd. • SP20 (V2) – In-house
Datuk Mohd Anwar Yahya	• ACI Breakfast Roundtable 2018 – KPMG • Audit Committee Conference -- Malaysian Institute of Corporate Governance • World Halal Conference – Halal Industry Development Corporation Sdn. Bhd. • FIDE Core Programme – Module A – The ICLIF Leadership and Governance Centre • Effective Risk Management Oversight and Governance of Islamic Bank – Islamic Financial Services Board • Directors' Continuing Education Programme 2018: Module 1, 2 and 3 – F&N Holdings Berhad & Cocoaland Holdings Berhad • Sustainability Report – Setting the Agenda for Value Creation – Bursatra Sdn. Bhd. • International Shari'ah Scholars Forum 2018 (ISSF 2018) – Islamic Social Finance: Realities and Prospects – International Shariah Research Academy for Islamic Finance in partnership with Islamic Research and Training Institute • Malaysia – A New Dawn – Ministry of Finance Malaysia • Islamic Finance for Board of Directors Programme – ISRA Consultancy Sdn. Bhd. @ International Shari'ah Research Academy for Islamic Finance • Leaders Insight Series 3 – Islamic Finance and the Real Economy: Deciphering the link in between – Shari'ah Centre of Excellence by Maybank Islamic • SP20 (V2) – In-house
Dr. Nesadurai Kalanithi	• Global Women on Boards Programme – Lead Woman • Induction programme – In-house
Datin Hoi Lai Ping	• Independent Directors Programme – The Essence of Independence - Bursa Malaysia Berhad • Strategic Management Accounting – CPA Australia • Induction programme – In-house

RESPONSIBILITIES, OVERSIGHT AND INDEPENDENCE

BOARD COMMITTEES

The Board delegates certain 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.

All deliberations and decisions taken by the Board Committees are documented and recommended by the respective Board Committee prior to submission as Board papers for deliberation at Board meetings. The Board reviews the Board Committees' authorities and Terms of Reference from time to time to ensure their relevance.

The Board Committees' Terms of Reference (Audit Committee, Nomination and Remuneration Committee, Board Governance & Risk Management Committee, Board Tender Committee and Investment Committee) are available on our website, www.fgvholdings.com

AUTHORITY LIMITS

FGV Board's delegation of powers to the Board Committees, the GCEO, and the Group Management Committee are aligned with the Board Charter and are expressly set out in an approved Group's authority limits. The limits established 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.

GROUP MANAGEMENT COMMITTEE

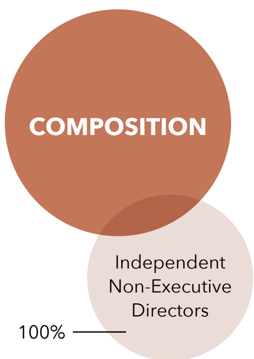
The Executive Committee (EXCO) was established to support the GP/CEO in the stewardship of the Group to centrally monitor the Group's performance, coordinate and align the Group's management and business operations. This is to achieve FGV Group's vision, mission, strategies, through good corporate governance 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 19 meetings in the FY2018. Effective 16 November 2018, the EXCO is now known as the Group Management Committee.

NOMINATION AND REMUNERATION COMMITTEE REPORT

The Committee continues its work of ensuring the Board composition is appropriate and that our remuneration policies are competitive.

DATO' YUSLI MOHAMED YUSOFF

Chairman,
Nomination and Remuneration Committee



The members of the Nomination and Remuneration Committee during FY2018 up to 20 March 2019 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 2018
Dato' Yusli Mohamed Yusoff Senior Independent Non-Executive Director	Appointed as Chairman on 6 September 2018	Chairman	6 months	3/3
Dato' Mohamed Suffian Awang Independent Non-Executive Director	Appointed as Member on 20 January 2015	Member	4 years and 2 months	8/8
Dato' Yahaya Abd Jabar Independent Non-Executive Director	Appointed as Member on 20 January 2012 (Redesignated from Chairman to Member on 6 September 2018) (Resigned as Member on 19 November 2018)	Member	6 years and 10 months	5/7
Dato' Sri Abu Bakar Haji Harun Non-Independent Non-Executive Director	Appointed as Member on 11 September 2017 (Resigned as Member on 28 June 2018)	Member	9 months	1/4

For further details of the Nomination and Remuneration Committee's Terms of Reference are published on our website, www.fgvholdings.com

This Report should be read in conjunction with our Corporate Governance Report, which is available on our website, www.fgvholdings.com

COMPOSITION AND MEETINGS

The Nomination and Remuneration Committee comprises exclusively of Independent Non-Executive 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 eight meetings in 2018.

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 (Policy). The policy on Board Composition has taken into account the mix of skills, independence and diversity required to meet the needs of the Group. Further explanation of this Policy together with the Board nomination and election process and the selection criteria used by the Nomination and Remuneration Committee is published in the Corporate Governance Report, which is available on our website, www.fgvholdings.com. 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 in the Corporate Governance Report, which is available on our website, www.fgvholdings.com and the process flow can be found on page 68 of this Annual Integrated Report.

NOMINATION AND REMUNERATION COMMITTEE REPORT

SUMMARY OF WORK OF THE NOMINATION AND REMUNERATION COMMITTEE

Through the eight meetings held, the Nomination and Remuneration Committee undertook the following principal activities in discharging its responsibilities:

Nomination and Election Process and Appointment and Re-appointment/Re-election Process

a. Considered the proposed appointment of the GCEO, GCFO, CHRO and Chief Procurement Officer.
b. Considered the proposed appointment of two Independent Non-Executive Directors and two Non-Independent Non-Executive Directors taking into account the current and future needs of FGV, including diversity requirements.
c. Considered the proposed appointment of the new Chairman of Nomination and Remuneration Committee, Board Tender Committee and Board Governance & Risk Management Committee.
d. Considered the proposed appointment of new Board Committee members.
e. Proposed appointment of a Joint Company Secretary for FGV subsidiary companies.
f. Assessed and recommended to the Board on the re-election of Directors.
g. Proposed Succession Planning for outgoing Chief Executive Officer of FGV subsidiary companies.
h. Considered Top Management's job evaluation, promotion proposal and service contract renewal proposal.
i. Reviewed the organisation structure and Top Management's movements.
j. Assessed the change of directorship in FGV Group.

Induction and Continuing Education Programmes

a. Reviewed the report on the trainings attended by the Board for the FY2017 and the induction programme for newly appointed Directors.

Remuneration Matters

a. Reviewed FGV Group's salary structure.
b. Recommended the proposed annual fees for the Board and the Board Committees.
c. Recommended bonus payment and annual salary increment for GP/CEO, EXCO members and employees of FGV Group.
d. Reviewed and recommended Group Human Resources new/revised policies.
e. Considered the proposal for cessation of Human Resources Cost Optimisation Practice.
f. Reviewed the remuneration package of the Chairman.
g. Proposed revision of FGV Board Remunerations Policy.
h. 2019 salary increment and minimum wage implementation proposal.

Board Assessment

a. Reviewed the annual assessment of the Independent Directors of FGV.
b. Reviewed the Board Performance Evaluation such as assessment of the effectiveness of the Board as a whole, the Board Committees and each individual Director.

Succession Planning

a. Reviewed the succession planning proposal for Top Management.

Reviewed Statements Included in the Company's Annual Integrated Report 2017

a. Reviewed the disclosure in the Corporate Governance Overview Statement relating to the following:
    - Board Nomination and Election Policy and Procedures having regard to the mix of skills, independence and diversity (including gender diversity) required to meet the needs of FGV.
    - Board balance and composition including tenure and gender diversity.
    - Board nomination and election process and re-election of Directors and the criteria used by the Nomination and Remuneration Committee in the selection process mapping of skills and experience.
    - 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 and induction programmes, pursuant to the Bursa Securities Listing Requirements.
    - LTIP.
    - Directors' remuneration in accordance with relevant provisions from the Bursa Securities Listing Requirements and the Companies Act 2016.

NOMINATION AND REMUNERATION COMMITTEE REPORT

b. Reviewed the disclosure in the report on the Nomination and Remuneration Committee relating to the following:
   - Composition of the Nomination and Remuneration Committee.
   - Number of Nomination and Remuneration Committee meetings held during FY2017 and details of attendance of each member.
   - Summary of work and activities of the Nomination and Remuneration Committee and matters considered by the Nomination and Remuneration Committee in the discharge of its functions and duties for FY2017 and how it has met its responsibilities.
   - How the requirements set out in paragraph 2.20A of Bursa Securities Listing Requirements were met.

Others

- Considered the Separation Scheme Proposal for employees diagnosed with chronic and major health conditions.
- Reviewed the proposed 2018 KPI for Top Management of FGV.
- Considered the 2019-2021 Collective Agreements Terms & Conditions Formalisation Proposal.

KEY MATTERS REPORTED TO THE BOARD

The Nomination and Remuneration Committee's 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 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 2018 were as follows:

Significant Matters	How these Matters were Addressed by the Nomination and Remuneration Committee	Outcome on the Process Undertaken
Proposed appointment of Top Management and Senior Management	• Considered the proposed appointment of the GCEO, GCFO, CHRO and Chief Procurement Officer taking into account the current and future needs of FGV, including diversity requirements. The sourcing of the candidates was undertaken externally through the recommendation of an independent third party service providers appointed by the Board. A Search Committee was established to review the suitability of the candidates for these positions. The Search Committee's recommendation was then tabled to the Nomination and Remuneration Committee for deliberation.	The new Top and Senior Management team have the right skills and experience to lead the Group effectively towards achieving its targets.
Proposed appointment of Directors	• Assessed the suitability of candidates, taking into account the selection criteria which include relevant skills, knowledge, expertise, experience, existing directorships, current professional responsibility and other obligations. • Assessed the independence of the candidates to be appointed as Independent Directors.	The current Board composition has all the required skill sets for the Board to be effective and also meets the target of 30% women on the Board.

NOMINATION AND REMUNERATION COMMITTEE REPORT

Significant Matters	How these Matters were Addressed by the Nomination and Remuneration Committee	Outcome on the Process Undertaken
Proposed Succession Planning for Top Management	• Reviewed the proposed succession plan for Top Management taking into consideration the criteria and skill sets of the successors and their readiness level.	The list of successors approved were considered as part of the selection process for the Top Management positions that were vacant.

PERFORMANCE REVIEW

During the financial year, the Board evaluated the Nomination and Remuneration Committee's performance and the extent to which the Nomination and Remuneration Committee 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 constituted part of the annual Board effectiveness assessment, pertaining to the assessment of Board Committees.

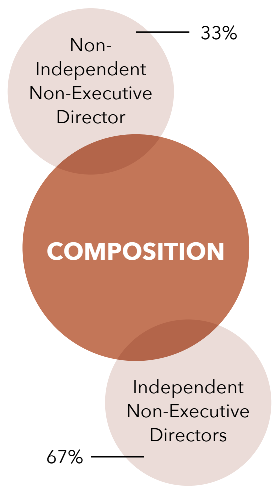
This Report is made in accordance with a resolution of the Board of Directors and approved at the Board meeting dated 27 March 2019.

AUDIT COMMITTEE REPORT

The Committee continued to oversee the Group's financial reporting and evaluate the Group's internal and external audit processes.

DATUK MOHD ANWAR YAHYA

Chairman,
Audit Committee



The members of the Audit Committee during FY2018 up to 20 March 2019 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 2018
Datuk Mohd Anwar Yahya Independent Non-Executive Director	Appointed as Chairman on 23 November 2017	Chairman	1 year and 4 months	12/12
En. Mohd Hassan Ahmad Non-Independent Non-Executive Director	Appointed as Member on 26 September 2018	Member	6 months	3/3
Datin Hoi Lai Ping Independent Non-Executive Director	Appointed as Member on 6 September 2018	Member	6 months	3/3
Datuk Siti Zauyah Md Desa Non-Independent Non-Executive Director	Appointed as Member on 7 April 2016 (Resigned as Member on 26 September 2018)	Member	2 years and 5 months	7/9
Dato' Yahaya Abd Jabar Independent Non-Executive Director	Appointed as Member on 7 December 2012 (Resigned as Member on 6 September 2018)	Member	5 years and 9 months	9/9

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 12 meetings in 2018.

Datuk Mohd Anwar Yahya is a Member of the Institute of Chartered Accountants in England and Wales (ICAEW), a Chartered Accountant with the Malaysian Institute of Accountants (MIA) and a Member of the Malaysian Institute of Certified Public Accountants (MICPA). 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 member of the Audit Committee must be a qualified accountant. During the financial year, the GP/CEO, the GCFO, the Chief Internal Auditor and various Management attended the meetings upon the invitation of the Audit Committee. The Audit Committee's Chairman reported to the Board on principal matters deliberated at Audit Committee meetings. Minutes of each meeting were circulated to the Board at the next most practicable Board meeting.

AUDIT COMMITTEE REPORT

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 processes and outcomes.
- Reviewing conflict of interest situations and related party transactions.
- Providing oversight on the Annual Integrated Report.
- Undertaking 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.

For further details of the Audit Committee's Terms of Reference are published on our website, www.fgvholdings.com

SUMMARY OF WORK OF THE AUDIT COMMITTEE

Through the 12 meetings and various private sessions held with the external auditors, internal auditors and Management, the Audit Committee undertook the following principal activities in discharging its responsibilities:

Assessment of the Risks and Control Environment

a. Evaluated the reports on the assessment of the risk and control environment based on the external auditors' quarterly financial information review at each quarter and statutory financial audit at year end.
b. Reviewed four 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. Considered the overall rating of the internal audit reports issued in 2018 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.
d. Received assurances from the GP/CEO and the GCFO that the risk management and internal control system of the Group for FY2018 operated 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, receivables management, procurement management and plantation operations, which were the main challenges to the Group during the financial year.

Overseeing Financial Reporting

a. Reviewed reports of the external auditors from their quarterly Financial Statements review and annual statutory financial audit at each meeting. Amongst the main focus of the reports were the assessments of impairment and provision exposures of various assets, land lease arrangements, goodwill on investments and onerous contracts based on applicable financial reporting standard.
b. Met with the external auditors in two private sessions during the financial year without the presence of Management on 20 February 2018 and 20 August 2018. In these sessions, the following matters were discussed, amongst others:
    - Practices in refined sugar sales.
    - Crude Palm Oil (CPO) trading of the Group.
    - Investment and receivables impairment assessment.
    - Enhancement of acquisition undertakings.
    - Monitoring of covenants imposed on the Group.
    - Accounting closing process to meet shorter deadlines.
c. Evaluated the Quarterly Report on Consolidated Results for each quarter and appraised the analysis of the results in detail.

Where required, the Audit Committee had provided direction and sought more details on the analysis of Consolidated Results to make its recommendation to the Board on the Quarterly Report. The Audit Committee also requested further details on several important matters for its deeper understanding and provided the necessary direction on the matters.

AUDIT COMMITTEE REPORT

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 and endorsed policy revisions relating to accounting, finance, governance and internal control for the Board's approval.

The Chairman of the Audit Committee held five private meetings with the external auditors to be briefed in detail on the financial results of the Company and the Group.

Evaluation of the External Audit Process and Outcome

a. Reviewed the external auditors' report on the outcome of the external audit process for FY2017, 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 FY2018 and ensured coordination with the various other audit firms apart from Messrs. PricewaterhouseCoopers PLT (PwC) who are involved in the external audit of several subsidiaries.
c. Assessed the external auditors for their re-appointment for FY2018 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 FY2017.
d. Assessed the external auditors audit fees for FY2018 and made its proposal to the Board for approval.
e. Received written assurance from external auditors in their audit plan for FY2018 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.

Evaluation of the Internal Audit Process and Outcome

a. Received and reviewed all 77 reports issued to all members of the Audit Committee by Group Internal Audit during FY2018. 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 FY2018:
   - 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 FY2018, 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.

c. Performed the following:
   - Reviewed and approved the internal audit plan for FY2019 together with the scope, functions, resources, budget and KPI 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 Professional Practices Framework.
   - With reference to assessment of the Chief Internal Auditor's performance, increment, bonus adjustment and renewal of her contract of employment.

The Chairman of the Audit Committee held four 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.

GOVERNANCE AT FGV: ACCOUNTABILITY

AUDIT COMMITTEE REPORT

Reviewed Recurrent Related Party Transactions Monitoring of the Group

a. Reviewed the Quarterly 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.
b. Reviewed the Recurrent Related Party Transactions Circular to seek mandate from Shareholders at the 2018 Annual General Meeting.
c. Reviewed the internal audit report on the annual recurrent related party transactions review.

Reviewed Statements Included in the Company's Annual Integrated Report 2017

a. Reviewed the Report on the Audit Committee, the Statement on Risk Management and Internal Control, the CGOS, the Management Discussion & Analysis, the Chairman's Statement and the GP/CEO's Message to be included in the Annual Integrated Report 2017 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 financial year.

KEY MATTERS REPORTED TO THE BOARD

The Audit Committee's 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 meetings 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 2018 were as follows:

Significant Matters	How these Matters were Addressed by the Audit Committee
Financial Reporting	• Reviewed and recommended the quarterly results and the year-end Financial Statements of the Group to the Board, focusing particularly on changes in financial reporting standards, significant and unusual events and adjustments.
Impairment and Provisions	• Reviewed the assessment of impairment and provision exposure of various assets and investments by the external auditor based on applicable financial reporting standards.
Key Observations from Group Internal Audit Reports and Investigations	• Reviewed and provided guidance on the way forward for the Internal Audit Reports tabled.
Group Cash and Borrowing Positions	• Reviewed Group's cash and borrowing positions, and cashflow forecast.
Related Party Transactions	• Reviewed conflict of interest situations and related party transactions including recurrent related party transactions.
Group Financial Policies	• Made recommendation on the Group's financial policies and authorities for the Board's approval.

AUDIT COMMITTEE REPORT

RELATIONSHIP WITH THE EXTERNAL AUDITOR

External Auditor Policy

The External Auditor Policy approved by the Board on 25 March 2015 covers the 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 the top four firms of professional accountants for the Financial Statements statutory audit of the Group. As far as practicable, the Group 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 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 reappointment of the external auditor for FY2018 at the Annual General Meeting in June, 2018. 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.
- 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 2018, 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 FY2018. Based on assessment above, there was no relationship that may have impaired the external auditor's independence and objectivity.

GOVERNANCE AT FGV: ACCOUNTABILITY

AUDIT COMMITTEE REPORT

Audit Partner Rotation

FGV has adopted the latest ruling of the MIA on audit partner rotation which allows rotation of the lead and signing partner every seven years, updating the earlier FGV policy of five years. 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 consecutive years. The current lead and signing partner of PwC has been assigned to the Group for five years since the annual audit of the statutory Financial Statements for FY2014. With adoption of the latest ruling by the MIA, the Audit Committee has agreed to extend the current PwC lead and signing partner for FGV for another two years.

Audit Delivery and Reporting

Upon approval of the audit fees by the Board, the external auditor's engagement letter shall be signed by the GCFO. The deliverables and reports from the audit of the statutory Financial Statements shall be communicated and agreed upon through the Group Audit Plan on an annual basis by the third quarter of every financial year. A 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 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 2018 were as follows:

Fees paid/payable to PwC in 2018	RM '000
Audit Fees	
• PwC Malaysia	4,401
• Member firms of PwC International Limited (PwCIL)	1,423
Audit Related Fees	
• PwC Malaysia and member firms of PwCIL	1,501
Other non-audit fees paid to PwC Malaysia and member firms of PwCIL	54
Total	**7,379**

During the FY2018, the non-audit fees were within the allowable threshold.

Removal of External Auditor

In the event of any removal or resignation of the external auditor, the Audit Committee shall consider the request and reason for the removal or resignation to make its recommendation to the Board. The selection of new external auditor shall be conducted through invitation of a closed tender procurement process of the other top three accounting firms 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.

From assessment conducted by the Audit Committee on PwC's performance in FY2018, the Audit Committee has concluded that PwC remains suitable for appointment as external auditor and recommend their re-appointment for FY2019.

Keeping Updated on Relevant Information

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

AUDIT COMMITTEE REPORT

GROUP INTERNAL AUDIT

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

There was a total of 70 internal auditors as at 31 December 2018 covering the activities of the Group headed by Zalily Mohamed Zaman Khan, the Chief Internal Auditor.

ZALILY MOHAMED ZAMAN KHAN*

- Chief Internal Auditor

Malaysian, 51

Tenure:
Since 1 March 2012

Skills and Qualifications:
Zalily offers a wealth of expertise in accounting and internal audit. She has served various plantation companies in Malaysia, in addition to her experience with an accounting firm, and a telecommunications company. She received her Bachelor of Arts in Accountancy from the University of South Australia and is a Fellow of CPA Australia as well as a Chartered Accountant with the Malaysian Institute of Accountants. Zalily is also a Certified Internal Auditor from the Institute of Internal Auditors, US in addition to being certified in Control Self-Assessment as well as Risk Management Assessment from the Institute of Internal Auditors. She is also a Chartered Member from the Institute of Internal Auditors Malaysia.

Directorship in other public companies:
Nil

* *Zalily Mohamed Zaman Khan is a Permanent Invitee to the Group Management Committee.*

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)	17
Certified IS Auditor (CISA)	6
Graduate (Bachelor's Degree)	69
Graduate pursuing professional accounting (ICAEW, CPA, ACCA, CA) or CIA	6
Others (Diploma)	2
Total	**100**

The above includes 26 internal auditors (37%) who are members of the Institute of Internal Auditors Malaysia. The total cost incurred for Group Internal Audit for FY2018 is RM11.3 million (FY2017: RM11.2 million). This amount comprises of mainly staff cost and benefits, travelling expenses and Group Internal Audit management system.

Roles and Functions

Group Internal Audit 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, Group Internal Audit also undertakes consulting role and investigative role. In its consulting role, Group Internal Audit undertakes advisory on governance, risk and control, 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 is assigned to each operating unit to arrive at the audit plan over three years. The three 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 Group Internal Audit. The Annual Group Internal Audit Plan is presented to the Audit Committee.

GOVERNANCE AT FGV: ACCOUNTABILITY

AUDIT COMMITTEE REPORT

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 is 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 Reports 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. Any concerns raised by the Audit Committee are to be addressed by Group Internal Audit. The Audit Committee follows through any unresolved matters as part of the agenda in the next meeting.

Objectivity and Independence of Group Internal Audit

The Chief Internal Auditor states Group Internal Audit's declaration of objectivity and independence to the Audit Committee in its Annual Group Internal Audit Plan. Group Internal Audit undertakes a survey of the relationship of its auditors once every two years and ensures that the rotation of internal auditors do not result in any compromise of objectivity and independence.

SUMMARY OF WORK DONE BY GROUP INTERNAL AUDIT IN 2018

Assurance

The assurance work during the year 2018 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.
- Finance and treasury management processes, particularly cash flow management, money market investments, budgeting and reporting.
- The human resources processes, particularly on succession and manpower planning.
- Sustainability management.
- Recurrent related party transactions review with a view of advising the Audit Committee on the Group's compliance to the Related Party Transactions and Recurrent Related Party Transactions Policy.

At the business operational level including overseas operation, the key audit scopes were in the areas of sales and receivables management, procurement, asset and inventory management, production or service delivery, CPO trading, bulking and transport operation, travel and tour management, security operation and Information Technology (IT). 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

Group Internal Audit plays an active role in advising the Group on various matters. In 2018, this was through the following platform:

- 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 Group Internal Audit's feedback on the documents was from the aspect of compliance with any regulatory requirements, incorporating practical best practices, enhancing governance and risk management.

Investigation

Group Internal Audit has undertaken investigative audits based on the request and information from Management, Board and Audit Committee. The outcome of the investigations have been reported to the Audit Committee and the Board. The recommendations and resolutions arising from the investigation reports tabled have been communicated to Management for the necessary implementation.

During the year, Group Internal Audit has undertaken several investigations and special review work. The special reviews identified improvements in the following areas:

- Credit Control Policy and receivables management.
- Procurement management.
- Investments processes.
- IT data management.

PERFORMANCE REVIEW

During the financial year, the Board evaluated the Audit Committee's performance and extent to which the Audit Committee has met the requirements of its Terms of Reference, 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.

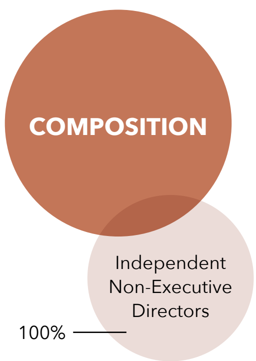
This Report is made in accordance with a resolution of the Board of Directors and approved at the Board meeting dated 27 March 2019.

BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE REPORT

The Committee progressed with its risk management, governance and sustainability oversight roles.

DATO' YUSLI MOHAMED YUSOFF

Chairman,
Board Governance &
Risk Management Committee



The members of the Board Governance & Risk Management Committee during FY2018 up to 20 March 2019 and the record of their attendance are as follows:

Directors	Date of appointment to the Board Governance & Risk Management Committee	Designation	Tenure in Board Governance & Risk Management Committee	Number of meetings attended in 2018
Dato' Yusli Mohamed Yusoff Senior Independent Non-Executive Director	Appointed as Chairman on 6 September 2018	Chairman	6 months	1/1
Datuk Dr. Salmiah Ahmad Independent Non-Executive Director	Appointed as Member on 23 November 2017	Member	1 year and 4 months	5/5
Dato' Yahaya Abd Jabar Independent Non-Executive Director	Appointed as Member on 29 August 2013 (Resigned as Member on 19 November 2018)	Member	5 years and 3 months	4/5
Tan Sri Dr. Sulaiman Mahbob Independent Non-Executive Director	Appointed as Member on 8 April 2014 (Appointed as Chairman on 24 February 2015) (Resigned as Chairman and Member on 1 March 2018)	Chairman	3 years and 11 months	1/1

For further details of the Board Governance & Risk Management Committee's Terms of Reference are published on our website, www.fgvholdings.com

COMPOSITION AND MEETINGS

The Board Governance & Risk Management Committee comprises exclusively of Independent Non-Executive Directors.

The Board Governance & Risk Management Committee held five meetings in 2018.

The Board Governance & Risk Management Committee's responsibilities are as follows:

- In relation to governance, ethics and integrity, 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 MCCG 2017, 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.

BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE REPORT

- In relation to risk management, to direct and oversee the formulation of the Group's overall 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 strategies and initiatives, including principles and policies which are aligned with related regulations, monitor the implementation of the Group's approved overall sustainability strategies and initiatives, 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.

For further details of the Board Governance & Risk Management Committee's Terms of Reference are published on our website, www.fgvholdings.com

SUMMARY OF WORK OF THE BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE

Through the five meetings held, the Board Governance & Risk Management Committee undertook the following principal activities in discharging its responsibilities:

Governance, Ethics and Integrity

a. Reviewed and recommended the policies relating to corporate governance elements which are, among others, revised Credit Control Policy, Discretionary Authority Limits and Group Investment Policy, establishment of FGV Governance of Policies and Procedures and Legal Authority Limit and Signing Protocol. 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 2017. This reflects the healthiness of governance in the Group and to gauge the effectiveness of the Group's Whistleblowing Policy and Procedures.

Risk Management

a. Assessed and deliberated on the Group's risk status through the FGV Group Quarterly Risk Report covering the Group's top 10 risks, Risk Appetite Statement (RAS), key risk beyond the risk register, project, emerging and reputational risks. This ensures the Board is always informed of the Group's risk universe, significant risks that require closer attention and prevailing risk profile and outlook.

b. Approved the enhanced project risk assessment template to facilitate risk assessment on investment proposals which imbeds appropriate risk management process as part of decision making for major projects, investments and mergers and acquisitions.

c. Evaluated and approved the implementation of RAS for Upstream Cluster and inclusion of five new additional key risk drivers to the Group RAS.

d. Informed and advised of the outcomes of the Scenario Analysis exercise based on prolonged decline in the CPO price, severe adverse weather and economic crisis scenarios. The key takeaway was to prepare FGV with a better understanding on the underlying risk drivers and prepare for the formulation of appropriate and effective mitigation strategies.

BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE REPORT

e. Approved the revised Risk Management and Business Continuity Management Policies to ensure continued relevance of the contents with the current operational requirements and industry best practices.
f. Advised on the progress and apprised on the dissolution of the Governance Quantum Leap project. Various initiatives were implemented to improve the level of corporate governance and business controls which include tightening of finance Policies and Procedures, strengthening of internal controls and enhancement of Board oversight.
g. Apprised of the planned activities for the year and completed initiatives as part of the accomplishment of Risk Management Framework Roadmap with the objective to institute a robust and enhanced risk culture, controls and processes.

Sustainability

a. Received updates on sustainability matters.
b. Received progress updates on RSPO and MSPO certifications, and International Sustainability and Carbon Certification.
c. Reviewed and recommended the revised Group Sustainability Policy.
d. Received and recommended the Sustainability Report 2017.

Reviewed Statements Included in the Company's Annual Integrated Report 2017

Reviewed the Report on the Board Governance & Risk Management Committee, the Statement on Risk Management and Internal Control and the CGOS and Sustainability Statement to be included in the Company's Annual Integrated Report 2017 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 financial year.

BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE REPORT

KEY MATTERS REPORTED TO THE BOARD

The Board Governance & Risk Management Committee's Chairman updated the Board on matters deemed to be a 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 2018 were as follows:

Significant Matters	How these Matters were Addressed by the Board Governance & Risk Management Committee	Outcome on the Process Undertaken
Project Risk Assessment	• Deliberated and guided the execution of enhanced risk management process in relation to project proposals. • Approved the new project risk assessment template as part of proactive risk management approach to imbed risk into business decision making. • Recognised the roles of Group Risk Management Division to facilitate risk assessment by project owner while ensuring independence, quality and thoroughness of the exercise prior to approval by Investment Committee.	• Group Risk Management Division implemented the new project risk assessment template in May 2018 in harmonisation with the risk management process. • Created awareness to the respective project owners on the risk assessment methodology. • FY2018, several project risk assessments were completed and signed off using the risk assessment template.
Governance Quantum Leap	• Guided the Steering Committee on the implementation of the initiatives under the Governance Quantum Leap project to realise the objective of improving corporate governance and business controls. • Took note the key measures implemented to remedy identified focus areas covering finance, internal control and company secretarial.	• Revised the existing Policies and Procedures for Receivables and Credit Management under Finance, Discretionary Authority Limits, Delima Oil Products Sdn. Bhd. Credit Control Environment, Whistleblowing, Procurement & Tender Policies and other identified Policies and Procedures. • Strengthened Board oversight roles.
Scenario Analysis	• Deliberated on the key variables and potential impact arising from the simulated stressed scenarios to the company. • Acknowledged the extent of potential risk exposures to the Group arising from the exercise. • Recommended engagement with affected business sectors on mitigation actions to address the risks associated with the scenarios.	• Engaged with the affected business sectors to identify appropriate responses and mitigation measures based on the assessed risk exposures. • Prepared and familiarised the affected parties with the appropriate response and mitigation measures.
Risk Appetite Statement	• Approved and guided the implementation of new RAS for Upstream Cluster and additional five key risk drivers to Group RAS. • Reviewed and deliberated on the outcomes of risk profile rating and appropriate course of actions.	• Tracked, assessed and reported the prevailing risk profile of the expanded Group and Upstream Cluster on a quarterly basis via the FGV Quarterly Risk Report, and if any actions required based on risk profiles.

BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE REPORT

Significant Matters	How these Matters were Addressed by the Board Governance & Risk Management Committee	Outcome on the Process Undertaken
RSPO and MSPO certification	• Took note of the non-conformances in operating units and suggested practical approach to the recommended remedies to address the issues that could affect certification progress. • Guided the Plantation Division on the issuance of stop Work Order in Asian Plantations Limited (APL) that may have detrimental impact amongst FGV's customers and supported the recommendation to test the new methodology (High Carbon Stock Approach), that is preferred amongst multinational organisations involved in palm oil trade.	• Smooth progress of RSPO and MSPO certification as had been communicated to RSPO and customers. • Able to remedy the situation of continued deforestation activity in the High Carbon Stock areas in APL land and pacify the discerning Stakeholders.
Group Policies	• Made recommendations on the Group's revised policies on governance, risk and control for the Board's approval.	• Revised Board Charter, Terms of Reference of Board Committees, FGV Group Human Resource Policies, Discretionary Authority Limits, Legal Authority Limit and Signing Protocol, Finance Policies and Procedures, Business Continuity Management Policy and Framework, Group Sustainability Policy, Group Treasury Policies and Procedures, Group Procurement Policies and Procedures, and Board Remunerations Policy.
Peat Soil Management	• Closely monitored the progress in the engagement with the relevant Stakeholders in addressing palm oil development in protected peat lands in PT. Citra Niaga Perkasa and PT. Temila Agro Abadi.	• Enabled to develop an acceptable resolution to manage the issue well in advance of other players in the regions having facing similar predicament.

PERFORMANCE REVIEW

During the financial year, the Board evaluated the Board Governance & Risk Management Committee's performance and to which extent 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 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 27 March 2019.

GOVERNANCE AT FGV: REMUNERATION

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 revised on 22 November 2018.

SUMMARY OF NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

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 for the Board and the Board Committees are listed below:

Board/Board Committees	Annual Fees
Board	- RM600,000.00 (Chairman) - RM120,000.00 (Non-Executive Directors)
Audit Committee	- RM64,000.00 (Chairman) - RM32,000.00 (Non-Executive Directors)
Nomination and Remuneration Committee	- RM35,000.00 (Chairman) - RM20,000.00 (Non-Executive Directors)
Special Board Committee	- RM36,000.00 (Chairman) - RM24,000.00 (Non-Executive Directors)
Other Board Committees	- RM32,000.00 (Chairman) - RM16,000.00 (Non-Executive Directors)

Details of the Non-Executive Directors' benefits in accordance with the remuneration structure (excluding Directors' annual fees) are set out below:

MEETING ALLOWANCE

- Local: RM2,000.00
- Overseas (Flight time <= 8 hours): RM2,000.00
- Overseas (Flight time > 8 hours): RM5,000.00
- Teleconferencing: RM1,000.00

OTHER BENEFITS

- Company car allowance, driver, club membership and telecommunication device for Non-Executive Chairman
- Medical coverage, insurance coverage, travel expenses, benefits-in-kind and other claimable benefits

In addition to the remuneration received from FGV, Non-Executive Directors received annual fees, benefits-in-kind, meeting allowances and other benefits from FGV. As at 31 December 2018, none of the Non-Executive Directors of FGV sit as directors in FGV subsidiary companies except for Datuk Wira Azhar Abdul Hamid, who is also the Chairman of MSM Malaysia Holdings Berhad.

The Directors' remuneration for FY2018 in aggregate from FGV and the Group, with categorisation into components, distinguishing between Executive and Non-Executive Directors, are stated below:

Name of Directors	Salary[1] (RM)	Bonus (RM)	End of Service Gratuity (RM)	Annual Fees[2]			
				Board (RM)	Audit Committee (RM)	Nomination and Remuneration Committee (RM)	Investment Committee (RM)
Non-Independent Non-Executive Director							
Datuk Wira Azhar Abdul Hamid[3]	415,483.90	-	-	600,000.00	-	-	-
Mohd Hassan Ahmad[4]	-	-	-	31,890.00	8,504.00	-	-
Dato' Dr. Othman Haji Omar[5]	-	-	-	30,247.00	-	-	4,033.00
Dato' Sri Abu Bakar Haji Harun[6]	-	-	-	58,849.00	-	9,808.00	-
Datuk Siti Zauyah Md Desa[7]	-	-	-	88,438.00	23,584.00	-	-
Dato' Ab Ghani Mohd Ali[8]	-	-	-	90,082.00	-	-	12,011.00
Datuk Muzzammil Mohd Nor[9]	-	-	-	-	-	-	-
Independent Non-Executive Director							
Dato' Yusli Mohamed Yusoff[10]	-	-	-	38,466.00	-	7,959.00	-
Dato' Mohamed Suffian Awang	-	-	-	120,000.00	-	20,000.00	32,000.00
Datuk Dr. Salmiah Ahmad	-	-	-	120,000.00	-	-	-
Dr. Mohamed Nazeeb P. Alithambi	-	-	-	120,000.00	-	-	16,000.00
Datuk Mohd Anwar Yahya	-	-	-	120,000.00	64,000.00	-	-
Dr. Nesadurai Kalanithi[11]	-	-	-	120,000.00	-	-	-
Datin Hoi Lai Ping[12]	-	-	-	38,466.00	10,258.00	-	5,129.00
Tan Sri Dr. Sulaiman Mahbob[13]	-	-	-	19,726.00	-	-	-
Dato' Yahaya Abd Jabar[14]	-	-	-	106,192.00	21,830.00	27,891.00	-
Non-Independent Executive Director							
Dato' Zakaria Arshad[15]	1,074,613.45	206,880.00	-	-	-	-	-
TOTAL	**1,490,097.35**	**206,880.00**	**-**	**1,702,356.00**	**128,176.00**	**65,658.00**	**69,173.00**

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) and Sales and Services Tax (SST).*
3 *Datuk Wira Azhar Abdul Hamid was appointed as the Interim Chief Executive Officer from 24 October 2018. He had resigned as the Interim Chief Executive Officer on 23 January 2019.*
4 *En. Mohd Hassan Ahmad was appointed as Non-Independent Non-Executive Director on 26 September 2018.*
5 *Dato' Dr. Othman Haji Omar was appointed as Non-Independent Non-Executive Director on 1 October 2018.*
6 *Dato' Sri Abu Bakar Haji Harun had retired as Director on 28 June 2018.*
7 *Datuk Siti Zauyah Md Desa had ceased to be a Director on 26 September 2018.*
8 *Dato' Ab Ghani Mohd Ali had resigned as Director on 1 October 2018.*
9 *Datuk Muzzammil Mohd Nor had resigned as Alternate Director to Dato' Ab Ghani Mohd Ali, Non-Independent Non-Executive Director on 1 October 2018.*

Board Governance & Risk Management Committee (RM)	Board Tender Committee (RM)	Special Board Committee 1 (RM)	Special Board Committee 2 (RM)	Annual Fees from Subsidiaries (RM)	Benefits-In-Kind (RM)	Other Benefits (RM)	Total (RM)
-	-	-	11,047.00	315,000.00	313,244.35	294,500.00	1,949,275.25
-	4,252.00	6,378.00	-	-	1,237.77	30,000.00	82,261.77
-	-	-	-	-	1,172.64	14,000.00	49,452.64
-	-	-	-	-	1,228.40	4,000.00	73,885.40
-	23,584.00	15,781.00	-	13,216.00[16]	3,448.49	62,000.00	230,051.49
-	-	-	-	14,153.42[17]	3,511.62	24,000.00	143,758.04
-	-	-	-	-	3,511.62	-	3,511.62
10,257.00	-	-	-	-	1,502.31	22,000.00	80,184.31
-	16,000.00	-	-	-	4,671.98	70,000.00	262,671.98
16,000.00	-	1,052.00	7,364.00	-	4,671.98	44,000.00	193,087.98
-	20,252.00	21,107.00	7,364.00	-	4,671.98	98,000.00	287,394.98
-	-	33,140.00	-	-	4,671.98	84,000.00	305,811.98
-	-	22,093.00	-	-	4,671.98	48,000.00	194,764.98
-	-	-	3,222.00	-	1,502.31	24,000.00	82,577.31
5,260.00	-	-	-	-	420.28	6,000.00	31,406.28
14,159.00	-	-	-	-	4,136.60	58,000.00	232,208.60
-	-	-	-	-	216,824.45	38,000.00	1,536,317.90
45,676.00	**64,088.00**	**99,551.00**	**28,997.00**	**342,369.42**	**575,100.74**	**920,500.00**	**5,738,622.51**

10 *Dato' Yusli Mohamed Yusoff was appointed as Senior Independent Non-Executive Director on 6 September 2018.*
11 *Dr. Nesadurai Kalanithi was appointed as Independent Non-Executive Director on 1 January 2018.*
12 *Datin Hoi Lai Ping was appointed as Independent Non-Executive Director on 6 September 2018.*
13 *Tan Sri Dr. Sulaiman Mahbob had resigned as Director on 1 March 2018.*
14 *Dato' Yahaya Abd Jabar had resigned as Director on 18 November 2018.*
15 *Dato' Zakaria Arshad had ceased to be a Director on 12 September 2018.*
16 *Datuk Siti Zauyah Md Desa received annual fees as a Nominee Director of Minister of Finance (Incorporated) in Felda Holdings Bhd.*
17 *Dato' Ab Ghani Mohd Ali received annual fees as a Nominee Director of Koperasi Permodalan Felda Malaysia Berhad in FGV Marketing Services Sdn. Bhd. (formerly known as Felda Marketing Services Sdn. Bhd.).*

SENIOR MANAGEMENT'S REMUNERATION POLICY

The Nomination and Remuneration Committee reviews annually the remuneration framework for Senior Management. The Nomination and Remuneration Committee takes into consideration the Company's performance to ensure the sustainability of the remuneration package in the long run. FGV's remuneration structure which consists of fixed and variable remunerations are benchmarked against the industry to ensure alignment and pay competitiveness.

The following remuneration structure has been in effect since 2016. The Nomination and Remuneration Committee decided not to make material changes to the framework for 2018.

FIXED REMUNERATION + **VARIABLE REMUNERATION** = **TOTAL REMUNERATION**

FIXED REMUNERATION	VARIABLE REMUNERATION
Basic salary	Performance Bonus
Fixed Allowances and Other Benefits	LTIP

In general, Senior Management's Performance Bonus is determined based on Group, Sector, Cluster or Division and individual performances. Individual weightage for these factors vary between employee groups depending on employees' accountability and line of sight.

The Board of Directors is responsible in assessing the individual performance of the GCEO, Company Secretary and Chief Internal Auditor. The performance of other Senior Managements are assessed by the GCEO.

Based on the mechanism approved by our Board of Directors in February 2016, 11.67 million shares were granted under a Restricted Share Plan to eligible employees in 2018. The vesting of the shares, expected in three years based on a ratio of 30:30:40, is dependent on the employees' performance level.

TOP 5 SENIOR MANAGEMENT'S REMUNERATION FOR FY2018

Name of Senior Management	Range of Remuneration Per Annum
Dato' Khairil Anuar Aziz *Chief Operating Officer of Sugar Sector and Executive Director of MSM Malaysia Holdings Berhad*	RM1,200,001 to RM1,250,000
Mohd Najid Md Yahya *(Resigned as Chief Human Resources Officer on 1 September 2018)*	RM1,200,001 to RM1,250,000
Palaniappan Swaminathan *(Resigned as Chief Operating Officer of Plantation Sector on 1 September 2018)*	RM1,100,001 to RM1,150,000
Ahmad Tifli Dato' Haji Mohd Talha *(Resigned as GCFO and Chief Operating Officer of Corporate Services Sector on 13 October 2018)*	RM950,001 to RM1,000,000
Azman Ahmad *Chief Operating Officer of Logistics & Support Businesses Sector*	RM900,001 to RM950,000

The remuneration includes salaries, bonuses, benefits-in-kind and other emoluments.

GOVERNANCE AT FGV: RELATIONS WITH OUR STAKEHOLDERS

COMMUNICATING WITH OUR STAKEHOLDERS

We are committed to communicating our strategy and activities to all our Stakeholders and listening to their questions and feedback.

OUR APPROACH

We maintain an active dialogue with our Shareholders throughout the year through a planned programme of Investor Relations activities. We also respond to daily queries from Shareholders and analysts through our Investor Relations team and have a section of our website which is dedicated to Shareholders and analysts. All of our financial results and corporate presentations are available on our website at www.fgvholdings.com. FGV 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 FGV's corporate website under the Investor Relations' tab.

INVESTOR MEETINGS

We held meetings with major institutional investors, individual Shareholder groups and financial analysts to share and discuss the Group's business performance and its strategic plan. These sessions were attended by the GP/CEO, several Top Management and the Investor Relations team. Institutional investors also met with the Chairman on an occasional basis.

Investor queries may be addressed to Investor Relations through the following contact:

Head of Investor Relations
FGV Holdings Berhad
(formerly known as Felda Global Ventures Holdings Berhad)
Level 20, Wisma FGV
Jalan Raja Laut
50350 Kuala Lumpur
Malaysia

Tel : +603 2789 0000
Fax : +603 2789 0001
E-mail : fgv.investors@fgvholdings.com

INVESTOR RELATIONS CALENDAR

Set out here is a calendar of our investor events throughout 2018.

Date	Event
4/1/2018	CIMB 10th Annual Corporate Day 2018
23-24/1/2018	Invest Malaysia 2018
23/2/2018	4th Quarter 2017 Analyst Briefing
28/2/2018	Chinese New Year celebration
9/3/2018	Engagement with MSWG
17/4/2018	Engagement with Key Shareholder and Fund Managers
25/4/2018	Site Visit with Analyst
30/4/2018	Engagement with Fund Managers
15/5/2018	Engagement with Key Shareholder
28/5/2018	1st Quarter 2018 Analyst Briefing
11/6/2018	Engagement with Key Shareholder
28/6/2018	Annual General Meeting 2018
9/7/2018	Corporate Raya 2018
17/7/2018	Site Visit with Analyst
28/8/2018	2nd Quarter 2018 Analyst Briefing
9/10/2018	Malaysia: A New Dawn Conference
13/11/2018	Engagement with Potential Shareholders and Key Shareholder
28/11/2018	3rd Quarter 2018 Analyst Briefing
18/12/2018	Engagement with potential Shareholder

COMMUNICATING WITH OUR STAKEHOLDERS

BRIEFINGS ON THE QUARTERLY RESULTS

The Company held 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 GCFO. The briefings provide a platform for the media and analysts to receive a balanced and complete view of FGV Group's performance and the opportunity for them to seek clarification relating to FGV.

GENERAL MEETINGS

The general meetings represent the primary platforms for direct two-way interaction and act as a principal forum for dialogue between the Shareholders, the Board and the EXCO.

For 2018, the Company sent out the notice of the Annual General Meeting (AGM) and related Circular to Shareholders more than 21 days prior to the AGM. The notice of AGM was advertised in Malaysian newspapers in English, Bahasa Malaysia and Chinese. 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 provided clarifications as required by the Shareholders.

The GP/CEO presented the Company's performance report for the FY2017. The responses to questions submitted by Minority Shareholder Watchdog Group (MSWG) were then shared with the Shareholders in attendance. All Shareholders were encouraged and were given sufficient opportunity to seek clarification about the Group's activities and prospects as well as expressing 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.

An Extraordinary General Meeting (EGM) was held immediately after the conclusion of the 2018 AGM. The notice of the EGM as well as related Circular to Shareholders were sent out more than 21 days prior to the EGM and the notice of EGM was advertised in three languages in Malaysian newspapers.

Similar to the 2018 AGM, Shareholders were given sufficient opportunity as well as time to raise questions on the resolutions being proposed at the 2018 EGM.

Voting for both AGM and EGM were conducted by poll through electronic voting (e-Polling) in compliance with Paragraph 8.29A of Bursa Securities Listing Requirements that requires each resolution to be tabled at any general meeting is voted by poll. 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 Constitution to attend and vote on their behalf. The Company had engaged independent scrutineers to validate the voting for the resolutions.

The outcome of the 2018 AGM and 2018 EGM were announced to Bursa Securities on the same day and the summary of the minutes of the 2018 AGM and 2018 EGM are available in our website at www.fgvholdings.com

CORPORATE WEBSITE

FGV's corporate website at www.fgvholdings.com provides quick access to information about the Group. The information on the website includes corporate profile, the Board and Top Management profiles, announcements released to Bursa Securities, press releases, share and dividend information, presentations to investors, financial results and corporate news. FGV's corporate website is updated periodically to provide current and comprehensive information about the Group.

MEDIA COVERAGE

Media engagement on the Group through print and electronic media, 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.

GOVERNANCE AT FGV: INTEGRITY IN CORPORATE REPORTING

FINANCIAL REPORTING AND DISCLOSURE

The Board ensures that Shareholders are presented with a clear, balanced and comprehensive view of the Group's financial performance and prospects through the audited Financial Statements, Quarterly Results, the Chairman's Statement, the GCEO's Message and the Management Discussion & Analysis in the Annual Integrated Report 2018 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards, requirements of the Companies Act 2016 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 Results to ensure the reports reflect a true and fair view of the state of affairs of the Group and the Company.

ANNUAL INTEGRATED REPORT

This is FGV's fourth Annual Integrated Report and its seventh Annual Report produced since its listing on Bursa Securities on 28 June 2012. The Annual Integrated Report provides a comprehensive report on the Group's operations and financial performance.

An online version of the Annual Integrated Report is also available in our website at www.fgvholdings.com

STATEMENT BY THE BOARD

This Statement was made in accordance with a resolution of the Board of Directors and approved at the Board meeting dated 27 March 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In 2018, there were several key achievements brought about through the accomplishment of risk management activities and/or initiatives by Group Risk Management Division (GRMD) within FGV Holdings Berhad (FGV or the Group). Among others, the key highlights are as follows:

GRMD received two awards namely:

RISK MANAGEMENT TEAM OF THE YEAR 2018 AWARD

GRMD won the 1st runner up award from Malaysian Association of Risk and Insurance Management (MARIM) in recognition of effective implementation of risk management strategies.

MALAYSIA ENTERPRISE INNOVATION AWARD 2018

The award was received from Asia IOT Business Platform for the implementation of the Enterprise Risk Management (ERM) system as an innovative tool to improve the Group's capabilities in proactive management of risks.

Enhancement of the **risk assessment process** has entailed in revamping the Project Risk Assessment template which aims to embed risk management approach into business decision making. GRMD assisted the business by facilitating risk assessments of various business proposals and projects by applying sound methodology in dimensioning and quantifying the relevant project or business risks.

Implemented **Risk Appetite Statement (RAS)** for the Upstream Cluster and addition of five new key risk drivers into Group RAS to strengthen the measure of the risk profiles by using relevant key risk indicators aligned with business objectives and strategies of FGV.

A newly introduced **Scenario Analysis exercise** was aimed at analysing potential risk exposures arising from a prolonged decline in Crude Palm Oil (CPO) price, severe adverse weather and economic crash. The outcome of the exercise was to prepare FGV with appropriate mitigation strategies to address the risks associated with the scenarios.

Various initiatives were undertaken by GRMD to complete the roadmap under the **Risk Management Framework (RMF)**. The accomplishment of the roadmap was to ensure alignment with the Group's risk management culture, processes, practices, structures and decision making.

Initiatives under the **Governance Quantum Leap** project were put in place to improve the corporate governance and business controls within FGV. Among others, primary achievements attained throughout the initiatives were as follows:

- Revision to the existing Policies and Procedures for Receivables and Credit Management under Finance.
- Review of the Discretionary Authority Limits.
- Improvements made to the Delima Oil Product Sdn. Bhd.'s credit control environment.
- Tightening of the Whistleblowing, Procurement & Tender Policies and other identified Policies and Procedures.
- Strengthening of the Board oversight roles.

Inaugural **Location Based Crisis Management (LBCM)** exercise was simulated at Bandar Sahabat, Sabah involving participation of eight companies under FGV and six local authority bodies. The scenario was based on a fire incident that has spread from a factory. The aim of the exercise was to inculcate greater awareness on Business Continuity Management (BCM), identify the areas for improvements and strengthen the interdependencies among various recovery plans namely business continuity, emergency response, crisis communication as well as disaster recovery plans to minimise the impact of a crisis.

HOW WE APPROACH RISK

The achievement of the strategies enshrined in the strategic plan requires a strong risk-centric approach to ensure the Group is always aware and prepared for the myriad risks faced by the business.

This is underpinned by our robust internal controls and oversight framework which are necessary prerequisites to the achievement of the Group's objectives.

OVERVIEW OF OUR APPROACH

Effective risk management is an integral part of our business model and is intended to seek opportunities from the risks, lessen the potential impacts in the event risks are crystallised and protect our reputation whilst ensuring profitability and business growth remain paramount.

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 inculcate sound risk culture.

RESPONSIBILITIES AND ACCOUNTABILITIES

The Board acknowledges the principal risks in all aspects of the Group's businesses and recognises that business decisions involve taking appropriate risks. The Board must ensure that there are systems in place which effectively monitor and manage these risks.

For areas pertaining to risk management and internal control, the Board is responsible for the following:

i. Determine the Group's overall risk appetite, level of risk tolerance and actively identify, assess and monitor key business risks to safeguard Shareholders' investments and the Group's assets, and communicate the same to the Senior Management.
ii. Appraise the Group's major current and emerging risks and oversee that appropriate risk management and internal control procedures are in place.
iii. Consider and approve the Group's overall risk-reward strategy and framework for managing all categories of current and emerging risks relevant to the sustainability of the Group's businesses and wellbeing of the Group and its Stakeholders, consistent with its level of risk tolerance.
iv. Ensure proper implementation and review the Group's internal controls system, which is continually upgraded to mitigate the Group's current and emerging risks.

The Board Committees that support the Board in its risk management and internal control responsibilities are as follows:

1. Board Governance & Risk Management Committee is tasked to direct and oversee the formulation of a structured mechanism in the Group to inculcate a strong governance, ethical, integrity and risk management culture within the Group.

2. Audit Committee is tasked to assess the effectiveness of the system of internal control vis-à-vis the risks, control environment and compliance requirements of the Group.

3. Investment Committee is tasked to ensure investments undertaken are aligned to the Group's vision and overall risk appetite.

4. Nomination and Remuneration Committee is tasked to ensure that the Group's remuneration framework attracts and retains the right talent with appropriate competencies to ensure organisation capability and human resource risks are managed.

5. Board Tender Committee is tasked to review, monitor and recommend to the Board significant matters related to procurements of the Group in line with FGV's prevailing Discretionary Authority Limit and Group Procurement Policies and Procedures.

For further details of the Board Committees' Terms of Reference are published on website www.fgvholdings.com

RISK MANAGEMENT FRAMEWORK

An overview of the Risk Management Framework is depicted below:

Risk Owners

Group Risk Management Division

Group Management Committee

Board Governance & Risk Management Committee

Board of Directors

The framework seeks to minimise risk incidents and maximise business outcomes by allowing us to:

- Understand the risk environment, and assess the specific risks and potential exposure.
- Determine how best to deal with these risks to manage overall potential exposure.
- Manage the identified risks in appropriate ways.
- Monitor and seek assurance on the effectiveness of the management of these risks and intervene for improvement where necessary.
- Escalate to the Management and Board on a periodic basis on how significant risks are being managed, monitored, assured and improved.

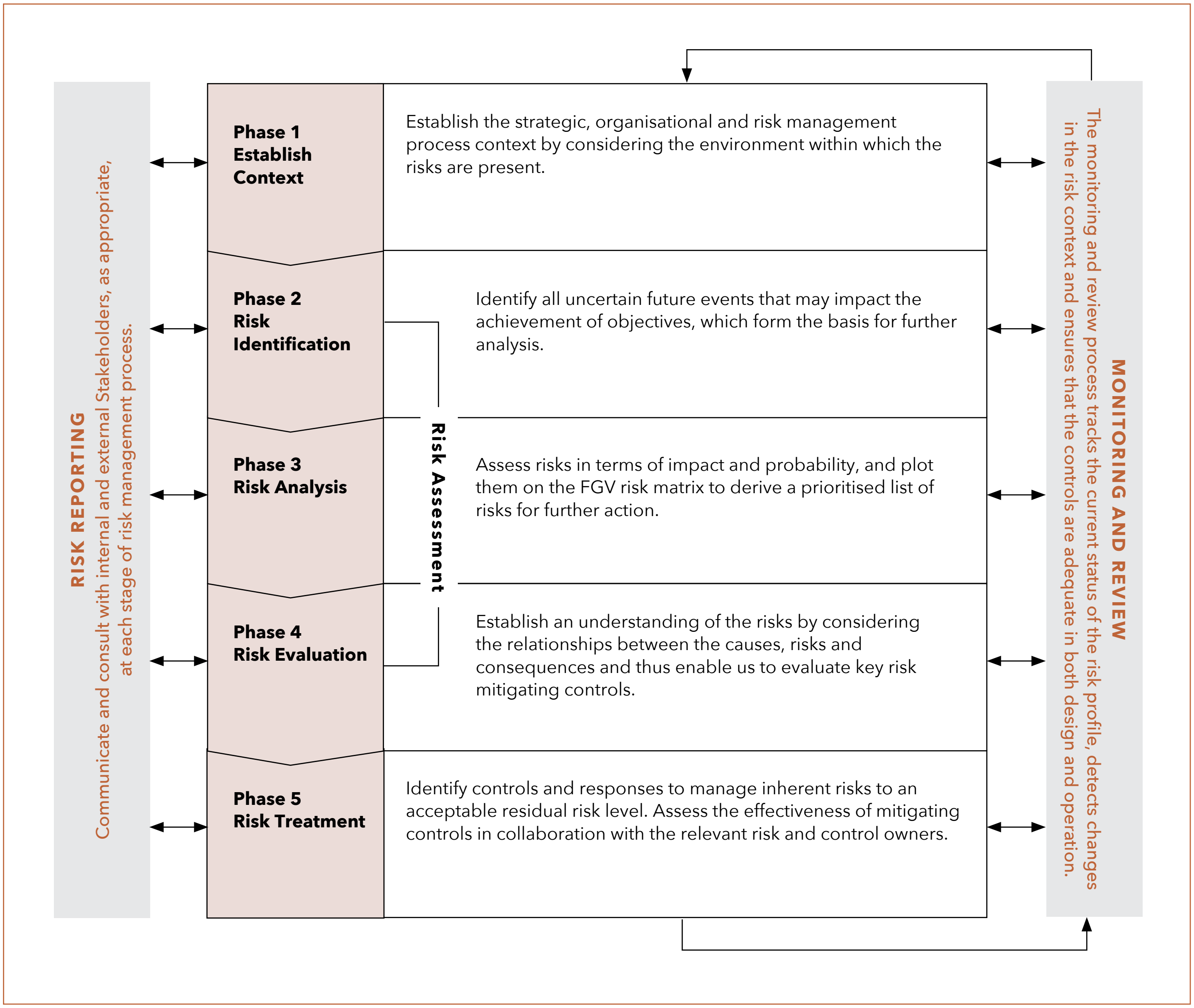
RISK MANAGEMENT PROCESS

FGV manages, monitors and reports on the key risks and uncertainties that can impact our ability to deliver our strategy while creating long-term Shareholders' value.

Our management systems through organisational structure, Policies and Procedures, core values and code of conduct together form a system of internal control that governs how we operate the business of FGV and manage associated risks.

Our risk management process is supported by Policies and Procedures which are consistent with the ISO 31000 Risk Management Standard, developed to aid employees in undertaking their risk management responsibilities.

The process detailed below is rolled out across the Group and risk profiles are developed at business sectors and corporate centres:



GROUP RISK MANAGEMENT DIVISION

At the Management level, the Board is supported by a dedicated GRMD which undertakes the following responsibilities within the ambit of its Strategic and Operational Risk Management Departments:

RISK REPORTING & ANALYTICS

Provide timely, accurate and comprehensive risk reports to Management and the Board, covering prevailing and emerging key business risks. Support informed decision making through quantified risk insights in assessing the Group's risk profile and outlook.

ENTERPRISE RISK MANAGEMENT SYSTEM

Establish, maintain, review and monitor the risk registers including the mitigation plans via the ERM system. Provide awareness on system familiarisation and training on risk register to improve competency on risk management.

RISK FRAMEWORK & REVIEW

Implement a robust RMF and facilitate the risk assessment process for key business initiatives and project proposals while ensuring risk management approach is embedded into business decision making and aligned with the Group strategic vision and aspirations.

BUSINESS CONTINUITY MANAGEMENT

Facilitate the development of Business Continuity Plans, coordination of BCM testings and crisis simulation exercises to strengthen the interdependencies among various recovery plans to minimise the impact in the event of a crisis. Promote strong BCM culture and awareness throughout the organisation.

RISK MANAGEMENT KEY ACTIVITIES

Continuous integration between strategies and risk management was carried out to ensure risk management approach is embedded into business decision making and aligned with the Group's strategic objectives and aspirations.

Listed below are the key risk management activities undertaken by GRMD to reinforce the risk management culture within the Group:

Activities	Description
Quarterly Risk Reporting for FGV Group	GRMD published its Quarterly Risk Report as a reporting tool to inform the Management, Board Committees and Board of the key risks horizon associated with the Group's business and operations. Covering RAS, Top 10 and other key risks.
Project Risk Assessment	Assisted the business to perform risk assessments of various business and project proposals based on revised risk assessment processes which included a revamped template. GRMD ensured sound methodology is applied in the dimensioning and quantification of the relevant project or business risks.
Risk Appetite Statement	Implementation of RAS for the Upstream Cluster as a tool to measure business risk profiles using relevant key risk indicators. RAS is beneficial to ensure risks profiles are monitored based on a quantifiable methodology and measured against the risk tolerance levels. Five additional key risk drivers were also incorporated into the existing Group RAS to further strengthen the measure of the risk profile.
Scenario Analysis Exercise	The first Scenario Analysis exercise was conducted to analyse potential risk exposures arising from a prolonged decline in the CPO price, severe adverse weather and economic crisis scenarios.
Revision of Policies	Risk Management and BCM Policies were reviewed, revised and approved by the Board to ensure relevance of the requirements with the current operational and best practices.
Divisional Risk Reporting Committee Meetings	The Committee is established as a think-tank to address and update matters pertaining to risk management especially in relation to preparation of quarterly risk reporting.
Dissolution of Governance Quantum Leap Project	GRMD spearheaded and successfully implemented initiatives under the project which tightened finance Policies and Procedures, strengthened internal controls and enhanced Board oversight.

Risk Management Framework Roadmap	Various initiatives were undertaken to strengthen the framework under the two-year implementation roadmap, which included adoption of 14 key recommendations.
Location Based Crisis Management	Inaugural LBCM exercise was simulated at Bandar Sahabat, involving participation of companies under FGV and local authority bodies. The aim of the exercise was to prepare the Group for uncertainties and minimise the impact of disruption to the operations.
Enterprise Risk Management System and Risk Register Training	ERM system awareness and risk register training sessions were conducted to educate staff on ERM system functionalities and provide facilitation on risk assessment process.
Review of Risk Registers	Existing risk registers were reviewed jointly with the respective risk owners or via a table top approach, to ensure the analysis and corresponding mitigation measures and action plans were effective and adequately documented.
Business Continuity Management Awareness	BCM awareness trainings were performed to educate staff on the objective of BCM, its policy and procedures as well as roles and responsibilities in the implementation of BCM.
Business Continuity Plans Reviews and Business Continuity Management Testings	BCP reviews were performed to ensure criticality of functions and business impact assessment were current and reflective of latest operational environment. BCM testings were conducted to enable assessment of the effectiveness and feasibility of identified recovery strategies for selected crisis or disaster scenarios and possible enhancements to address the gaps.

FGV KEY INTERNAL CONTROL STRUCTURE

Our integrated internal control framework ensures the necessary checks and balances are in place. The framework is applicable to all subsidiaries within the Group except for the joint venture companies and associates not managed by us. Nevertheless, 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 structures are as follows:

POLICIES AND PROCEDURES

Our commitment towards internal control is clearly defined in our formal Policies and Procedures, which include the Company's Code of Business Conduct and Ethics. Such controls are extended to and implemented by 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. ISO 9001:2015 has given greater emphasis on management of risk in 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

FGV is committed in applying the highest standard of ethical conduct and integrity in conducting its business activities by putting in place adequate Policies and Procedures as the fundamental for internal control. The strong commitment of the Group in upholding integrity is evidenced by:

- Code of Business Conduct and Ethics for Employees
- External Gift, Entertainment & Hospitality Policy
- Asset/Personal Interest Declaration Policy
- 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. The Tableau performance dashboard covers both financial and operational parameters.

The dashboard is reviewed by Group Chief Financial Officer (GCFO) and subsequently presented to the Group Management Committee on a monthly basis.

Financial and Operational Review

The Group Chief Executive Officer (GCEO) and GCFO present the Group Quarterly Financial Statements and Operational Performance analysis to the Audit Committee and the Board for approval and subsequently released to Bursa Malaysia.

In addition, monthly financial and operational reviews are conducted at Group Management Committee level.

AUTHORITY AND RESPONSIBILITY

- Organisation Structure
  The Group has maintained its organisation structure in 2018 with four main Sectors, namely Plantation Sector, Logistics & Support Businesses Sector, Sugar Sector and Corporate Services Sector whilst Corporate Centre Divisions continue to provide support to the businesses.

- Discretionary Authority Limits
  In line with the effort in improving internal control, the Discretionary Authority Limits 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. Discretionary Authority Limits establishes a sound framework of authority and accountability within the Group, including the segregation of duties, which facilitates timely, effective and quality decision-making in addition to stricter financial controls. The review of Discretionary Authority Limits in 2018 was undertaken and approved by the Board in August.

- Legal Authority Limit and Signing Protocol
  Legal Authority Limit and Signing Protocol authorizes Group's personnel with defined official responsibilities to approve legal services related matters within the Group to ensure that all associated risks are effectively managed. Legal Authority Limit and Signing Protocol was approved on 28 August 2018.

- Procurement Authority Limit
  Procurement Authority Limit refers to the authority granted to the Group's personnel to approve and authorise procurement matters. The establishment of Procurement Authority Limit aimed to protect the Group's interest and ensure transparency in decision making with respect to procurement. Procurement Authority Limit is embedded in the Group Procurement Policy which was last reviewed and approved on 28 March 2018.

- Employee Approving Authority
  Group Employee Approving Authority was implemented in April 2015 to delineate the delegation of authority in respect of Human Capital related processes to ensure accountability across Business Sectors and Corporate Centre Divisions. Employee Approving Authority is designed to be in line with the organisation structure.

- Group Human Resource Policies
  Group Human Resource Policies have been continually updated and revised throughout 2018 to provide guidelines on the approach adopted by the organisation to its employees concerning various aspects of employment.

- Standard Operating Procedures
  Standard Operating Procedures for Human Capital processes were formulated in late 2016 and implemented since January 2017 to assist employees to carry out operations with the aim of achieving efficiency, quality output and uniformity of performance while reducing miscommunication and failure to comply with Group Human Capital Policies and Procedures. The Standard Operating Procedures have also been continually updated and revised throughout 2018.

COMPETENCY

In order to ensure business sustainability and continuous supply of a competent workforce, we have established FGV Academy. FGV Academy aims to drive Human Capital excellence on the people and processes and create smart integration for all learning and development activities within the Group with the goal of:

i. Positively impacting the business in the areas of operational excellence, enhancing revenue, cost optimization, talent development and employee engagement.
ii. Creating a learning and development branding to boost FGV's corporate image.
iii. Establishing sustainable Human Capital development programmes that are aligned with FGV's mission to create value through our people.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL

In the spirit of ensuring continuous improvement of risk management and internal control system, FGV conducted the following review processes in the financial year:

Assessment of Controls	Business units in collaboration with GRMD conducted assessment on the effectiveness of controls over key risk areas surrounding its operations and other initiatives. The exercise was meant to ascertain whether the emplaced controls were adequate and operating as intended or require improvement in order to fully address the identified gaps.
Review of Risk Register	GRMD coordinated the quarterly review of risk registers with the business units to ensure changes in the risk profiles were captured in the ERM system, assessed and evaluated as well as appropriate mitigation measures being formulated.
Project Risk Assessment	GRMD facilitated business units to assess and evaluate risks associated with project proposals to enable formulation of appropriate mitigation plans to be put in place.
Independent Group Internal Audit Review	Group Internal Audit Division conducted regular and systematic reviews to provide an independent and objective assurance to the Audit Committee and Management, focusing on the adequacy and effectiveness of control over governance, risk management and processes.
Business Continuity Plan Review	GRMD together with the BCM Coordinators across the Group performed annual Risk Assessment and Business Impact Analysis to assess the criticality of a function. Additionally, regular reviews on business continuity plans were carried out to ensure recovery strategies were workable and relevant with the current business operations environment.
Risk Appetite Statement	GRMD tabulated the outcomes of the key risk indicators associated with the RAS to score the overall risk profile of the Group on a quarterly basis and ensured the business was pursued within an acceptable level of risk.
Scenario Analysis	Scenario Analysis Exercise was a stress testing approach, undertaken to quantitatively gauge the potential key risk exposure and material capital impacts to the Group. The exercise also reviewed the effectiveness of mitigation measures to ascertain the Group's readiness and resilience towards the simulated worst case scenario.

RISK MANAGEMENT APPROACH FOR FGV'S LISTED SUBSIDIARY

MSM Malaysia Holdings Berhad (MSM), as a listed subsidiary of FGV, undertakes its risk management and internal control responsibilities through it's Audit Committee, Investment Committee and Board Governance & Risk Management Committee for subsequent deliberation at MSM's Board. Any risks identified as having significant impact on FGV Group are reported to the Board Governance & Risk Management Committee and where it has direct impact to the financial performance of the Group, is reported directly to the Audit Committee, and subsequently to FGV's Board.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide (AAPG) 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of risk management and internal control systems of the Group.

STATEMENT BY THE BOARD

Based on the processes and measures undertaken by the Board and its Committees during the financial year and reasonable assurance provided by the GCEO and the GCFO, the Board is of the view that the RMF and internal control system as described in this Statement were operating adequately and effectively in all material aspects to safeguard the interests of our Stakeholders.

This Statement was made in accordance with the resolution of the Board dated 27 March 2019.

STATEMENT ON DIRECTORS' RESPONSIBILITY

"The Directors are required by the Companies Act 2016 (Act) to prepare Financial Statements for each financial year which give a true and fair view of the financial position of the Group and of the Company at the end of the financial year and of the financial performance and cash flows of the Group and of 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 for the financial year ended 31 December 2018, have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act."

The Directors consider that in preparing the Financial Statements for the financial year ended 31 December 2018 set out on pages 121 to 351, the Group and the Company have applied the appropriate accounting policies on a consistent basis and supported by reasonable and prudent judgments 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 of 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 Statement was made in accordance with a resolution of the Board of Directors dated 27 March 2019.

FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

DIRECTORS' REPORT

The Directors hereby submit the annual report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Datuk Wira Azhar Abdul Hamid	(Chairman)
Dato' Mohamed Suffian Awang	
Datuk Dr. Salmiah Ahmad	
Dr. Mohamed Nazeeb P. Alithambi	
Datuk Mohd Anwar Yahya	
Dr. Nesadurai Kalanithi	
Dato' Yusli Mohamed Yusoff	(Appointed on 6 September 2018)
Datin Hoi Lai Ping	(Appointed on 6 September 2018)
Mohd Hassan Ahmad	(Appointed on 26 September 2018)
Dato' Dr. Othman Omar	(Appointed on 1 October 2018)
Tan Sri Dr. Sulaiman Mahbob	(Resigned on 1 March 2018)
Dato' Sri Abu Bakar Harun	(Retired on 28 June 2018)
Dato' Zakaria Arshad	(Ceased on 12 September 2018)
Datuk Siti Zauyah Md Desa	(Ceased on 26 September 2018)
Dato' Ab Ghani Mohd Ali	(Resigned on 1 October 2018)
Datuk Muzzammil Mohd Nor (Alternate Director to Dato' Ab Ghani Mohd Ali)	(Resigned on 1 October 2018)
Dato' Yahaya Abd Jabar	(Resigned on 19 November 2018)

The company was granted a relief by Companies Commission of Malaysia from disclosing the names of the Directors of subsidiary companies in this Report as required under Section 253(2) of Companies Act 2016 in Malaysia. The names of the Directors of subsidiaries are set out in the respective subsidiaries' Directors' Report and the Board deems such information is included herein by such reference and shall form part hereof.

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 were no significant changes in the nature of these activities of the Group and the Company during the financial year.

CHANGE OF NAME

On 29 June 2018, the Company has changed its name to FGV Holdings Berhad.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
(Loss)/profit attributable to owners of the Company	(1,079,952)	143,954
Non-controlling interests	(62,171)	-
(Loss)/profit for the financial year	(1,142,123)	143,954

DIVIDENDS

No dividends on ordinary shares has been paid or declared by the Company since the end of the previous financial year.

The Board of Directors do not recommend payment of any final dividend in respect of the financial year ended 31 December 2018.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements.

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 Director 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 55 to the financial statements.

During the financial year, 11,666,800 RS (2017: 5,342,400 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 in the Company, after meeting the vesting conditions as set out in the letter of offer for the shares under the LTIP.

The RS granted during the financial year on 1 June 2018 has a three years vesting period where the first vesting date was on 30 September 2018. The first RS granted on 1 July 2016 has a three years vesting period and the first vesting date was on 31 March 2017.

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.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) 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 required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year except as follows:

Shareholdings in FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad)

	Number of ordinary shares				
	At 1.1.2018	Acquired	Vested	(Disposed)	At 31.12.2018
Datuk Wira Azhar Abdul Hamid	194,500	500,000	-	-	694,500
Dr. Mohamed Nazeeb P. Alithambi	7,000	-	-	-	7,000

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 12 to the financial statements.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 13 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a corporate liability insurance for the Directors and Officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and officers of the Group. The total amount of insurance premium paid by the Group during the financial year amounted to RM204,020.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Company were prepared, 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, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets 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.

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 Notes 8, 9, 12, 19, 21, 26, 28 and 60 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 PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 27 March 2019. Signed on behalf of the Board of Directors:

DATUK WIRA AZHAR ABDUL HAMID
CHAIRMAN

DATO' YUSLI MOHAMED YUSOFF
DIRECTOR

Kuala Lumpur

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Datuk Wira Azhar Abdul Hamid and Dato' Yusli Mohamed Yusoff, two of the Directors of FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad), do hereby state that, in the opinion of the Directors, the financial statements set out on pages 121 to 351 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 2018 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution dated 27 March 2019.

DATUK WIRA AZHAR ABDUL HAMID
CHAIRMAN

DATO' YUSLI MOHAMED YUSOFF
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Aznur Kama Azmir, the Officer primarily responsible for the financial management of FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad), do solemnly and sincerely declare that the financial statements set out on pages 121 to 351 are, to the best of my knowledge and belief, 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.

AZNUR KAMA AZMIR

Subscribed and solemnly declared by the abovenamed Aznur Kama Azmir in Kuala Lumpur on 27 March 2019, before me.

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
W 678
KAPT (B) AFFANDI
BIN AHMAD
1 JAN 2019 - 31 DIS 2021
MALAYSIA
No. 86, Jalan Putra
50350 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FGV HOLDINGS BERHAD
(Formerly known as Felda Global Ventures Holdings Berhad)
(Incorporated in Malaysia) (Company No. 800165-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of FGV Holdings Berhad (formerly known as 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 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2018 of the Group and of the Company, and the statements of profit or loss, 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 121 to 351.

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.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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 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. There is no key audit matter of the Company for the current financial year.

Key audit matters	How our audit addressed the key audit matters
Land Lease Agreement ("LLA") liability assessment	
As at 31 December 2018, the LLA liability for the Group amounted to RM4.3 billion. We focused on this area as the fair value of the LLA liability is determined based on cash flows projections, which require significant estimates made by management on the assumptions used in the calculations, in particular, prices of Crude Palm Oil ("CPO") and Palm Kernel ("PK"), Fresh Fruit Bunches ("FFB") yield and mature and immature estate costs. Refer to Note 3(i) in the significant accounting policies, Note 5(i) in the critical accounting estimates and judgments and Note 48 to the financial statements.	We have performed the following audit procedures: • We checked the appropriateness of fair value model used. We also assessed the reasonableness of management's key assumptions used in the cash flows projections comprising prices of CPO and PK, FFB yield and mature and immature estate costs, by comparing against those used in business plans, historical data and industry trend; • We evaluated the reliability of management's cash flows projections by comparing the actual past financial performance against previous forecasted results; • We examined sensitivity analysis performed by management on the discount rate, prices of CPO and PK, FFB yield and mature and immature estate costs to evaluate the impact on the LLA liability; and • We assessed the adequacy of the disclosures in the financial statements. Based on our procedures, we noted no significant exceptions.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (contined)

Key audit matters

Goodwill impairment assessment

As at 31 December 2018, the Group's carrying value of goodwill of RM803.0 million comprised goodwill in relation to sugar business in Malaysia of RM576.2 million and palm upstream operations in Malaysia of RM226.8 million.

Goodwill is subject to annual impairment testing. We focused on this area as the determination of recoverable amounts of the assets in the Cash Generating Units ("CGUs") based on discounted cash flows projections prepared by management, involved a significant degree of judgment in determining the following key assumptions:

Business	Key assumptions
Sugar business	Selling price and sales volume, raw sugar price and terminal value growth rate.
Palm upstream operations	CPO price, PK price, FFB yield and mature and immature estate costs.

Refer to Note 3(d) in the significant accounting policies, Note 5(ii) in the critical accounting estimates and judgments and Note 21 to the financial statements.

How our audit addressed the key audit matters

We have performed the following audit procedures:

- We assessed the reliability of management's projections through the comparison of actual past financial performances against previous forecasted results;
- We assessed the reasonableness of the key assumptions, which were used by management in developing the discounted cash flows projections, by comparing against historical data and industry trends;
- We examined the sensitivity analysis performed by management on the key assumptions listed in the above table for the respective businesses and also the discount rates used to evaluate the impact on the impairment assessment; and
- We assessed the adequacy and reasonableness of the disclosures in the financial statements.

Based on our procedures, we noted no significant exceptions.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (contined)

Key audit matters	How our audit addressed the key audit matters
Impairment assessments of non-financial assets with impairment indicators	
Management performed impairment assessments of the non-financial assets of the Group, which had impairment indicators, in particular, in respect of FGV Green Energy Sdn. Bhd., FGV Cambridge Nanosystems Ltd., and Asian Plantation Limited Berhad ("APL"). As a result, impairment losses of RM795.7 million were recognised during the financial year ended 31 December 2018 mainly in respect of property, plant and equipment, intangible assets and asset held for sale of the Group. We focused on this area as the recoverable amounts of the non-financial assets are determined based on discounted cash flows projections, which require judgment on the part of management on the future financial performance and the business plan of those busineses. These are disclosed in Note 19 and 38 to the financial statements. Refer to Note 3(o) in the significant accounting policies, Note 5(iii) in the critical accounting estimates and judgments and Notes 19, 21 and 38 to the financial statements.	We have performed the following audit procedures: • 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; • We assessed the reasonableness of the key assumptions, which were used by management in developing the discounted cash flows projections, by comparing against historical data and industry trends; • We examined the sensitivity analysis performed by management on the key assumptions listed above and also the discount rates used to evaluate the impact on the impairment assessment; and • We assessed the adequacy and reasonableness of the disclosures in the financial statements. Based on the above procedures performed, we noted no significant exceptions.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (contined)

Key audit matters	How our audit addressed the key audit matters
Recoverability of deferred tax assets	
As at 31 December 2018, the Group had recognised deferred tax assets amounted to RM605.2 million which include deferred tax assets in respect of unused tax losses of certain loss making subsidiaries of the Group amounted to RM127.7 million. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the tax losses 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. RM74.6 million of deferred tax assets had been reversed during the financial year relating to tax benefits that are not expected to be utilised as disclosed in Note 51 to the financial statements. Refer to Note 3(q) in the significant accounting policies, Note 5(iv) in the critical accounting estimates and judgments and Note 51 to the financial statement.	We have performed the following audit procedures: • We assessed the reliability of management's projections of future taxable profits by comparing actual past financial performances against previous forecasted results; and • We assessed the reasonableness of the key assumptions used in estimating future taxable profit in particular, CPO price, FFB yield, and estate and production costs for its plantation subsidiaries, and CPO price, gross margin and sales volume for its trading subsidiary, by comparing against the historical data and industry trends. Based on our procedures, we noted no significant exceptions.

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, Statement from the Chairman, Message from the Group Chief Executive Officer, Management Discussion and Analysis (including Performance by Sector), Corporate Governance Overview Statement, Statement of Risk Management and Internal Control, Directors' Report, and other sections of the 2018 Annual Integrated 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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment 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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 22 to the financial statements.

OTHER MATTERS

1. As stated in Note 2 to the financial statements, FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad) adopted Malaysian Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 December 2017 and 1 January 2017, and the statements of profit or loss, 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 ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2018, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and financial performance and cash flows for the financial year then ended.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

AZIZAN BIN ZAKARIA
02930/05/2020 J
Chartered Accountant

Kuala Lumpur
27 March 2019

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	6	13,464,480	16,921,774	384,586	419,077
Cost of sales		(12,097,034)	(15,153,930)	(54,662)	(79,739)
Gross profit		1,367,446	1,767,844	329,924	339,338
Other operating income	7	121,472	205,747	31,629	876
Selling and distribution costs		(161,336)	(180,165)	-	-
Administrative expenses		(939,363)	(891,076)	(142,033)	(116,021)
Impairment of financial assets (net)	8	(153,160)	(101,589)	(7,504)	-
Impairment of non-financial assets (net)	9	(795,673)	(14,417)	(1,957)	-
Other operating expenses	12	(38,751)	(41,459)	(293)	(68)
Other losses, net	10	(227,236)	(259,522)	-	-
Operating (loss)/profit		(826,601)	485,363	209,766	224,125
Finance income	11	33,969	73,060	-	-
Finance costs	11	(189,274)	(183,421)	(93,653)	(98,674)
Share of results from associates	23	(11,721)	21,336	-	-
Share of results from joint ventures	24	(29,324)	6,188	-	-
(Loss)/profit before zakat and taxation		(1,022,951)	402,526	116,113	125,451
Zakat	14	(18,603)	(5,056)	-	-
Taxation	15	(100,569)	(200,128)	27,841	(4,682)
(Loss)/profit for the financial year	12	(1,142,123)	197,342	143,954	120,769
(Loss)/profit attributable to:					
Owners of the Company		(1,079,952)	130,928	143,954	120,769
Non-controlling interests		(62,171)	66,414	-	-
		(1,142,123)	197,342	143,954	120,769
Earnings per share ("EPS") attributable to owners of the Company					
Basic and diluted EPS (sen)	17	(29.6)	3.6		

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit for the financial year	(1,142,123)	197,342	143,954	120,769
Other comprehensive income/(loss):				
Item that will not be reclassified to profit or loss				
Actuarial gain/(loss) on defined benefit plan	2,034	(8,109)	36	(168)
Fair value changes in financial assets at fair value through other comprehensive income	(18,671)	-	-	-
Items that may be subsequently reclassified to profit or loss				
Currency translation differences	(7,126)	(89,012)	-	-
Fair value changes in available-for-sale financial assets	-	(7,397)	-	-
Transfer of reserve on derecognition of available-for-sale financial instruments	-	(33,675)	-	-
Share of other comprehensive loss of an associate	-	(2,781)	-	-
Share of other comprehensive loss of joint ventures	(12,842)	(5,195)	-	-
Cash flow hedge reserve	(158)	717	-	-
	(20,126)	(137,343)	-	-
Total other comprehensive (loss)/income for the financial year, net of tax	(36,763)	(145,452)	36	(168)
Total comprehensive (loss)/income for the financial year	(1,178,886)	51,890	143,990	120,601
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(1,111,332)	18,770	143,990	120,601
Non-controlling interests	(67,554)	33,120	-	-
	(1,178,886)	51,890	143,990	120,601

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
ASSETS							
Non-current assets							
Property, plant and equipment	19	10,521,000	10,446,122	10,074,111	10,892	28,029	34,418
Investment properties	20	118,370	118,169	127,017	13,947	16,046	7,772
Intangible assets	21	996,021	1,536,568	1,576,033	32,064	34,899	33,043
Investment in subsidiaries	22	-	-	-	8,784,754	8,763,967	8,752,406
Interests in associates	23	101,082	275,478	260,700	-	-	-
Interests in joint ventures	24	488,175	585,773	628,071	-	-	-
Prepaid lease payments	25	67,089	71,666	75,710	-	-	-
Receivables	26	76,211	88,057	107,661	-	-	-
Amount due from a significant shareholder	28	134,982	-	-	-	-	-
Amounts due from joint ventures	28	62,929	26,941	20,914	-	-	-
Amounts due from other related companies	28	126,334	-	-	-	-	-
Deferred tax assets	51	605,163	740,359	779,421	28,119	-	-
Derivative financial assets	29	561	717	-	-	-	-
Financial assets at fair value through other comprehensive income	30	86,224	-	-	-	-	-
Available-for-sale financial assets	31	-	157,877	154,810	-	-	-
Loans due from joint ventures	32	70,201	71,431	54,222	-	-	-
		13,454,342	14,119,158	13,858,670	8,869,776	8,842,941	8,827,639

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current assets							
Inventories	33	2,063,235	2,132,303	2,189,255	-	-	-
Biological assets	34	42,446	54,338	68,831	-	-	-
Receivables	26	1,235,861	1,373,976	1,763,258	17,306	19,579	22,267
Contract assets	27	33,733	13,091	17,351	-	-	-
Amount due from a significant shareholder	28	27,610	215,389	182,531	20	20	20
Amounts due from subsidiaries	28	-	-	-	722,222	774,524	609,851
Amounts due from joint ventures	28	326,389	472,938	524,429	-	-	-
Amount due from an associate	28	-	-	214	-	-	-
Amounts due from other related companies	28	50,206	146,789	172,625	199	230	216
Loans due from subsidiaries	35	-	-	-	6,999	3,664	206,013
Tax recoverable		202,006	203,309	189,700	187	10,480	17,229
Available-for-sale financial assets	31	-	6,409	159,431	-	-	-
Financial assets at fair value through profit or loss	36	46,055	49,321	58,322	-	-	-
Derivative financial assets	29	3,706	6,875	5,489	-	-	-
Deposits, cash and bank balances	37	1,220,351	1,740,658	1,854,054	12,677	47,872	79,197
		5,251,598	6,415,396	7,185,490	759,610	856,369	934,793
Assets held for sale	38	4,829	72,239	48,132	-	-	-
		5,256,427	6,487,635	7,233,622	759,610	856,369	934,793
Total assets		18,710,769	20,606,793	21,092,292	9,629,386	9,699,310	9,762,432

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	39	7,029,889	7,029,889	3,648,152	7,029,889	7,029,889	3,648,152
Share premium	40	-	-	3,371,685	-	-	3,371,685
Treasury shares	41	(705)	(1,484)	(1,488)	(705)	(1,484)	(1,488)
Foreign exchange reserve	42	103,551	119,077	215,241	-	-	-
Reorganisation reserve	43	(3,084,514)	(3,084,514)	(3,089,497)	-	-	-
Other reserves	44	(31,003)	(5,453)	14,748	-	416	10,481
Retained earnings		457,439	1,559,579	1,658,382	180,968	36,978	135,267
Equity attributable to owners of the Company		4,474,657	5,617,094	5,817,223	7,210,152	7,065,799	7,164,097
Non-controlling interests		2,141,816	2,255,932	2,403,605	-	-	-
Total equity		6,616,473	7,873,026	8,220,828	7,210,152	7,065,799	7,164,097
Non-current liabilities							
Borrowings	45	991,506	733,234	198,992	-	-	-
Loans due to a significant shareholder	46	1,074,045	1,222,765	1,475,799	1,074,045	1,222,765	1,475,799
Loans due to subsidiaries	47	-	-	-	845,985	667,669	252,109
Land lease agreement ("LLA") liability	48	4,079,836	4,067,794	4,125,032	-	-	-
Provision for asset retirement	49	31,810	32,725	32,129	-	-	-
Provision for defined benefit plan	50	82,961	87,768	71,907	2,094	2,018	1,583
Deferred tax liabilities	51	735,370	812,363	849,327	-	-	-
		6,995,528	6,956,649	6,753,186	1,922,124	1,892,452	1,729,491

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current liabilities							
Payables	52	1,227,785	1,178,883	1,441,505	35,964	39,963	40,907
Contract liabilities	53	41,209	58,714	44,635	-	-	-
Loans due to a significant shareholder	46	85,058	164,551	213,206	85,058	164,551	213,206
Loans due to subsidiaries	47	-	-	-	258,924	435,090	48,896
Amount due to a significant shareholder	28	187,582	483,166	399,190	1,441	16,985	6,568
Amount due to an associate	28	210	37	167	-	-	-
Amounts due to subsidiaries	28	-	-	-	30,672	84,346	18,302
Amounts due to joint ventures	28	249	-	6	-	-	-
Amounts due to other related companies	28	2,559	128,641	11,433	171	124	65
Derivative financial liabilities	29	7,545	1,039	19,434	-	-	-
Borrowings	45	3,252,605	3,376,922	3,692,140	84,880	-	540,900
Provision for asset retirement	49	662	648	718	-	-	-
Provision for litigation loss	54	35,541	32,841	-	-	-	-
Current tax liabilities		8,606	3,712	7,715	-	-	-
LLA liability	48	248,172	325,486	282,532	-	-	-
		5,097,783	5,754,640	6,112,681	497,110	741,059	868,844
Liabilities related to assets held for sale	38	985	22,478	5,597	-	-	-
		5,098,768	5,777,118	6,118,278	497,110	741,059	868,844
Total liabilities		12,094,296	12,733,767	12,871,464	2,419,234	2,633,511	2,598,335
Total equity and liabilities		18,710,769	20,606,793	21,092,292	9,629,386	9,699,310	9,762,432

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Note	Share capital (Note 39) RM'000	Treasury shares (Notes 41) RM'000	Foreign exchange reserve (Note 42) RM'000	Reorganisation reserve (Note 43) RM'000	Other reserves (Note 44) RM'000	Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
2018										
At 1 January 2018	62	7,029,889	(1,484)	119,077	(3,089,497)	(5,453)	1,564,562	5,617,094	2,255,932	7,873,026
Change in accounting policy based on MFRS 1 short term exemption applied on items within scope of MFRS 9	62	-	-	-	-	(6,576)	(24,892)	(31,468)	496	(30,972)
		7,029,889	(1,484)	119,077	(3,089,497)	(12,029)	1,539,670	5,585,626	2,256,428	7,842,054
Loss for the financial year		-	-	-	-	-	(1,079,952)	(1,079,952)	(62,171)	(1,142,123)
Other comprehensive income/(loss) for the financial year, net of tax:										
Item that will not be reclassified to profit or loss										
- actuarial gain/(loss) on defined benefit plan		-	-	-	-	-	2,704	2,704	(670)	2,034
- fair value changes in financial assets at fair value through other comprehensive income		-	-	-	-	(18,477)	-	(18,477)	(194)	(18,671)
Items that may be subsequently reclassified to profit or loss										
- currency translation differences		-	-	(2,684)	-	-	-	(2,684)	(4,442)	(7,126)
- share of other comprehensive loss of joint ventures		-	-	(12,842)	-	-	-	(12,842)	-	(12,842)
- cash flow hedge reserve		-	-	-	-	(81)	-	(81)	(77)	(158)
		-	-	(15,526)	-	(81)	-	(15,607)	(4,519)	(20,126)
Total comprehensive loss for the financial year		-	-	(15,526)	-	(18,558)	(1,077,248)	(1,111,332)	(67,554)	(1,178,886)
Transactions with owners										
Treasury shares		-	(4,920)	-	-	-	-	(4,920)	-	(4,920)
Employee share grant		-	-	-	-	5,283	-	5,283	-	5,283
Transfer to LTIP reserve		-	5,699	-	-	(5,699)	-	-	-	-
Liquidation of subsidiaries		-	-	-	-	-	-	-	(969)	(969)
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	(46,089)	(46,089)
Total transactions with owners		-	779	-	-	(416)	-	363	(47,058)	(46,695)
At 31 December 2018		7,029,889	(705)	103,551	(3,089,497)	(31,003)	462,422	4,474,657	2,141,816	6,616,473

Group	Note	Share capital (Note 39) RM'000	Share premium (Note 40) RM'000	Treasury shares (Notes 41) RM'000	Foreign exchange reserve (Note 42) RM'000	Reorganisation reserve (Note 43) RM'000	Other reserves (Note 44) RM'000	Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
2017											
At 1 January 2017		3,648,152	3,371,685	(1,488)	215,241	(3,089,497)	14,748	1,658,382	5,817,223	2,403,605	8,220,828
Transition to no-par value regime on 31 January 2017 under the Companies Act 2016		3,381,737	(3,371,685)	-	-	-	(10,052)	-	-	-	-
Profit for the financial year		-	-	-	-	-	-	130,928	130,928	66,414	197,342
Other comprehensive (loss)/income for the financial year, net of tax:											
Item that will not be reclassified to profit or loss											
- actuarial loss on defined benefit plan		-	-	-	-	-	-	(6,215)	(6,215)	(1,894)	(8,109)
Items that may be subsequently reclassified to profit or loss											
- currency translation differences		-	-	-	(88,610)	-	-	-	(88,610)	(402)	(89,012)
- fair value changes in available-for-sale financial assets		-	-	-	-	-	(7,609)	-	(7,609)	212	(7,397)
- transfer of reserve on derecognition of available-for-sale financial assets		-	-	-	-	-	(2,893)	-	(2,893)	(30,782)	(33,675)
- share of other comprehensive loss of an associate		-	-	-	(2,002)	-	-	-	(2,002)	(779)	(2,781)
- share of other comprehensive (loss)/income of joint ventures		-	-	-	(5,552)	-	-	357	(5,195)	-	(5,195)
- cash flow hedge reserve		-	-	-	-	-	366	-	366	351	717
		-	-	-	(96,164)	-	(10,136)	357	(105,943)	(31,400)	(137,343)
Total comprehensive (loss)/income for the financial year		-	-	-	(96,164)	-	(10,136)	125,070	18,770	33,120	51,890
Transactions with owners											
Treasury shares		-	-	(8,588)	-	-	-	-	(8,588)	-	(8,588)
Employee share grant		-	-	-	-	-	8,579	-	8,579	-	8,579
Transfer to LTIP reserve		-	-	8,592	-	-	(8,592)	-	-	-	-
Accretion of interest in a subsidiary		-	-	-	-	-	-	-	-	4,502	4,502
Dividends paid for the financial year ended	16										
- 31 December 2016 (final)		-	-	-	-	-	-	(36,484)	(36,484)	-	(36,484)
- 31 December 2017 (interim)		-	-	-	-	-	-	(182,406)	(182,406)	-	(182,406)
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	(185,295)	(185,295)
Total transactions with owners		-	-	4	-	-	(13)	(218,890)	(218,899)	(180,793)	(399,692)
At 31 December 2017		7,029,889	-	(1,484)	119,077	(3,089,497)	(5,453)	1,564,562	5,617,094	2,255,932	7,873,026

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	Note	Non-distributable Share capital (Note 39) RM'000	Treasury shares (Note 41) RM'000	Other reserves (Note 44) RM'000	Distributable Retained earnings RM'000	Total RM'000
2018						
At 1 January 2018		7,029,889	(1,484)	416	36,978	7,065,799
Profit for the financial year		-	-	-	143,954	143,954
Item that will not be reclassified to profit or loss						
- actuarial gain on defined benefit plan		-	-	-	36	36
Total comprehensive income for the financial year		-	-	-	143,990	143,990
Transactions with owners						
Treasury shares		-	(4,920)	-	-	(4,920)
Employee share grant		-	-	1,519	-	1,519
Recharged to subsidiaries		-	-	3,764	-	3,764
Transfer to LTIP reserve		-	5,699	(5,699)	-	-
Total transactions with owners		-	779	(416)	-	363
At 31 December 2018		7,029,889	(705)	-	180,968	7,210,152

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	Note	Non-distributable				Distributable	
		Share capital (Note 39) RM'000	Share premium (Note 40) RM'000	Treasury shares (Note 41) RM'000	Other reserves (Note 44) RM'000	Retained earnings RM'000	Total RM'000
2017							
At 1 January 2017		3,648,152	3,371,685	(1,488)	10,481	135,267	7,164,097
Transition to no-par value regime on 31 January 2018 under the Companies Act 2016		3,381,737	(3,371,685)	-	(10,052)	-	-
Profit for the financial year		-	-	-	-	120,769	120,769
Item that will not be reclassified to profit or loss							
- actuarial loss on defined benefit plan		-	-	-	-	(168)	(168)
Total comprehensive income for the financial year		-	-	-	-	120,601	120,601
Transactions with owners							
Treasury shares		-	-	(8,588)	-	-	(8,588)
Employee share grant		-	-	-	2,425	-	2,425
Recharged to subsidiaries		-	-	-	6,154	-	6,154
Transfer to LTIP reserve		-	-	8,592	(8,592)	-	-
Dividends paid for the financial year ended	16						
- 31 December 2016 (final)		-	-	-	-	(36,484)	(36,484)
- 31 December 2017 (interim)		-	-	-	-	(182,406)	(182,406)
Total transactions with owners		-	-	4	(13)	(218,890)	(218,899)
At 31 December 2017		7,029,889	-	(1,484)	416	36,978	7,065,799

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit for the financial year	(1,142,123)	197,342	143,954	120,769
Adjustments for:				
Taxation	100,569	200,128	(27,841)	4,682
Zakat	18,603	5,056	-	-
Depreciation of property, plant and equipment	686,136	572,911	4,430	5,294
Impairment loss on property, plant and equipment (net)	215,750	14,417	739	-
Property, plant and equipment written off	24,488	22,938	15,255	1
Gain on disposal of property plant and equipment (net)	(80)	(303)	-	-
Depreciation of investment properties	12,417	12,030	881	638
Impairment loss on investment properties	1,218	-	1,218	-
Amortisation of intangible assets	27,395	22,725	7,605	7,383
Intangible assets written off	2,784	-	2,784	-
Impairment loss on intangible assets	526,625	-	-	-
Amortisation of prepaid lease payments	3,700	2,964	-	-
Impairment loss on assets held for sale	52,080	-	-	-
Assets held for sale written off	-	111	-	-
Impairment loss on amount due from a significant shareholder	40,844	1,779	-	-
Impairment loss on amount due from a joint venture	20,212	10,366	-	-
Impairment loss on amounts due from other related companies	19,990	-	-	-
Impairment loss on investment in a joint venture	1,350	2,444	-	-
Impairment loss on loan due from a joint venture	2,300	-	-	-
Impairment loss on amounts due from subsidiaries	-	-	7,504	-
Balance carried forward	614,258	1,064,908	156,529	138,767

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Balance brought forward	614,258	1,064,908	156,529	138,767
(Gain)/loss on liquidation of a subsidiary	(1,912)	68	-	68
Loss on disposal of an associate	18,494	-	-	-
Gain on disposal of available-for-sale financial assets	-	(73,196)	-	-
Gain on disposal of financial assets at fair value through profit or loss	(2,783)	(3,492)	-	-
Gain on redemption of Redeemable Cumulative Preference Share ("RCPS") of an associate	-	(2,700)	-	-
Gain on waiver of loan due to a subsidiary	-	-	(28,053)	-
Impairment of receivables (net)	69,814	89,444	-	-
Write down of inventory to net realisable value	9,655	5,979	-	-
Share of results from associates	11,721	(21,336)	-	-
Share of results from joint ventures	29,324	(6,188)	-	-
Net unrealised foreign exchange loss/(gain)	5,230	(4,626)	(696)	(757)
Dividends from subsidiaries	-	-	(234,353)	(353,083)
Dividend income from financial assets through other comprehensive income	(2,529)	-	-	-
Dividends from available-for -sale financial assets	-	(2,582)	-	-
Finance expense	189,274	183,421	93,653	98,674
Finance income	(33,969)	(73,060)	(342)	(806)
Other losses, net	227,236	259,522	-	-
Changes in biological assets (net)	11,892	14,493	-	-
Provision for defined benefit plan	2,606	11,523	203	287
Reversal of provision for asset retirement	(1,500)	-	-	-
Unwinding of discount for provision for asset retirement	465	1,385	-	-
Tax penalty	-	2,293	-	2,196
Reversal of onerous contract (net)	(845)	(16,637)	-	-
Provision for litigation loss	2,700	32,841	-	-
Provision for LTIP	5,283	8,579	1,519	2,425
Operating profit/(loss) before working capital changes	1,154,414	1,470,639	(11,540)	(112,229)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Changes in working capital:				
Inventories	63,253	53,436	-	-
Receivables	57,252	335,296	2,273	2,693
Intercompany	(299,784)	112,750	(113,803)	25,142
Payables	2,082	(221,689)	(3,999)	(942)
Cash generated from/(used in) operation	977,217	1,750,432	(127,069)	(85,336)
Finance income	33,969	73,060	342	799
Taxation paid	(48,501)	(198,142)	(304)	(129)
Zakat paid	(18,603)	(5,056)	-	-
Tax refunded	18,731	-	10,319	-
Retirement benefit paid	(5,660)	(3,500)	(91)	(20)
Net cash generated from/(used in) operating activities	957,153	1,616,794	(116,803)	(84,686)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(963,703)	(1,005,394)	(3,287)	(209)
Purchase of investment properties	(14,511)	(3,182)	-	(7,609)
Purchase assets held for sale	(3,100)	-	-	-
Additions of biological assets	-	-	-	-
Purchase of intangible assets	(17,273)	(16,354)	(7,554)	(9,239)
Additions of financial assets at fair value through other comprehensive income	(13,593)	-	-	-
Additions of financial assets at fair value through profit or loss (net)	(41,152)	-	-	-
Net cash outflow from liquidation of subsidiaries	(121)	-	-	-
Balance carried forward	(1,053,453)	(1,024,930)	(10,841)	(17,057)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Balance brought forward	(1,053,453)	(1,024,930)	(10,841)	(17,057)
Additional investment in subsidiaries	-	-	(12,962)	(11,679)
Additions of available-for-sale financial assets	-	(72,263)	-	-
Additional loan to subsidiaries	-	-	(249,464)	-
Repayment of loan from subsidiaries	-	-	246,129	202,349
Loans to joint ventures	-	(22,510)	-	-
Payment for asset retirement obligations	(48)	(29)	-	-
Proceeds from disposal of property, plant and equipment	109	4,871	-	-
Proceeds from disposal of an associate	145,000	-	-	-
Proceeds from sales of available-for-sale financial assets	-	254,307	-	-
Proceeds from sales of financial assets at fair value through profit or loss (net)	116,606	7,907	-	-
Proceeds from redemption of RCPS in an associate	-	5,400	-	-
Dividends received from subsidiaries	-	-	319,753	267,683
Dividends received from joint ventures	41,929	28,500	-	-
Dividends received from associates	824	806	-	-
Dividends received from financial assets at fair value through other comprehensive income	2,529	-	-	-
Dividends received from available-for-sale financial assets	-	2,582	-	-
Advances to subsidiaries	-	-	-	(21,353)
Advances to joint ventures	(67,690)	-	-	-
Net cash (used in)/generated from investing activities	(814,194)	(815,359)	292,615	419,943

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of loans due to a significant shareholder		(230,399)	(300,286)	(230,399)	(300,286)
Repayment of loans due to subsidiaries		-	-	(135,808)	(866,871)
Drawdown of loans from subsidiaries		-	-	165,000	1,667,600
Drawdown of borrowings		6,075,541	7,147,353	84,880	-
Repayment of borrowings		(5,938,908)	(6,947,358)	-	(540,900)
Repayment of LLA liability		(298,651)	(307,129)	-	-
Dividends paid to shareholders		-	(218,890)	-	(218,890)
Dividends paid to non-controlling interests		(46,089)	(61,734)	-	-
Finance expense paid		(218,296)	(213,190)	(90,456)	(98,211)
Purchase of treasury shares		(4,920)	(8,588)	(4,920)	(8,588)
Increase in restricted cash		(77,004)	(47,340)	-	-
Net cash used in financing activities		(738,726)	(957,162)	(211,703)	(366,146)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(595,767)	(155,727)	(35,891)	(30,889)
Effect of foreign exchange rate changes		(2,111)	(5,586)	696	(436)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		1,693,318	1,854,054	47,872	79,197
Less: Reclassified to assets held for sale	38	567	577	-	-
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	37	1,096,007	1,693,318	12,677	47,872

Cash flows and non-cash changes in liabilities arising from financing activities are as follows:

Group				Non-cash changes				
2018	At 1 January 2018 RM'000	Drawdown RM'000	Repayment# RM'000	Interest accretion RM'000	Interest capitalisation RM'000	Foreign exchange movement RM'000	Fair value movement RM'000	At 31 December 2018 RM'000
Liabilities								
Islamic short term trade financing	2,572,665	3,796,122	(3,840,104)	58,096	3,271	(2,678)	-	2,587,372
Short term trade financing	722,059	1,734,033	(2,054,159)	21,671	27,842	95	-	451,541
Islamic term loans	814,404	545,386	(197,426)	42,250	-	-	-	1,204,614
Term loans	1,028	-	(5,769)	5,325	-	-	-	584
Total borrowings	4,110,156	6,075,541	(6,097,458)	127,342	31,113	(2,583)	-	4,244,111
LLA liability	4,393,280	-	(298,651)	-	-	-	233,379	4,328,008
Loans due to a significant shareholder	1,387,316	-	(290,145)	61,932	-	-	-	1,159,103
	9,890,752	6,075,541	(6,686,254)	189,274	31,113	(2,583)	233,379	9,731,222
Asset								
Restricted cash	(47,340)	(77,004)	-	-	-	-	-	(124,344)

Cash flows and non-cash changes in liabilities arising from financing activities are as follows: (continued)

Group				Non-cash changes				
2017	At 1 January 2017 RM'000	Drawdown RM'000	Repayment# RM'000	Interest accretion RM'000	Interest capitalisation RM'000	Foreign exchange movement RM'000	Fair value movement RM'000	At 31 December 2017 RM'000
Liabilities								
Islamic short term trade financing	3,290,323	3,647,260	(4,423,613)	38,856	810	19,029	-	2,572,665
Short term trade financing	397,994	2,617,494	(2,342,307)	21,322	27,556	-	-	722,059
Islamic term loans	199,366	878,450	(294,725)	31,313	-	-	-	814,404
Term loans	1,026	4,149	(18,057)	13,910	-	-	-	1,028
Finance lease liabilities	2,423	-	(2,697)	274	-	-	-	-
	3,891,132	7,147,353	(7,081,399)	105,675	28,366	19,029	-	4,110,156
LLA liability	4,407,564	-	(307,129)	-	-	-	292,845	4,393,280
Loans due to a significant shareholder	1,689,005	-	(379,435)	77,746	-	-	-	1,387,316
	9,987,701	7,147,353	(7,767,963)	183,421	28,366	19,029	292,845	9,890,752
Asset								
Restricted cash	-	(47,340)	-	-	-	-	-	(47,340)

Included in the repayment are finance expense paid amounted to RM218,296,000 (2017: RM213,190,000).

The cash flows and non-cash changes arising from LLA liability is disclosed in Note 48 to the financial statements.

Cash flows and non-cash changes in liabilities arising from financing activities are as follows: (continued)

Company				Non-cash changes		
	At 1 January RM'000	Drawdown RM'000	Repayment# RM'000	Interest accretion RM'000	Waiver of loan due to a subsidary RM'000	At 31 December RM'000
2018						
Loans due to subsidiaries	1,102,759	165,000	(164,207)	29,410	(28,053)	1,104,909
Loans due to a significant shareholder	1,387,316	-	(290,145)	61,932	-	1,159,103
Borrowings	-	84,880	(2,311)	2,311	-	84,880
	2,490,075	249,880	(456,663)	93,653	(28,053)	2,348,892
2017						
Islamic short term trade financing	540,900	-	(540,969)	69	-	-
Interest payable	-	-	(274)	274	-	-
Loans due to subsidiaries	301,005	1,667,600	(885,590)	20,585	(841)	1,102,759
Loans due to a significant shareholder	1,689,005	-	(379,435)	77,746	-	1,387,316
	2,530,910	1,667,600	(1,806,268)	98,674	(841)	2,490,075

Included in the repayment are finance expense paid amounted to RM90,456,000 (2017: RM98,211,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1 GENERAL INFORMATION

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 21, Wisma FGV, Jalan Raja Laut, 50350 Kuala Lumpur.

On 29 June 2018, the Company changed its name to FGV Holdings Berhad.

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.

2 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company for the financial year ended 31 December 2018 are the first set of financial statements prepared in accordance with MFRS, including MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards", MFRS 9 "Financial Instruments", MFRS 15 "Revenue from Contracts with Customers" and MFRS 141 "Agriculture".

Subject to certain transition elections as disclosed in Note 62, the Group and the Company has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017, being the transition date, and throughout all financial years presented, as if these policies had always been in effect. The impact of the transition to MFRS on the Group's reported financial position, financial performance and cash flows are disclosed in Note 62.

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 MFRS 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.

2 BASIS OF PREPARATION (CONTINUED)

(i) Accounting pronouncements that are not yet effective and have not been early adopted by the Group and Company:

Effective for annual periods beginning on or after 1 January 2019 with earlier application permitted

- MFRS 16 "Leases"

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating leases (off balance sheet) and finance leases (on balance sheet) and requires a lessee to recognise a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payments for virtually all lease contracts. The only exceptions are for short-term and low-value leases.

  The standard will affect primarily the accounting for the Group and Company's leases previously recognised as operating leases under MFRS 117 disclosed in Note 25 and Note 58 and other rentals of buildings and equipments.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' ("MFRS 116") and the lease liability is accreted over time with interest expense recognised in the income statement. The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, as operating expense will be replaced with interest and depreciation, key metrics like earnings before interest, taxation, depreciation and amortisation ("EBITDA") will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently. As such, the Group and Company does not expect any significant impact from activities as a lessor on the financial statements. However, some additional disclosures will be required from the next financial year.

  Amendments to existing standards and other accounting pronouncements that are not expected to have any significant impact on the financial statements of the Group and Company:

  - IC Interpretation 23 'Uncertainty over Income Tax Treatments'
  - Amendments to MFRS 128 'Investments in Associates and Joint Ventures' – Long-Term Interests in Associates and Joint Ventures
  - Amendments to MFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation
  - Amendments to MFRS 119 'Employee Benefits' – Plan Amendment, Curtailment or Settlement
  - Annual Improvements to MFRS 3 'Business Combinations'
  - Annual Improvements to MFRS 11 'Joint Arrangements'
  - Annual Improvements to MFRS 112 'Income Taxes'
  - Annual Improvements to MFRS 123 'Borrowing Costs'

2 BASIS OF PREPARATION (CONTINUED)

(i) Accounting pronouncements that are not yet effective and have not been early adopted by the Group and Company:

Effective date yet to be determined by Malaysian Accounting Standards Board

Amendments to existing standards that are currently being assessed by the Directors:

- Amendments to MFRS 10 and MFRS 128 on sale or contribution of assets between an investor and its associate or joint venture.

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.

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 MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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)

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.

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.

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)

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 transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(c) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes 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.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(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.

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)

(d) Goodwill (continued)

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.

(e) Associates

Associates are all entities over which the Group has significant influence but not control or joint 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 in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, 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's investments in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

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.

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.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

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 (Note 3(h)).

On disposal of the associates, the difference between net disposal proceeds and its carrying amount is charged/credited to profit or loss.

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 interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in 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, including 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 (Note 3(h)).

On disposal of a joint arrangement, the difference between net disposal proceeds and its carrying amount is charged/credited to profit or loss.

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 instruments

MFRS 9 replaces the provisions of MFRS 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of MFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The Group has elected to apply the limited exemption in MFRS 9 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a consequence:

(a) any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings

(b) financial assets are not reclassified in the balance sheet for the comparative period

(c) provisions for impairment have not been restated in the comparative period

(h) Financial assets

Accounting policies applied from 1 January 2018

Classification

From 1 January 2018, the Group classifies its financial assets in the following categories:

(i) those to be measured subsequently at fair value (either thorugh profit or loss or other comprehensive income); and
(ii) those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

(b) FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are recognised in profit or loss and impairment expenses are presented as separate line item in profit or loss.

(c) FVPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

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) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Measurement (continued)

(ii) Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

(i) Impairment for debt instruments and financial guarantee contracts

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group financial instruments that are subject to the ECL model are as follows:

- Receivables
- Loans and amounts due from intercompany
- Contract assets
- Financial assets at fair value through other comprehensive income

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss is deemed immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Company expects to receive from the holder, the debtor or any other party.

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) Financial assets (continued)

Impairment (continued)

(i) Impairment for debt instruments and financial guarantee contracts (continued)

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(a) General 3-stage approach for other receivables, loans due from intercompany and non-trade amounts due from intercompany

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

The measurement details of ECL are disclosed in the relevant notes to the financial assets.

(b) Simplified approach for trade receivables, trade amounts due from intercompany and contract assets

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and contract assets.

The measurement details of ECL are disclosed in the relevant notes to the financial assets.

The credit risk assessment basis and credit risk rating of the debt instruments are disclosed in Note 4(a) to the financial statements.

(ii) Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

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) Financial assets (continued)

Impairment (continued)

(ii) Significant increase in credit risk (continued)

The following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model as applicable.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

(iii) Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when the debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

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) Financial assets (continued)

Impairment (continued)

(iv) Groupings of instruments for ECL measurement

(a) Collective assessment

To measure ECL, trade receivables and contract assets arising from the Group have been grouped based on the days past due and shared credit risk characteristics as follows:

(i) Geographical region of customers
(ii) Customer division
(iii) Related company and external customers
(iv) Other shared credit risks

The contract assets relate to amounts due from customers on contracts and unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(b) Individual assessment

Trade receivables and contract assets which are in default or credit-impaired are assessed individually.

Other receivables, loans and amounts due from intercompany, financial assets at FVOCI and financial guarantee contracts are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored separately.

(v) Write-off

(a) Trade receivables and contract assets

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses on the face of profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

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) Financial assets (continued)

Impairment (continued)

(v) Write-off (continued)

(b) Other debt instruments

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

(vi) Subsidiaries, joint ventures and associates

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary, joint venture or associate exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less costs of disposal and value-in-use. Any subsequent increase in recoverable amount is recognised in profit or loss.

Accounting policies applied until 31 December 2017

(i) Classification

Until 31 December 2017, the Group and the Company classified its financial assets in the following categories:

- financial assets at fair value through profit or loss ("FVPL"),
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets ("AFS")

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Financial assets at FVPL

The Group and the Company classify financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

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) Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(i) Classification (continued)

AFS financial assets

AFS 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 management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or AFS categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust the effective interest rates prospectively.

(iii) Subsequent measurement

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

AFS financial assets and financial assets at FVPL were subsequently carried at fair value.

Changes in the fair values of financial assets at FVPL, including the effects of currency translation, interest 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 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.

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) Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(iv) Impairment of financial assets

In previous financial year, the Group and the Company assessed impairment of financial assets based on the incurred loss model.

Assets carried at amortised cost

The Group and the Company assess at the end of the 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest 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.

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) Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(iv) Impairment of financial assets (continued)

Assets classified as AFS

The Group and the Company assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group and the Compnay use criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

In the case of equity securities classified as AFS, 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 AFS financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss 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 AFS are not reversed through profit or loss in subsequent periods.

Subsidiaries, joint ventures and associates

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary, joint venture or associate exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less costs of disposal and value-in-use. Any subsequent increase in recoverable amount is recognised in 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, net of, 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.

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)

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.

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 difference 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.

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)

(j) Property, plant and equipment (continued)

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, rubber trees and mango trees. Immature bearer plants are measured at accumulated costs of planting of bearer plants, similar to accounting for a self-constructed item of property, plant and equipment. Bearer plants are classified as immature until the trees are available for harvest. At that point, bearer plants are measured at amortised cost and depreciated over their useful life which is estimated to be 20 to 25 years.

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.

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.

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:

Property, plant and equipment	Estimated useful lives (years)
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 trees	20, or the lease term if shorter
- Mango trees	25, or the lease term if shorter
- Livestock	5 to 8

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)

(j) 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.

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 analysis is performed to assess whether the carrying amount of the asset is fully recoverable. 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 allocate the cost of each asset to their residual values over their estimated useful lives as follows:

Investment properties	Estimated useful lives (years)
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.

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:

Intangible assets	Estimated useful lives (years)
Brand	20 to 26
Licenses	9 to 18
Lease agreement	18
Software	3 to 5
Intellectual property rights	10
Land use rights	35

Amortisation on intangible assets under development commences when the assets are ready for their intended use.

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 asset (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) Software relates to information technology ("IT") used within the Group.

(v) Intellectual property rights relates to patents for the commercialisation of high quality graphene.

(vi) Land use rights relates to oil palm plantations in Indonesia.

(vii) Intangible assets under development relates to IT system under development.

(m) Biological assets

<u>Oil Palm</u>

The Group attribute a fair value on the fresh fruit bunches ("FFB") at each statement of financial position date as required under MFRS 141 "Agriculture". FFB are produce of oil palm trees and are harvested continuously throughout the financial year to be used in the production of crude palm oil ("CPO"). Each FFB takes approximately 22 weeks from pollination to reach maximum oil content to be ready for harvesting. The value of each FFB at each point of the FFB production cycle will vary based on the cumulative oil content in each fruit.

In determining the fair values of FFB, management has considered the oil content of all unripe FFB from the week after pollination to the week prior to harvest. As the oil content accrues exponentially in the 15 days prior to harvest, the FFB prior to 15 days before harvesting are excluded in the valuation as the fair values are considered negligible.

The valuation model adopted by the Group is a discounted cash flows model which includes all cash inflows, cash outflows and imputed contributory asset charges where no actual cash flows associated with the use of assets essential to the agricultural activity are accounted for. The net present value of cash flows is then determined with reference to the market value of crude palm oil at the date of harvest, adjusted for freight, extraction rates, production, transportation, contributory asset charges and other cost to sell at the point of harvest.

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)

(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.

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.

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)

(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.

(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.

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 (continued)

<u>Transactions and balances</u>

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary 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 and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

<u>Group companies</u>

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.

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 income 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

(i) Revenue from contracts with customers

Group's revenue which represents income arising in the course of the Group's and the Company's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group and the Company transfer the control of the goods and services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at point in time.

A contract with customer exists when the contract has commercial substance, the Group, the Company and their customers have approved the contract and intend to perform their respective obligations, the Group's, the Company's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group and the Company will collect the consideration to which it will be entitled to in exchange of those goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and service tax. If the amount of consideration varies due to discounts, rebates, penalties or other similar items, the Group and the Company estimate the amount of consideration that it expects to be entitled based on the expected value method or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract.

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)

(i) Revenue from contracts with customers (continued)

(a) Plantation sector comprising palm upstream, palm downstream, research, development and agri-services

In the palm upstream operations, the Group sells agricultural produce such as crude palm oil ("CPO"), fresh fruit bunches ("FFB"), palm kernel ("PK") and rubber products. In the palm downstream operations, the Group sells refined bleached deodorised oil (RBD), palm olein (PO) products, crude palm kernel oil (CPKO), packed product, fatty acids and glycerine, biodiesel and biomass generation (sale of electricity). In the research, development and agri-services operations, the Group sells fertilisers, seedlings, rat poison, agronomic services and others.

Revenue from sales of agriculture produce and goods from these operations is recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery or shipment of goods to the specific location agreed with the customers, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customers receive and use the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours. If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice. Customers are generally invoiced on a monthly basis and consideration is payable when invoiced.

Some contracts include multiple or bundled deliverables, such as the delivery of the goods on board vessels or tankers that are often bundled with freight services. In most cases, such delivery of goods is simple, does not include an integrated service, could be performed by another party and the customers can benefit from the sale of goods and freight services on its own or with the use of other resources. It is therefore accounted for as a separate performance obligation. There is no element of financing present as the sales is made with credit terms of up to 90 days. The transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include delivery of goods, revenue for the goods are recognised at a point in time when the goods are delivered, the legal title has passed and the customers have accepted the goods.

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)

(i) Revenue from contracts with customers (continued)

(b) Sugar sector

In the sugar sector, the Group sells refined sugar and molasses.

Revenue from sales of goods from the sugar operations is recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery or shipment of goods to the specific location agreed with the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(c) Logistics and support business sector

In the logistics and support business sector, the Group provides bulking, freight, transportation which covers International Freight Forwarding ("IFF")/Multi-Modal Transport Operator ("MTO"), forwarding, courier and jetty operation services, storage, trading, travel and tours, computer hardware and software solutions, project management consultancy, tolling and toll pack services.

Revenue from sales of goods from these operations is recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery or shipment of goods to the specific location agreed with the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actul service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours. If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increase or decrease in the estimated revenue or cost is reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Customers are generally invoiced on a monthly basis and consideration is payable when invoiced.

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)

(i) Revenue from contracts with customers (continued)

(c) Logistics and support business sector (continued)

Some contracts include multiple deliverables, such as the sale of hardware, software, maintenance, construction, training and related installation services. If these services require significant integration and highly interrelated to each other, there is no distinct separate performance obligation hence no allocation of transaction price is required. However, if each of these services is simple, does not include an integrated service and could be performed by another party, it is then accounted for as a separate performance obligations. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware or software, revenue for the hardware or software is recognised at a point in time when the hardware or software is delivered, the legal title has passed and the customer has accepted the hardware.

Sales with a right of return

When the customer has a right to return the goods within a given period, the Group is obliged to refund the purchase price. Revenue is adjusted for the expected value of the returns and cost of sales were adjusted for the value of the corresponding goods expected to be returned.

A refund liability for the expected refunds to customers is recognised as adjustment to revenue and correspondingly in trade and other payables. At the same time, the Group has a right to recover the goods from the customer where the customer exercises his right of return and recognises a refund asset and a corresponding adjustment to cost of sales. The refund asset is measured by reference to the former carrying amount of the product.

Accumulated experience is used to estimate such returns at the time of sale at a portfolio level using the expected value method. Because the number of goods returned has been steady for years, management assessed that it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Expected volume rebates/incentives

Certain goods may be sold with volume rebates/incentives comprising distribution incentive, insurance rebate, distribution rebate and special sales incentives. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume rebates/incentives.

Accumulated experience is used to estimate and provide for the rebates/incentives, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability for the expected volume rebates/incentives to customers in relation to sales made until the end of the reporting period is recognised as adjustment to revenue and correspondingly in trade and other payables.

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)

(i) Revenue from contracts with customers (continued)

Quality claims

The Group's obligation to provide quality claims against off-spec goods under the Group's standard contractual terms is recognised as a provision.

Receivables, contract asset and contract liabilities

A receivable is recognised when the goods are delivered or services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Contract asset is the right to consideration in exchange for goods or services that the Group has transferred to the customers. A contract asset is recognised when the services rendered by the Group exceed the amount already billed.

Contract liability is the Group's obligation to transfer goods or services to customers. A contract liability is recognised when the Group has received the sales consideration in advance or billings or payments by the customers exceed the services rendered by the Group.

Contract cost

During the year, the Group has elected the practical expedient to recognise contract cost incurred related to contracts with period of less than one year as an expense when incurred.

(ii) Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Group and Company are as follows:

(a) Rental income

Rental income is recognised on a straight-line basis over the lease terms.

(b) Finance income

Finance income is recognised using effective interest method.

Finance income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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)

(ii) Revenue from other sources (continued)

Specific revenue recognition criteria for other revenue and income earned by the Group and Company are as follows: (continued)

(c) Dividend income

Dividend income from investments are recognised in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

Dividends that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at FVOCI.

(d) Compensation receivable

Compensation 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.

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 Group 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)(ii)). 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.

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 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.

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.

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)

(z) Equity instruments (continued)

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.

When treasury shares are vested to employees or employees of subsidiaries as part of equity settled share based compensation plan, the derecognition of treasury shares is adjusted against the reserve in respect of the plan within equity.

(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 Group Management Committee (previously known as Executive Committee).

(ab) Derivative financial instruments and hedging activities

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 the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 29 to the financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

<u>Cash flow hedge</u>

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'finance income/(costs)' and 'foreign exchange losses'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss and presented separately after net operating profit.

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)

(ab) Derivative financial instruments and hedging activities (continued)

Cash flow hedge (continued)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss within 'finance income/(costs)' and 'foreign exchange losses'.

(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.

(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 profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

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 (continued)

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 profit or loss. 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 any outstanding RCPS and RCCPS into ordinary shares.

(af) Construction contracts

The Group provides various construction contract services, including construction of information technology and networking equipment and property and engineering services.

Revenue from construction contracts is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Control of the asset is transferred over time as the Group's performance create or enhance an asset that the customer controls as the asset is created or enhanced. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The Group recognises revenue over time using the input method, which is based on the level the proportion that the construction costs incurred to date bear to the estimated total costs for the construction 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 recoverables, prepayments or other assets, depending on their nature.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

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)

Irrespective of whether the outcome of a construction contract can be estimated reliably when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the standalone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

The revenue from construction contracts is measured at the fixed transaction price agreed net of expected liquidated ascertained damages (LAD) payment, based on the expected value method.

The aggregate of the costs incurred and the attributable profit/loss recognised on each contract is compared against the progress billings up to the end of the financial year. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as contract assets. Conversely, where progress billings exceed costs incurred and attributable profit, the balance is shown as contract liabilities.

<u>Project management services</u>

Revenue from project management fee is recognised upon performance of services.

(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.

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") for the Group and Canadian Dollar ("CAD") for the Company. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities but excludes interest in foreign joint ventures and associates. The Group generally manages its currency exposure through foreign currency forward contracts.

Group

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 RM30,550,000 (2017: RM53,656,000).

Company

A 10% strengthening/weakening of the CAD against the Malaysian Ringgit ("RM") at the date of statement of financial position would have a higher/lower impact to Company's profit after tax of approximately of RM230,000 (2017: higher/lower impact to Company's profit after tax of approximately of RM1,190,000).

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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Market risk (continued)

(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).

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 financial assets at fair value through other comprehensive income (2017: 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 financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets). The sensitivity analysis in relation to equity price risk is as follows:

Group

		2018		2017	
Financial assets	Sensitivity factor	Impact to profit after tax RM'000	Impact to equity RM'000	Impact to profit after tax RM'000	Impact to equity RM'000
Fair value through other comprehensive income/ available- for-sale:					
- unquoted	Comparable PE multiple and PB multiple variance by 5%	-	4,132	-	4,344
- quoted	Share price variance by 5%	-	179	-	3,870
Fair value through profit or loss					
- quoted	Share price variance by 5%	1,750	-	1,874	-
Total impact		1,750	4,311	1,874	8,214

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") 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 2018, 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:

	2018 RM'000	2017 RM'000
- Palm oil	7,407	4,669
- LLA liability	(118,937)	(115,444)
Net decrease	(111,530)	(110,775)

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:

	2018 RM'000	2017 RM'000
- Palm oil	(7,407)	(4,669)
- LLA liability	122,938	118,788
Net decrease	115,531	114,119

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 borrowings issued at variable rates which expose the Group to cash flow finance rate risk.

The finance rate profile of the Group's and Company's finance bearing financial assets, based on carrying amounts as at the end of the reporting period is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial assets				
At fixed rate				
Fixed deposits	587,414	1,326,700	534	40,839

The finance rate profile of the Group's and Company's finance bearing financial liabilities, based on carrying amounts as at the end of the reporting period is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial liabilities				
At fixed rate				
Loans due to a significant shareholder	1,159,103	1,387,316	1,159,103	1,387,316
Loans due to subsidiaries	-	-	908,049	721,019
Islamic short term trade financing	2,587,372	2,572,665	84,880	-
Short term trade financing	451,541	722,059	-	-
	4,198,016	4,682,040	2,152,032	2,108,335

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Market risk (continued)

(iii) Finance rate risk (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial liabilities (continued)				
At floating rate (exposed to cash flow finance rate risk				
LLA liability	4,328,008	4,393,280	-	-
Loans due to subsidiaries	-	-	196,860	381,740
Islamic term loans	1,204,614	814,404	-	-
Term loans	584	1,028	-	-
	5,533,206	5,208,712	196,860	381,740
	9,731,222	9,890,752	2,348,892	2,490,075

If discount rate on LLA liability increased/decreased by 50 basis points and finance rate on borrowings decreased/increased by 100 basis points with all other variables held constant, the profit after tax of the Group will increase by RM191,572,000 (2017: RM188,125,000) and decrease by RM122,222,000 (2017: RM119,421,000) 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. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to from outstanding receivables.

The Group adopts the policy of dealing with customers with an appropriate credit history, and obtaining sufficient security where appropriate, including payments in advance, security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Receivables, amounts due from a significant shareholder, subsidiaries an associate, joint ventures and other related companies exposure are closely monitored and continuously followed up.

The Group's and Company'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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk (continued)

(i) Impairment of financial assets

The Group's financial assets that are subject to the expected credit loss (ECL) model include trade receivables, contract assets, other receivables, amounts due from intercompany, debt investments carried at amortised cost and FVOCI. While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the impairment loss is expected to be immaterial.

(a) Trade receivables, trade amounts due from intercompany and contract assets using simplified approach

The Group applies the MFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, trade amounts due from intercompany and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to amounts due from customers on contracts and unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

Trade amounts due from intercompany and trade receivables that are credit impaired are assessed for ECL on individual basis.

The trade amounts due from intercompany and trade receivables are categorised into the following categories for ECL purposes:

Category	Group's definition of category
Credit-impaired	Default amounts that meets the unlikeliness to pay criteria (Note 3(h)(iii))
Non-credit impaired	Amounts that are not credit-impaired, including amounts assessed based on collective assessments

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk (continued)

(i) Impairment of financial assets (continued)

(b) Other receivables, loans due from intercompany and non-trade amounts due from intercompany using general 3-stage approach

The Group uses three categories for other receivables which reflect their credit risk and how the loss allowance is determined for each of those categories (3 stage approach). These financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 365 days past due.

A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Group's definition of category	Basis for recognising ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 month ECL
Under-performing	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime ECL
Non-performing	Interest and/or principal repayments where there is evidence indicating the asset is credit-impaired	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount	Asset is written off

Based on the above, loss allowance is measured on either 12 month ECL or lifetime ECL incorporating the methodology below:

- PD ('probability of default') – the likelihood that the debtor would not be able to repay during the contractual period;
- LGD ('loss given default') – the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ('exposure at default') – the outstanding amount that is exposed to default risk.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk (continued)

(i) Impairment of financial assets (continued)

(b) Other receivables, loans due from intercompany and non-trade amounts due from intercompany using general 3-stage approach (continued)

Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

Impairment losses on financial assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off of financial assets are credited against the same line item.

(ii) Credit risk exposures

The maximum credit risk exposures for the financial assets equal to their respective carrying values after ECL. The details of ECL impact to the financial assets are disclosed in the respective financial assets' notes as applicable.

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 2018, the Group has undrawn committed borrowing facilities amounting to RM967 million (2017: RM617 million).

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 summaries 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:

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
At 31 December 2018					
Loans due to a significant shareholder	137,683	51,630	1,222,290	-	1,411,603
LLA liability	263,100	319,099	973,724	47,377,338	48,933,261
Amount due to a significant shareholder	187,582	-	-	-	187,582
Amounts due to other related companies	2,559	-	-	-	2,559
Amount due to an associate	210	-	-	-	210
Amounts due to joint ventures	249	-	-	-	249
Derivative financial liabilities	7,545	-	-	-	7,545
Borrowings	3,551,140	154,649	557,486	160,292	4,423,567
Payables	1,155,067	-	-	-	1,155,067
Total undiscounted financial liabilities	5,305,135	525,378	2,753,500	47,537,630	56,121,643
At 31 December 2017					
Loans due to a significant shareholder	221,547	213,758	154,890	1,119,030	1,709,225
LLA liability	332,157	326,678	987,808	47,794,226	49,440,869
Amount due to a significant shareholder	483,166	-	-	-	483,166
Amounts due to other related companies	128,641	-	-	-	128,641
Amount due to an associate	37	-	-	-	37
Derivative financial liabilities	1,039	-	-	-	1,039
Borrowings	3,515,120	137,653	393,250	226,791	4,272,814
Payables	1,164,473	-	-	-	1,164,473
Total undiscounted financial liabilities	5,846,180	678,089	1,535,948	49,140,047	57,200,264

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
At 31 December 2018					
Loans due to a significant shareholder	137,683	51,630	1,222,290	-	1,411,603
Loans due to subsidiaries	304,564	199,379	569,922	203,472	1,277,337
Amounts due to subsidiaries	30,672	-	-	-	30,672
Amount due to a significant shareholder	1,441	-	-	-	1,441
Amounts due to other related companies	171	-	-	-	171
Payables	33,490	-	-	-	33,490
Total undiscounted financial liabilities	508,021	251,009	1,792,212	203,472	2,754,714
At 31 December 2017					
Loans due to a significant shareholder	221,547	213,758	154,890	1,119,030	1,709,225
Loans due to subsidiaries	468,341	88,331	502,360	146,345	1,205,377
Amounts due to subsidiaries	84,346	-	-	-	84,346
Amount due to a significant shareholder	16,985	-	-	-	16,985
Amounts due to other related companies	124	-	-	-	124
Payables	37,060	-	-	-	37,060
Total undiscounted financial liabilities	828,403	302,089	657,250	1,265,375	3,053,117

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 2018 and 31 December 2017.

The Group considers its debts and total equity as capital and monitors capital using a gearing ratio, which is total debt divided by total equity. 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. Total equity includes share capital, treasury shares, reserves, retained earnings and non-controlling interests.

The gearing ratio analysis for the Group and the Company are as disclosed below:

Group

With LLA liability

	2018 RM'000	2017 RM'000
Borrowings	4,244,111	4,110,156
Loans due to a significant shareholder	1,159,103	1,387,316
LLA liability	4,328,008	4,393,280
Total debt	9,731,222	9,890,752
Total equity	6,616,473	7,873,026
Total capital with LLA liability	16,347,695	17,763,778
Gearing ratio	147%	126%

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management policies (continued)

Group (continued)

Without LLA liability

	2018 RM'000	2017 RM'000
Borrowings	4,244,111	4,110,156
Loans due to a significant shareholder	1,159,103	1,387,316
Total debt	5,403,214	5,497,472
Total equity	6,616,473	7,873,026
Total capital without LLA liability	12,019,687	13,370,498
Gearing ratio	82%	70%

The Group is required to comply with certain financial covenants for its major debts facilities, including:

(i) consolidated net tangible position;
(ii) consolidated net debt and financing to equity ratio;
(iii) consolidated net debt and financing to earnings before interest, tax, depreciation and amortisation ("EBITDA") ratio; and
(iv) consolidated finance payment cover ratio.

As at 31 December 2018, the Group had complied with all external financial covenants other than as disclosed in Note 45. The Group will continue to monitor and assess the compliance with the financial covenants for all borrowings on a regular basis.

Company

	2018 RM'000	2017 RM'000
Loans due to a significant shareholder	1,159,103	1,387,316
Loans due to subsidiaries	1,104,909	1,102,759
Borrowings	84,880	-
Total debt	2,348,892	2,490,075
Total equity	7,210,152	7,065,799
Total capital	9,559,044	9,555,874
Gearing ratio	33%	35%

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2018, 31 December 2017 and 1 January 2017:

<u>Group</u>

<u>31.12.2018</u>

	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 currency forward contracts	-	3,706	-	3,706
- Islamic profit rate swap	-	561	-	561
(ii) Trading securities	46,055	-	-	46,055
Financial assets at fair value through other comprehensive income	3,590	-	82,634	86,224
Total assets	49,645	4,267	82,634	136,546

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

Group

31.12.2018

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Liabilities				
Financial liabilities at fair value through profit or loss				
(i) LLA liability	-	-	4,328,008	4,328,008
(ii) Derivatives				
- Foreign currency forward contracts	-	630	-	630
- Commodities futures contracts	6,915	-	-	6,915
Total liabilities	6,915	630	4,328,008	4,335,553

31.12.2017

	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 currency forward contracts	-	6,875	-	6,875
- Islamic profit rate swap	-	717	-	717
(ii) Trading securities	49,321	-	-	49,321
Available-for-sale financial assets	77,413	-	86,873	164,286
Total assets	126,734	7,592	86,873	221,199

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

Group

31.12.2017

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Liabilities				
Financial liabilities at fair value through profit or loss:				
(i) LLA liability	-	-	4,393,280	4,393,280
(ii) Derivatives				
- Foreign currency forward contracts	-	497	-	497
- Commodities futures contract	542	-	-	542
Total liabilities	542	497	4,393,280	4,394,319

1.1.2017

	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 currency 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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

Group

1.1.2017

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Liabilities				
Financial liabilities at fair value through profit or loss:				
(i) LLA liability	-	-	4,407,564	4,407,564
(ii) Derivatives				
- Foreign currency forward contracts	-	19,237	-	19,237
- Commodities futures contract	197	-	-	197
Total liabilities	197	19,237	4,407,564	4,426,998

Fair values for property, plant and equipment and investment properties are disclosed at Note 19 and Note 20 respectively.

The Company has no financial assets and liabilities that are measured at fair value at 31 December 2018, 31 December 2017 and 1 January 2017.

There were no transfers between Levels 1 and 2 during the financial 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 financial assets at fair value through other comprehensive income (2017: available-for-sale) and commodity derivatives quoted on Malaysia Derivatives Exchange ("MDEX") for palm oil and other foreign commodity exchanges.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

(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 Islamic profit rate swap.

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:

	Group	
	2018 RM'000	2017 RM'000
LLA liability		
At 1 January	4,393,280	4,407,564
Fair value changes charged to profit or loss	233,379	292,845
Repayment during the financial year	(298,651)	(307,129)
At 31 December	4,328,008	4,393,280
Financial assets at fair value through other comprehensive income/ vailable-for-sale financial assets		
At 1 January	86,873	247,542
Additions	13,593	10,586
Disposal	-	(159,881)
Fair value changes	(17,832)	-
Fair value losses transferred to available-for-sale reserves	-	(11,374)
At 31 December	82,634	86,873

(d) Offsetting financial assets and financial liabilities

There are no offsetting of financial assets and financial liabilities during the financial year for the Group and Company.

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 projections based on financial budgets approved by the Directors covering a 93 year period. As a result of the fair value assessment, the Group has recognised a LLA liability of RM4,328,008,000 (2017: RM4,393,280,000). The key assumptions and the sensitivity analysis are as disclosed in Note 48 to the financial statements.

(ii) Goodwill relating to sugar business operations in Malaysia

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.

As a result of the impairment assessment, the Group did not recognise any impairment loss (2017: Nil) for goodwill relating to sugar business operations in Malaysia during the financial year. The key assumptions and the sensitivity analysis are as disclosed in Note 21(a)(i) to the financial statements.

(iii) 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 RM282,727,000 (2017: RM14,417,000) against certain property, plant and equipment, investment properties and intangible assests (other than goodwill) and assets held for sale. The key assumptions and the sensitivity analysis are as disclosed in Note 19 to the financial statements.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(iv) 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 2018, the Group has deferred tax assets of RM127,727,000 (2017: RM199,277,000) in respect of unused tax losses of certain loss making subsidiaries of the Group. The key assumptions for taxable profit projections for the loss making subsidiaries include CPO price between RM2,250/MT to RM2,586/MT, FFB yield of up to 27.1MT/ha, and estate and production costs of between RM2,480/ha to RM3,649/ha for its plantation subsidiaries, and CPO price between RM2,260/MT to RM2,510/MT, gross margin of 7% and yearly sales volume between 2.5 million MT to 2.7 million MT for its trading subsidiary. 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.

In evaluating whether it is probable that future taxable profits will be available in future periods, all available evidence was considered, including approved budgets, business plans, and analysis of historical operating results. These forecasts are consistent with those prepared and used internally for business planning and impairment testing purposes.

6 REVENUE

The Group and Company derive the following types of revenue:

	2018 RM'000	2017 RM'000
Revenue from contracts with customers	13,410,174	16,876,209
Revenue from other sources	54,306	45,565
	13,464,480	16,921,774

(a) Disaggregation of revenue from contracts with customers:

2018	Plantation RM'000	Sugar RM'000	Logistics and support business RM'000	Total RM'000
Major goods and services:				
Sales of crude palm oil ("CPO")	3,625,188	-	355,522	3,980,710
Sales of refined bleached deodorised oil ("RBDO")	2,195,832	-	74,233	2,270,065
Sales of refined sugar and molasses	-	2,200,766	-	2,200,766
Sales of palm kernel ("PK")	1,422,133	-	71,633	1,493,766
Sales of fertiliser, packed products and others	888,611	-	-	888,611
Sales of fatty acids	830,094	-	14,196	844,290
Sales of rubber products	670,335	85	-	670,420
Sales of crude palm kernel oil ("CPKO")	283,080	-	8,398	291,478
Sales of biodiesel products	173,933	-	-	173,933
Services rendered	60,408	-	456,907	517,315
Sales of fresh fruit bunches ("FFB")	17,011	988	-	17,999
Others	51,263	17	9,541	60,821
	10,217,888	2,201,856	990,430	13,410,174
Timing of revenue recognition				
- at a point in time	10,175,302	2,201,856	911,210	13,288,368
- over time	42,586	-	79,220	121,806
	10,217,888	2,201,856	990,430	13,410,174

6 REVENUE (CONTINUED)

(a) Disaggregation of revenue from contracts with customers: (continued)

2017	Plantation RM'000	Sugar RM'000	Logistics and support business RM'000	Total RM'000
Major goods and services:				
Sales of CPO	2,909,389	-	2,361,278	5,270,667
Sales of RBDO	1,714,327	-	2,698,066	4,412,393
Sales of refined sugar and molasses	-	2,654,843	-	2,654,843
Sales of fertiliser, packed products and others	1,128,921	-	1,353	1,130,274
Sales of fatty acids	1,011,157	-	105,887	1,117,044
Sales of rubber products	939,382	30	-	939,412
Sales of CPKO	351,940	-	41,106	393,046
Sales of biodiesel products	147,742	-	-	147,742
Sales of PK	222,659	-	110,673	333,332
Services rendered	55,557	-	395,674	451,231
Sales of FFB	12,285	1,098	-	13,383
Others	7,027	67	5,748	12,842
	8,500,386	2,656,038	5,719,785	16,876,209
Timing of revenue recognition				
- at a point in time	8,500,386	2,656,038	5,641,683	16,798,107
- over time	-	-	78,102	78,102
	8,500,386	2,656,038	5,719,785	16,876,209

(b) Revenue from other sources

	2018 RM'000	2017 RM'000
Rental income	35,857	35,683
Finance income	18,449	9,882
	54,306	45,565

The Group and the Company applied the practical expedient in MFRS 15 and did not disclose information about recognising obligations that have original expected duration of one year or less.

6 REVENUE (CONTINUED)

(b) Revenue from other sources (continued)

Company

	2018 RM'000	2017 RM'000
Revenue from contracts with customers	148,671	59,843
Revenue from other sources	235,915	359,234
	384,586	419,077
Revenue from contracts with customers		
Management fees	148,671	59,843
Timing of revenue recognition		
- over time	148,671	59,843
Revenue from other sources		
Dividend from subsidiaries:		
- unquoted	234,353	349,997
- quoted	-	3,086
Finance income from financial institutions	342	806
Others	1,220	5,345
	235,915	359,234

7 OTHER OPERATING INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Rental income	10,219	8,845	-	-
Gain on disposal of available-for-sale financial assets (Note 31)	-	73,196	-	-
Gain on disposal of financial assets at fair value through profit or loss	2,783	3,492	-	-
Gain on disposal of property, plant and equipment, (net)	80	303	-	-
Gain on liquidation of subsidiaries (Note 22(b))	1,912	-	-	-
Gain on redemption of Redeemable Cumulative Preference Share ("RCPS") in an associate	-	2,700	-	-
Dividend income from financial asset at fair value through other comprehensive income	2,529	-	-	-
Dividend income from available-for-sale financial assets	-	2,582	-	-
Income from sale of scrap	13,229	9,648	-	-
Income from sludge oil	2,320	3,639	-	-
Bad debt recovered	1,375	2,539	-	-
Income from penalty charges	4,803	3,566	-	-
Insurance reimbursement	2,186	9,977	-	-
Roundtable Sustainable Palm Oil ("RSPO") premium income	1,613	571	-	-
Foreign currency exchange gains	29,903	50,948	-	-
Government transportation subsidy	6,443	6,324	-	-
Income from electricity supply in relation to biomass project	7,493	1,209	-	-
Loan due to a subsidiary waived (Note 47)	-	-	28,053	-
Other operating income	34,584	26,208	3,576	876
	121,472	205,747	31,629	876

8 IMPAIRMENT OF FINANCIAL ASSETS (NET)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Impairment of receivables (net)	69,814	89,444	-	-
Impairment loss on amounts due from joint ventures (net)	20,212	10,366	-	-
Impairment loss on amounts due from a significant shareholder (net)	40,844	1,779	-	-
Impairment loss on amounts due from other related companies	19,990	-	-	-
Impairment loss on loan due from a joint venture	2,300	-	-	-
Impairment of amounts due from subsidiaries (net)	-	-	7,504	-
	153,160	101,589	7,504	-

9 IMPAIRMENT OF NON-FINANCIAL ASSETS (NET)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Impairment loss on intangible assets	526,625	-	-	-
Impairment loss on property, plant and equipment (net)	215,750	14,417	739	-
Impairment loss on assets held for sale	52,080	-	-	-
Impairment loss on investment properties	1,218	-	1,218	-
	795,673	14,417	1,957	-

10 OTHER LOSSES, NET

	Group	
	2018 RM'000	2017 RM'000
Land Lease Agreement ("LLA"):		
- Fair value losses (Note 48)	(233,379)	(292,845)
Foreign currency forward contracts:		
- Fair value gains	9,541	37,738
Financial assets at fair value through profit or loss		
- Fair value gains (Note 36)	1,380	2,735
Oil palm futures contracts:		
- Fair value losses	(4,778)	(7,150)
	(227,236)	(259,522)

11 FINANCE INCOME AND COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Finance income:				
- finance income from financial institutions	33,969	73,060	-	-
Total finance income	33,969	73,060	-	-
Finance costs:				
- loans from a significant shareholder	(61,932)	(77,746)	(61,932)	(77,746)
- loans from subsidiaries	-	-	(29,410)	(20,585)
- Islamic short term trade financing	(58,096)	(38,856)	(2,311)	(69)
- short term trade financing	(21,671)	(21,322)	-	-
- Islamic term loans	(42,250)	(31,313)	-	-
- term loans	(5,325)	(13,910)	-	-
- finance lease	-	(274)	-	(274)
Total finance costs	(189,274)	(183,421)	(93,653)	(98,674)
Net finance costs	(155,305)	(110,361)	(93,653)	(98,674)

12 (LOSS)/PROFIT FOR THE FINANCIAL YEAR

(Loss)/profit for the financial year is stated after charging/(crediting)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Matured estates operating expenses (collection, upkeep,cultivation and general charges)	397,523	440,125	-	-
Cost of raw materials and chemicals for production and manufacturing	8,507,558	11,645,393	-	-
Cost of purchasing CPO	107,210	389,655	-	-
Cost of petrol, diesel and natural gas	160,333	180,673	-	-
Service charge on CPO trading	317	5,092	-	-
Property, plant and equipment (Note 19):				
- Depreciation	686,136	572,911	4,430	5,294
- Impairment loss (net)	215,750	14,417	739	-
- Write offs	24,488	22,938	15,255	1
- Gain on disposal (net)	(80)	(303)	-	-
Investment properties (Note 20):				
- Depreciation	12,417	12,030	881	638
- Impairment loss	1,218	-	1,218	-
Intangible assets (Note 21):				
- Impairment loss	526,625	-	-	-
- Amortisation	27,395	22,725	7,605	7,383
- Write offs	2,784	-	2,784	-
Prepaid lease payments (Note 25)				
- Amortisation	3,700	2,964	-	-
Assets held for sale:				
- Write offs	-	111	-	-
- Impairment loss	52,080	-	-	-
Impairment of receivables (net)	69,814	89,444	-	-
Impairment loss on amounts due from joint ventures	20,212	10,366	-	-
Impairment loss on amounts due from subsidiaries (net)	-	-	7,504	-
Impairment loss on amounts due from other related company	19,990	-	-	-

12 (LOSS)/PROFIT FOR THE FINANCIAL YEAR (CONTINUED)

(Loss)/profit for the financial year is stated after charging/(crediting) (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Impairment loss on amounts due from a significant shareholder	40,844	1,779	-	-
Impairment loss on loan due from a joint venture	2,300	-	-	-
Write down of inventory to net realisable value	9,655	5,979	-	-
Fair value changes in biological assets (net)	11,892	14,493	-	-
Rental				
- land and buildings	61,304	52,718	5,844	9,304
- plant, machinery and storage tanks	19,588	20,649	-	-
- other equipment	19,887	26,071	3,145	3,465
Repairs and maintenance of refining plants and mills	133,706	117,271	-	-
Repairs and maintenance of motor vehicles	49,122	38,440	-	-
Principal auditors' remuneration:				
- Audit fee	4,401	4,327	598	589
- Other assurance services	1,501	1,454	1,187	1,125
- Non-audit fee				
- current year	54	231	35	172
Member firms of principal auditors' remuneration:				
- Audit fee	1,423	1,704	-	-
Other firms of auditors' remuneration:				
- Audit fee	169	161	-	-
- Non-audit fee	3,266	431	3,034	420
Staff costs*	1,626,887	1,553,465	96,947	105,352
Other operating expenses**	38,751	41,459	293	68
Professional and technical fees	9,701	6,450	7,951	5,503
Contribution to Yayasan Felda	5,762	2,044	-	-
Net realised foreign exchange loss/(gain)	4,015	(6,694)	696	1,564
Net unrealised foreign exchange loss/(gain)	5,230	(4,626)	(696)	(757)
Research and non-capitalised development costs	32,631	31,073	-	-
Construction cost recognised as an expense	46,512	13,037	-	-

12 (LOSS)/PROFIT FOR THE FINANCIAL YEAR (CONTINUED)

(Loss)/profit for the financial year is stated after charging/(crediting) (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Reversal of onerous contract (net)	(845)	(16,637)	-	-
Reversal of provision for asset retirement (net)	(1,500)	-	-	-
Unwinding of discount for provision for asset retirement	465	1,385	-	-
Transportation, loading and handling	157,217	213,541	-	-
Tax penalty	-	2,293	-	2,196

* Staff costs (excluding Directors' remuneration) are analysed as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages, salaries and bonuses	1,206,639	1,173,344	64,454	65,027
Defined contribution plan	124,691	127,955	12,142	14,238
Defined benefit plan	2,606	11,523	203	287
Employee share grant	5,283	8,579	1,519	2,425
Other employee benefits	287,668	232,064	18,629	23,375
	1,626,887	1,553,465	96,947	105,352

Staff cost included in costs of sales amounted to RM1,192,630,000 (2017: RM1,154,577,000) and RM28,697,000 (2017: RM43,090,000) for the Group and Company respectively.

** Other operating expenses are analysed as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loss on disposal of an associate	18,494	-	-	
Impairment loss on investment in a joint venture	1,350	2,444	-	-
Provision for litigation loss	2,700	32,841	-	-
Loss on liquidation of a subsidiary	-	68	-	68
Other operating expenses	16,207	6,106	293	-
	38,751	41,459	293	68

13 DIRECTORS' REMUNERATION

2018	Receivable from the Company RM'000	Receivable from subsidiaries RM'000	Group RM'000
Fees:			
- Independent Non-Executive	1,185	-	1,185
- Non-Independent Non-Executive	1,018	342	1,360
	2,203	342	2,545
Salaries, bonuses and allowances:			
- Independent Non-Executive	416	-	416
- Executive Director	1,015	-	1,015
	1,431	-	1,431
Defined contribution plan:			
- Executive Director	266	-	266
Benefit in kind:			
- Independent Non-Executive	31	-	31
- Non-Independent Non-Executive	327	-	327
- Executive Director	213	4	217
	571	4	575
Other benefits:			
- Independent Non-Executive	454	-	454
- Non-Independent Non-Executive	411	18	429
- Executive Director	-	38	38
	865	56	921
	5,336	402	5,738

13 DIRECTORS' REMUNERATION (CONTINUED)

2017	Receivable from the Company RM'000	Receivable from subsidiaries RM'000	Group RM'000
Fees:			
- Independent Non-Executive	900	98	998
- Non-Independent Non-Executive	874	591	1,465
	1,774	689	2,463
Salaries, bonuses and allowances:			
- Executive Director	1,153	-	1,153
Defined contribution plan:			
- Executive Director	185	-	185
Benefit in kind:			
- Independent Non-Executive	26	22	4
- Non-Independent Non-Executive	885	-	885
- Executive Director	297	-	297
	1,208	22	1,230
Other benefits:			
- Independent Non-Executive	434	22	456
- Non-Independent Non-Executive	231	17	248
- Executive Director	1	32	33
	666	71	737
	4,986	782	5,768

14 ZAKAT

	Group	
	2018 RM'000	2017 RM'000
Movement of zakat liability:		
At beginning of financial year	-	-
Current financial year's zakat expense	18,603	5,056
Zakat paid	(18,603)	(5,056)
At end of financial year	-	-

15 TAXATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysian income tax:				
- In respect of current financial year	37,924	178,687	450	129
- In respect of prior financial year	(1,957)	1,843	(172)	4,553
Foreign income tax:				
- In respect of current financial year	5,989	3,742	-	-
Deferred tax (Note 51)	58,613	15,856	(28,119)	-
Tax expense	100,569	200,128	(27,841)	4,682

15 TAXATION (CONTINUED)

A reconciliation of income tax expense applicable to (loss)/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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
(Loss)/profit before taxation after zakat	(1,041,554)	397,470	116,113	125,451
Malaysian corporate tax rateof 24% (2017: 24%)	(249,973)	95,393	27,867	30,108
Tax effect of:				
- different tax rates in other countries	(2,575)	13,648	-	-
- expenses not deductible for tax purposes	222,222	87,031	30,325	35,379
- income not subject to tax	(16,257)	(38,755)	(56,713)	(86,023)
- under/(over) provision of income tax in prior financial year	(1,957)	1,843	(172)	4,553
- temporary differences not recognised as deferred tax	168,317	40,485	-	20,665
- tax incentive	-	(7,962)	-	-
- temporary differences previously not recognised as deferred tax	(29,058)	(3,160)	(29,058)	-
- impact of transfer pricing adjustments	-	10,826	-	-
- others	9,850	779	-	-
Tax expense	100,569	200,128	(27,841)	4,682

In the previous financial year, additional tax liabilities of RM10,826,000 had been recognised by the Group, which arose from transfer pricing adjustments in respect of certain intercompany transactions in 2017 and 2016 respectively.

16 DIVIDEND PER SHARE

Dividends declared and paid are as follows:

	Group and Company			
	2018		2017	
	Dividend per share Sen	Amount of dividend RM'000	Dividend per share Sen	Amount of dividend RM'000
No final dividend was declared and paid for the financial year ended 31 December 2017 (2017: Final single-tier dividend for the financial year ended 31 December 2016, paid on 15 June 2017)	-	-	1.0	36,484
No interim dividend was declared and paid for the financial year ended 31 December 2018 (2017: Interim single-tier dividend for the financial year ended 31 December 2017, paid on 28 December 2017)	-	-	5.0	182,406
	-	-	6.0	218,890

The Board of Directors do not recommend payment of any final dividend in respect of the financial year ended 31 December 2018.

17 EARNINGS PER SHARE

	Group	
	2018	2017
Basic and diluted EPS (sen)	(29.6)	3.6

The basic earnings per share ("EPS") has been calculated based on the consolidated (loss)/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 2018 and 31 December 2017.

	Group	
	2018	2017
(Loss)/profit for the financial year attributable to equity shareholders (RM'000)	(1,079,952)	130,928
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 Group Management Committee ("GMC") (formerly known as Executive Committee).

The GMC considers the business by product related activities. The reportable segments for the financial year ended 31 December 2018 have been identified as follows:

- Plantation Sector – Plantation estates activities including cultivation, harvesting and production of fresh fruit bunches ("FFB") and processing of FFB into crude palm oil ("CPO") and palm kernel ("PK"), refining of CPO, fractionation of refined bleached deodorised palm oil ("RBDPO") and Palm Olein ("PO"), crushing of PK, production of oleochemicals namely fatty acid and glycerine, production of graphene and nanotubes, processing and sales of biodiesel products, production of consumer bulk and packed products, trading of CPO, research and development activities, fertilisers processing, rubber processing and production and sale of planting materials.

- Sugar Sector – Sugar refining, sales and marketing of refined sugar and molasses.

- Logistics and Support Business Sector – Bulking and transportation facilities and services, engineering services, information technology, security and travel.

The reportable segments have changed from the financial year ended 31 December 2017 due to the changes in the internal management reporting structure to the CODM. Comparatives have been restated to conform to the revised reportable segments.

Corporate HQ and Elimination mainly relates to the inclusion of investment holding companies within the Group and Group consolidation adjustments, which are not part of the operating segments.

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

18 SEGMENT REPORTING (CONTINUED)

The segment information provided to the GMC for the reportable segments for the financial year reported is as follows:

2018	Plantation RM'000	Sugar RM'000	Logistics and Support Business RM'000	Corporate HQ and Elimination RM'000	Total RM'000
Total segment revenue	15,282,761	2,569,311	1,502,106	5,889,698	25,243,876
Less: Inter-segment revenue	(5,049,702)	(367,455)	(472,541)	(5,889,698)	(11,779,396)
Revenue from external customers	10,233,059	2,201,856	1,029,565	-	13,464,480
(Loss)/profit before zakat and taxation for the financial year	(959,557)	58,667	44,394	(166,455)	(1,022,951)
Zakat					(18,603)
Taxation					(100,569)
Loss after taxation for the financial year					(1,142,123)
Other information:					
Finance income	23,084	13,384	3,833	(6,332)	33,969
Finance costs	(65,627)	(47,370)	(11,453)	(64,824)	(189,274)
Depreciation and amortisation	(548,552)	(60,743)	(82,092)	(38,261)	(729,648)
Write-offs/write-down	(9,781)	(7,770)	(1,334)	(18,042)	(36,927)
Impairment (loss)/reversal (net)					
- financial assets	(75,353)	-	(75,507)	(2,300)	(153,160)
- non-financial assets	(784,937)	-	267	(11,003)	(795,673)
Fair value changes in LLA liability	(233,379)	-	-	-	(233,379)
Share of results of joint ventures	(41,504)	-	-	12,180	(29,324)
Share of results of associates	1,540	-	-	(13,261)	(11,721)
Capital expenditure	567,425	361,760	28,239	54,665	1,012,089

18 SEGMENT REPORTING (CONTINUED)

The segment information provided to the GMC for the reportable segments for the financial year reported is as follows: (continued)

2017	Plantation RM'000	Sugar RM'000	Logistics and Support Business RM'000	Corporate HQ and Elimination RM'000	Total RM'000
Total segment revenue	17,340,466	4,366,834	6,263,600	11,049,126	39,020,026
Less: Inter-segment revenue	(8,835,219)	(1,710,796)	(503,111)	(11,049,126)	(22,098,252)
Revenue from external customers	8,505,247	2,656,038	5,760,489	-	16,921,774
(Loss)/profit before zakat and taxation for the financial year	520,694	(1,877)	68,370	(184,661)	402,526
Zakat					(5,056)
Taxation					(200,128)
Loss after taxation for the financial year					197,342

Other information:					
Finance income	38,265	27,335	9,814	(2,354)	73,060
Finance costs	(63,232)	(38,984)	(2,431)	(78,774)	(183,421)
Depreciation and amortisation	(459,167)	(51,143)	(84,526)	(15,794)	(610,630)
Write-offs/write-down	(25,352)	(2,357)	(1,213)	(106)	(29,028)
Impairment (loss)/reversal (net)					
- financial assets	(70,968)	-	(30,595)	(26)	(101,589)
- non-financial assets	(14,974)	-	560	(3)	(14,417)
Fair value changes in LLA liability	(292,845)	-	-	-	(292,845)
Share of results of joint ventures	5,692	-	-	496	6,188
Share of results of associates	1,902	-	-	19,434	21,336
Capital expenditure	430,591	563,208	50,030	6,285	1,050,114

18 SEGMENT REPORTING (CONTINUED)

The revenue from external parties reported to the GMC 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:

	2018 RM'000	2017 RM'000
Malaysia	9,694,374	10,858,770
Overseas:		
- India	-	490,193
- China	823,630	1,534,788
- Pakistan	700,801	1,228,193
- Asia (excluding Malaysia, China, Pakistan, Indonesia and India)	1,006,891	1,006,052
- United States and Canada	799,840	967,431
- Europe	269,315	364,663
- New Zealand	22,027	17,962
- Indonesia	42,381	125,640
- Others	105,221	328,082
	13,464,480	16,921,774

Segment assets and segment liabilities are not disclosed as these are not reported to the CODM.

18 SEGMENT REPORTING (CONTINUED)

The analysis of non-current assets (excluding financial assets and deferred tax assets) by geographical location is as follows:

	2018 RM'000	2017 RM'000
Malaysia	11,811,970	12,449,716
Overseas:		
- United States and Canada	249,891	262,997
- China	87,994	114,409
- Indonesia	84,572	146,067
- Pakistan	32,781	33,504
- Cambodia	20,059	18,511
- Others	4,470	8,572
	12,291,737	13,033,776

In the current financial year, two (2017: two) major customers in the Plantation Sector contributed to RM1,671,269,000 (12%) and RM980,794,000 (7%) respectively (2017: RM2,322,478,000 (14%) and RM1,403,546,000 (8%) respectively) to the Group's total revenues.

19 PROPERTY, PLANT AND EQUIPMENT

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
2018									
Cost									
At 1 January 2018	49,157	2,205,339	2,356,256	2,980,935	354,836	290,967	1,053,634	4,699,198	13,990,322
Additions	-	4,976	36,512	30,714	30,479	28,925	555,149	308,061	994,816
Disposals	-	-	-	(155)	(626)	(36)	-	-	(817)
Write offs	-	-	(27,136)	(15,112)	(15,171)	(7,654)	(100)	(59,968)	(125,141)
Reclassification	1	(1,642)	72,400	155,913	1,123	135,222	(363,017)	-	-
Transfer from assets held for sale	-	1,054	15,205	1,005	-	1,570	-	-	18,834
Exchange differences	390	(91)	52	3,935	(99)	182	15	(2,882)	1,502
At 31 December 2018	49,548	2,209,636	2,453,289	3,157,235	370,542	449,176	1,245,681	4,944,409	14,879,516

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
2018 (continued)									
Accumulated depreciation/ impairment									
At 1 January 2018	184	150,843	551,862	929,932	187,466	155,686	-	1,568,227	3,544,200
Charge for the financial year	-	38,866	143,155	230,140	34,004	37,703	-	202,268	686,136
(Reversal)/impairment loss	-	(319)	13,092	20,369	944	30	103,000	78,634	215,750
Disposals	-	-	-	(142)	(622)	(24)	-	-	(788)
Write offs	-	-	(11,680)	(12,577)	(13,029)	(7,164)	-	(56,203)	(100,653)
Reclassification	-	-	55	(42)	59	(72)	-	-	-
Exchange differences	-	8	155	2,623	(57)	222	-	1	2,952
Transfer from assets held for sale	-	411	7,933	1,005	-	1,570	-	-	10,919
At 31 December 2018	184	189,809	704,572	1,171,308	208,765	187,951	103,000	1,792,927	4,358,516
Net book value at 31 December 2018	49,364	2,019,827	1,748,717	1,985,927	161,777	261,225	1,142,681	3,151,482	10,521,000

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
2017									
Cost									
At 1 January 2017	52,058	2,207,955	2,221,806	2,733,021	347,277	310,975	792,847	4,606,770	13,272,709
Additions	-	2,346	44,500	90,657	23,180	17,863	620,263	234,951	1,033,760
Disposals	-	-	-	(1,338)	(1,654)	(385)	(4,298)	-	(7,675)
Write offs	-	-	(12,654)	(57,350)	(13,310)	(7,612)	(878)	(132,532)	(224,336)
Reclassification	(746)	(3,774)	119,530	264,856	86	(27,192)	(352,760)	-	-
Transfer to assets held for sale	-	-	-	(168)	(274)	-	-	-	(442)
Exchange differences	(2,155)	(1,188)	(16,926)	(48,743)	(469)	(3,006)	(1,540)	(9,991)	(84,018)
Transfer from intangible asset (Note 21)	-	-	-	-	-	324	-	-	324
At 31 December 2017	49,157	2,205,339	2,356,256	2,980,935	354,836	290,967	1,053,634	4,699,198	13,990,322

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
2017 (continued)									
Accumulated depreciation/ impairment									
At 1 January 2017	236	110,257	506,187	702,501	161,253	146,464	-	1,571,700	3,198,598
Charge for the financial year	-	40,487	118,636	219,502	40,609	33,294	-	120,383	572,911
(Reversal)/impairment loss	(52)	125	(103)	9,902	-	(17)	-	4,562	14,417
Disposals	-	-	-	(1,236)	(1,570)	(301)	-	-	(3,107)
Write offs	-	-	(7,735)	(46,173)	(12,313)	(6,789)	-	(128,388)	(201,398)
Reclassification	-	-	(58,087)	72,447	-	(14,360)	-	-	-
Exchange differences	-	(26)	(7,036)	(26,843)	(264)	(2,605)	-	(30)	(36,804)
Transfer to assets held for sale	-	-	-	(168)	(249)	-	-	-	(417)
At 31 December 2017	184	150,843	551,862	929,932	187,466	155,686	-	1,568,227	3,544,200
Net book value at 31 December 2017	48,973	2,054,496	1,804,394	2,051,003	167,370	135,281	1,053,634	3,130,971	10,446,122
Net book value at 1 January 2017	51,822	2,097,698	1,715,619	2,030,520	186,024	164,511	792,847	3,035,070	10,074,111

Included in the additions of property, plant and equipment were RM2,875,000 (2017: RM2,841,000) in relation to capitalised finance cost for bearer plants at average finance rate of 5.8% (2017: 5.8%) and RM28,238,000 (2017: RM25,525,000) in relation to capitalised borrowing costs for other qualifying assets at average finance rate of 4.61% (2017: 4.78%).

As at 31 December 2018, the carrying amount of property, plant and equipment under land arrangements with FELDA amounted to RM403,648,000 (2017: RM486,499,000). 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 amounted to RM282,712,000 (2017: RM292,838,000).

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Bearer plants

Bearer plants comprise oil palm, rubber trees and mango trees. Immature bearer plants are capitalised as capital work in progress.

	Mature				Immature						
Group	Oil palm RM'000	Rubber trees RM'000	Mango trees RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Mango trees RM'000	Total RM'000	Nursery RM'000	Livestock RM'000	Total bearer plants RM'000
2018											
Cost											
At 1 January 2018	3,277,147	35,316	397	3,312,860	1,170,029	164,531	368	1,334,928	50,754	656	4,699,198
Additions	452	-	-	452	249,476	25,440	87	275,003	32,606	-	308,061
Write offs	(56,173)	-	-	(56,173)	(372)	-	-	(372)	(3,381)	(42)	(59,968)
Reclassification from:											
- immature	565,278	37,018	279	602,575	(565,278)	(37,018)	(279)	(602,575)	-	-	-
- planting	-	-	-	-	37,282	-	-	37,282	(37,282)	-	-
Exchange differences	(197)	-	-	(197)	(2,687)	-	-	(2,687)	2	-	(2,882)
At 31 December 2018	3,786,507	72,334	676	3,859,517	888,450	152,953	176	1,041,579	42,699	614	4,944,409
Accumulated depreciation											
At 1 January 2018	1,554,507	13,255	16	1,567,778	-	-	-	-	-	449	1,568,227
Charge for the financial year	199,263	2,918	28	202,209	-	-	-	-	-	59	202,268
Impairment loss/(reversal)	83,196	(4,562)	-	78,634	-	-	-	-	-	-	78,634
Write offs	(56,173)	-	-	(56,173)	-	-	-	-	-	(30)	(56,203)
Exchange differences	1	-	-	1	-	-	-	-	-	-	1
At 31 December 2018	1,780,794	11,611	44	1,792,449	-	-	-	-	-	478	1,792,927
Net book value at 31 December 2018	2,005,713	60,723	632	2,067,068	888,450	152,953	176	1,041,579	42,699	136	3,151,482

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Bearer plants (continued)

	Mature				Immature						
Group	Oil palm RM'000	Rubber trees RM'000	Mango trees RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Mango trees RM'000	Total RM'000	Nursery RM'000	Livestock RM'000	Total bearer plants RM'000
2017											
Cost											
At 1 January 2017	2,608,069	48,123	-	2,656,192	1,765,480	141,937	-	1,907,417	42,306	855	4,606,770
Additions	142,457	-	-	142,457	27,596	23,448	765	51,809	40,685	-	234,951
Write offs	(117,032)	(13,661)	-	(130,693)	-	-	-	-	(1,640)	(199)	(132,532)
Reclassification from:											
- immature	644,448	854	397	645,699	(644,448)	(854)	(397)	(645,699)	-	-	-
- planting	-	-	-	-	30,207	-	-	30,207	(30,207)	-	-
Exchange differences	(795)	-	-	(795)	(8,806)	-	-	(8,806)	(390)	-	(9,991)
At 31 December 2017	3,277,147	35,316	397	3,312,860	1,170,029	164,531	368	1,334,928	50,754	656	4,699,198
Accumulated depreciation											
At 1 January 2017	1,551,561	19,621	-	1,571,182	-	-	-	-	-	518	1,571,700
Charge for the financial year	118,210	2,064	16	120,290	-	-	-	-	-	93	120,383
Impairment loss	-	4,562	-	4,562	-	-	-	-	-	-	4,562
Write offs	(115,234)	(12,992)	-	(128,226)	-	-	-	-	-	(162)	(128,388)
Exchange differences	(30)	-	-	(30)	-	-	-	-	-	-	(30)
At 31 December 2017	1,554,507	13,255	16	1,567,778	-	-	-	-	-	449	1,568,227
Net book value at 31 December 2017	1,722,640	22,061	381	1,745,082	1,170,029	164,531	368	1,334,928	50,754	207	3,130,971
Net book value at 1 January 2017	1,056,508	28,502	-	1,085,010	1,765,480	141,937	-	1,907,417	42,306	337	3,035,070

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
2018					
Cost					
At 1 January 2018	14,396	8,477	23,640	-	46,513
Addition	2,277	-	-	1,010	3,287
Write offs	(1,197)	(4,477)	(21,456)	-	(27,130)
At 31 December 2018	15,476	4,000	2,184	1,010	22,670
Accumulated depreciation					
At 1 January 2018	6,907	5,042	6,535	-	18,484
Charge for the financial year	1,627	902	1,901	-	4,430
Impairment loss	-	739	-	-	739
Write offs	(1,066)	(2,842)	(7,967)	-	(11,875)
At 31 December 2018	7,468	3,841	469	-	11,778
Net book value at 31 December 2018	8,008	159	1,715	1,010	10,892
2017					
Cost					
At 1 January 2017	14,213	8,477	23,640	1,303	47,633
Additions	209	-	-	-	209
Write offs	(26)	-	-	-	(26)
Transfer to investment properties (Note 20)	-	-	-	(1,303)	(1,303)
At 31 December 2017	14,396	8,477	23,640	-	46,513
Accumulated depreciation					
At 1 January 2017	4,846	3,893	4,476	-	13,215
Charge for the financial year	2,086	1,149	2,059	-	5,294
Write offs	(25)	-	-	-	(25)
At 31 December 2017	6,907	5,042	6,535	-	18,484
Net book value at 31 December 2017	7,489	3,435	17,105	-	28,029
Net book value at 1 January 2017	9,367	4,584	19,164	1,303	34,418

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant impairment of property, plant and equipment

Financial year ended 31 December 2018

(a) FGV Green Energy ("FGVGE")

Suspended construction of a plant in an indirect subsidiary of the Company, FGV Green Energy Sdn. Bhd. ("FGVGE") was identified as indicator for an impairment test to be performed for FGVGE's non-current assets. The recoverable amount of the plant is determined based on the offer received from a potential buyer as the Group does not intend to complete the construction nor operate the plant. As at 31 December 2018, the offer had been withdrawn and as a result, the Group has recognised the full impairment of RM113,888,000 which comprise RM103,024,000 for property, plant and equipment and RM10,864,000 for intangible assets (other than goodwill) (Note 21(b)) of FGVGE which is recorded in impairment of non-financial assets of the Group. The amount has been included as part of the impairment loss of Plantation Sector in the Group's segment reporting (Note 18).

(b) Asian Plantations Limited ("APL")

The recoverable amount of APL CGU is determined based on the valuation report obtained from an external valuer using income approach (level 3 fair value computation) with cash flow projections covering a 25 year period. Based on the valuation, the recoverable amount of APL is RM504,800,000, which resulted in the full goodwill being impaired (Note 21). In addition, a further impairment of RM83,196,000 is recognised for property, plant and equipment. The impairments are recognised in the Group's impairment of non-financial assets and have been included as part of the impairment loss of Plantation Sector in the Group's segment reporting (Note 18).

The key assumptions used in the valuation are as follows:

Financial year ended 31 December 2018

(i)	CPO price	RM2,390/MT
(ii)	PK price	RM1,884/MT
(iii)	Cost of production	RM2,480/ha to RM3,225/ha
(iv)	FFB yield	11.9 MT/ha to 20.0 MT/ha
(v)	Discount rate	9.0%

Financial year ended 31 December 2017

(i)	CPO price	RM2,500/MT
(ii)	PK price	RM1,750/MT
(iii)	Cost of production	RM2,840/ha to RM3,040/ha
(iv)	FFB yield	11.5 MT/ha to 21.5 MT/ha
(v)	Discount rate	9.0%

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant impairment of property, plant and equipment (continued)

Financial year ended 31 December 2018 (continued)

(b) Asian Plantations Limited ("APL") (continued)

The key assumptions used in the valuation are as follows: (continued)

(i) CPO and PK price

CPO and PK is determined based on the forecast provided by the Group's trading arm subsidiary, based on historical results and industry trend.

(ii) Cost of production and FFB yield

The cost of production and FFB yield are based on forecast provided by the Group's upstream operations management, based on this Group's approved budget, historical results and industry trend.

(iii) Discount rate

The post-tax discount rate used reflects specific industry risks relating to the palm plantation operations including consideration of comparison with comparable peer companies in Malaysia.

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.

Key assumptions	Sensitivity	FVLCTS change
		RM'000
Discount rate	Increase by 0.5%	(8,300)
	Decrease by 0.5%	8,500
CPO price	Increase by RM100/MT	21,900
	Decrease by RM100/MT	(22,000)
PK price	Increase by RM100/MT	5,500
	Decrease by RM100/MT	(5,600)
Change in yield	Increase by 0.5MT/ ha	11,000
	Decrease by 0.5MT/ ha	(10,600)
Cost of production	Increase by 5%	(16,200)
	Decrease by 5%	14,800

The above sensitivity analysis is based on the assumptions while holding all other assumptions constant.

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant impairment of property, plant and equipment (continued)

Financial year ended 31 December 2018 (continued)

(c) During financial year, FGV Palm Industries Sdn. Bhd. (formerly known as Felda Palm Industries Sdn. Bhd.), an indirect subsidiary of Company, had close down two mills as part of the Group's rationalisation plan. As a result, an impairment of RM9,877,000 is recognised in Group's impairment of non-financial assets of the Group.

Financial year ended 31 December 2017

Continuing losses in an indirect subsidiary, Felda Rubber Industries Sdn. Bhd., was identified as indicator for an impairment test to be performed for property, plant and equipment in relation to the CGU for rubber processing operation. The recoverable amount of the CGU was determined based on independent valuation carried out by registered professional valuer.

As a result of the impairment assessment, the recoverable amount of the CGU is RM23,900,000. Hence, an impairment of RM10,000,000 had been recognised in profit or loss of the Group in the previous financial year. The amount has been included as part of the impairment loss of Plantation Sector in the Group's segment reporting (Note 18).

20 INVESTMENT PROPERTIES

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
2018				
Cost				
At 1 January 2018	32,006	7,080	128,038	167,124
Additions	-	14,511	-	14,511
Liquidation of a subsidiary	-	-	(893)	(893)
At 31 December 2018	32,006	21,591	127,145	180,742
Accumulated depreciation/impairment				
At 1 January 2018	-	2,076	46,879	48,955
Charge for the financial year	-	249	12,168	12,417
Impairment loss	-	-	1,218	1,218
Liquidation of a subsidiary	-	-	(218)	(218)
At 31 December 2018	-	2,325	60,047	62,372
Net book value at 31 December 2018	32,006	19,266	67,098	118,370
2017				
Cost				
At 1 January 2017	32,006	7,080	124,856	163,942
Additions	-	-	3,182	3,182
At 31 December 2017	32,006	7,080	128,038	167,124
Accumulated depreciation				
At 1 January 2017	-	2,057	34,868	36,925
Charge for the financial year	-	19	12,011	12,030
At 31 December 2017	-	2,076	46,879	48,955
Net book value at 31 December 2017	32,006	5,004	81,159	118,169
Net book value at 1 January 2017	32,006	5,023	89,988	127,017

20 INVESTMENT PROPERTIES (CONTINUED)

Company	Buildings 2018 RM'000	Buildings 2017 RM'000
Cost		
At 1 January	17,627	8,715
Addition	-	7,609
Transfer from property, plant and equipment (Note 19)	-	1,303
At 31 December	17,627	17,627
Accumulated depreciation/impairment		
At 1 January	1,581	943
Charge for the financial year	881	638
Impairment loss	1,218	-
At 31 December	3,680	1,581
Net book value at 31 December	13,947	16,046
Net book value at 1 January 2017	-	7,772

The following amounts have been recognised in profit or loss:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Rental income from investment properties	3,939	4,008	-	-
Direct operating expenses arising from investment properties that generate rental income	(2,468)	(2,475)	-	-
Direct operating expensesarising from investment properties that did not generate rental income	-	-	(89)	(94)

The fair value of the investment properties above as at 31 December 2018 is estimated at RM269,417,000 (2017: RM214,014,000) for the Group and RM18,741,000 (2017: RM15,962,000) 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.

21 INTANGIBLE ASSETS

Group	Goodwill RM'000	Brand RM'000	Licenses RM'000	Lease agreement RM'000	Software RM'000	Land use rights RM'000	Intangible assets under development RM'000	Total RM'000
Net book value								
2018								
At 1 January 2018	1,315,981	94,208	11,857	1,856	56,618	45,627	10,421	1,536,568
Additions	-	-	-	-	6,457	138	10,678	17,273
Reclassification	-	(4,271)	(993)	-	12,109	-	(6,845)	-
Amortisation charge	-	(4,650)	-	(238)	(21,766)	(741)	-	(27,395)
Impairment charge	(512,946)	-	(10,864)	-	-	-	(2,815)	(526,625)
Write offs	-	-	-	-	(2,784)	-	-	(2,784)
Exchange differences	-	-	-	35	-	(1,051)	-	(1,016)
At 31 December 2018	803,035	85,287	-	1,653	50,634	43,973	11,439	996,021
Expected remaining useful lives (years)								
- 31 December 2018		12 - 19	-	8	1-5	32		

21 INTANGIBLE ASSETS (CONTINUED)

Group	Goodwill RM'000	Brand RM'000	Licenses RM'000	Lease agreement RM'000	Software RM'000	Intellectual property rights RM'000	Land use rights RM'000	Intangible assets under development RM'000	Total RM'000
Net book value									
2017									
At 1 January 2017	1,315,981	97,434	11,857	2,322	52,122	31,766	49,403	15,148	1,576,033
Additions	-	-	-	-	13,199	-	-	3,155	16,354
Reclassification	-	-	-	-	10,180	(2,298)	-	(7,882)	-
Amortisation charge	-	(3,226)	-	(199)	(18,559)	-	(741)	-	(22,725)
Transfer to property, plant and equipment (Note 19)	-	-	-	-	(324)	-	-	-	(324)
Transfer to asset held for sale	-	-	-	-	-	(28,471)	-	-	(28,471)
Exchange differences	-	-	-	(267)	-	(997)	(3,035)	-	(4,299)
At 31 December 2017	1,315,981	94,208	11,857	1,856	56,618	-	45,627	10,421	1,536,568
Expected remaining useful lives (years)									
- 31 December 2017		13 - 22	1 - 16	9	1-5	-	33		

21 INTANGIBLE ASSETS (CONTINUED)

Company	Software RM'000	Intangible asset under development RM'000	Total RM'000
Net book value			
2018			
At 1 January 2018	20,702	14,197	34,899
Additions	3,468	4,086	7,554
Amortisation charge	(7,605)	-	(7,605)
Reclassification	6,845	(6,845)	-
Write offs	(2,784)	-	(2,784)
At 31 December 2018	20,626	11,438	32,064
2017			
At 1 January 2017	17,895	15,148	33,043
Additions	10	9,229	9,239
Amortisation charge	(7,383)	-	(7,383)
Reclassification	10,180	(10,180)	-
At 31 December 2017	20,702	14,197	34,899

(a) Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) as follows:

	Group		
	31.12.2018	31.12.2017	1.1.2017
Sugar business operations in Malaysia	576,240	576,240	576,240
Palm upstream operations in Malaysia	226,795	739,741	739,741
	803,035	1,315,981	1,315,981

(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 covening a three-year period and applying a terminal value growth rate multiple using longer-term sustainable growth rates.

21 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill (continued)

(i) Sugar business operations in Malaysia (continued)

The recoverable amount calculated based on VIU exceeded the carrying value by RM306 million (31.12.2017: RM473 million; 1.1.2017: RM524 million).

The key assumptions used for the CGU's VIU calculation are:

	31.12.2018	31.12.2017	1.1.2017
Selling price, RM per metric tonne ("MT")	1,746 – 2,630	1,971 – 2,790	2,206 – 2,991
Terminal value growth rate	2%	2%	2%
Raw sugar price, US cents per pounds	14.0	16.0	17.3 – 20.3
Sales volume, MT'000	1,238 – 1,561	1,403 – 1,463	1,082 – 1,630
Discount rate	10.5% – 12.5%	10% – 11%	10% – 11%

(a) Selling price

Selling price is assumed based on ceiling price set by Government for domestic on 1 September 2018. 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 FY 2019 and FY 2020 except for export sales.

(b) Terminal value growth rate

The terminal value growth rate used is based on long term sustainable growth rates of 2% in the sugar industry in Malaysia.

(c) Raw sugar price

Raw sugar price is projected in line with New York #11 raw sugar future contracts. The long term price beyond FY 2020 is held constant consistent with selling prices.

(d) Sales volume

The sales volume is projected based on expected production volume and current market demand.

(e) Discount rate

The pre-tax discount rate used, reflects specific industry risks relating to the sugar business.

21 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill (continued)

(i) Sugar business operations in Malaysia (continued)

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.

31.12.2018

Key assumptions	Sensitivity	VIU lower by RM'000
Selling price	Reduce by RM50 per metric tonne	323,000
Raw sugar price	Increase in raw sugar prices by 1 cent per pounds	674,000
Sales volume	Reduce by 5%	246,000
Discount rate	Increase by 1%	298,000

A reduction in domestic selling price of RM47/MT and increase in raw sugar price by 0.5 cents per pounds would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

31.12.2017

Key assumptions	Sensitivity	VIU lower by RM'000
Selling price	Reduce by RM50 per metric tonne	668,000
Raw sugar price	Increase in raw sugar prices by 1 cent per pounds	636,000
Sales volume	Reduce by 5%	628,000
Discount rate	Increase by 1%	320,000

A reduction in selling price of RM7.50/MT, increase in raw sugar price by 0.2 cents per pounds and reduction in sales volume by 2% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

21 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill (continued)

(i) Sugar business operations in Malaysia (continued)

1.1.2017

Key assumptions	Sensitivity	VIU lower by RM'000
Selling price	Reduce by RM50 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 5%	1,002,000
Discount rate	Increase by 1%	553,000

A reduction in selling price of RM37/MT, 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.

The above sensitivity analysis is based on the movement of individual key assumptions while holding all other assumptions constant.

(ii) Palm upstream operations in Malaysia (excluding APL)

Goodwill of RM226,795,000 (2017: RM226,795,000) for palm upstream operations in Malaysia comprise of RM127,238,000 (2017: RM127,238,000) for PUP and RM99,557,000 (2017: RM99,557,000) for Yapidmas. In the previous financial year, 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 palm upstream operations (excluding APL) 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 2018

(i)	CPO price	RM2,250/MT to RM2,586/MT
(ii)	PK price	RM1,600/MT to RM1,875/MT
(iii)	Estate cost	Mature estate costs – RM3,079 per hectare to RM3,693 per hectare based on a 25 year cycle for oil palm Immature estate costs – RM3,993 per hectare to RM4,331 per hectare based on a 25 year cycle for oil palm
(iv)	FFB yield	17.8 MT/ha to 27.1 MT/ha
(v)	Discount rate	9.5%

21 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill (continued)

(ii) Palm upstream operations in Malaysia (excluding APL) (continued)

Financial year ended 31 December 2017

(i)	CPO price	RM2,500/MT to RM2,600/MT
(ii)	PK price	RM1,752/MT to RM2,300/MT
(iii)	Estate cost	Mature estate costs – RM1,140 per hectare to RM3,957 per hectare based on a 25 year cycle for oil palm Immature estate costs – RM3,000 per hectare to RM4,268 per hectare based on a 25 year cycle for oil palm
(iv)	FFB yield	17.3 MT/ha to 27.1 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.

(a) CPO and PK price

CPO and PK is determined based on the forecast provided by the Group's trading arm subsidiary, based on historical results and industry trend.

(b) FFB yield and estate costs

The FFB yield and estate costs are based on forecast provided by the Group's upstream operations management, based on this Group's approved budget, historical results and industry trend.

(c) Discount rate

The post-tax discount rate used reflects specific industry risks relating to the palm plantation operations including consideration of comparison with comparable peer companies in Malaysia.

(iii) Asian Plantation Limited ("APL")

During the financial year, the goodwill from the acquisition of APL was assessed separately because management has re-organised its reporting structure to review APL operations separately from the other palm upstream operations. The re-organisation was done as APL continues to be loss making since acquisition, despite efforts undertaken to improve its performance due to several challenges faced by APL in particular due to its geographical location, labour shortages and weather. In addition, certain planted areas have been identified as no longer harvestable resulting in significant reduction in overall hectarage of planted areas.

Based on the assessment, the full goodwill of RM512,946,000 had been fully impaired. Refer to Note 19(b)(iii) for the key assumptions used in the valuation of APL.

21 INTANGIBLE ASSETS (CONTINUED)

(b) Impairment test for intangible assets (other than goodwill)

Suspended construction of a plant in an indirect subsidiary of the Company, FGV Green Energy Sdn. Bhd. ("FGVGE") was identified as indicator for an impairment test to be performed for FGVGE non-current assets. The recoverable amount of the plant is determined based on the offer received from a potential buyer. As at 31 December 2018, the offer has been withdrawn and as a result, the Group has recognised RM10,864,000 of impairment loss for intangible assets (other than goodwill) which is recorded in impairment of non-financial assets of the Group.

22 INVESTMENT IN SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
At cost less accumulated impairment		
(i) Malaysian quoted shares:		
Ordinary shares:		
At 1 January/31 December	270,026	270,026
(ii) Malaysian unquoted shares:		
Ordinary shares:		
At 1 January	6,571,706	6,560,027
Additions	12,962	11,679
Disposal	-	(567,898)
Conversion of amount due from a subsidiary into ordinary shares (Note 28)	7,825	567,898
At 31 December	6,592,493	6,571,706
(iii) Foreign unquoted shares:		
At 1 January/31 December	110,419	110,419
(iv) RCPS/RCCPS:		
At 1 January/31 December	1,796,334	1,796,334
(v) Capital contribution to subsidiaries:		
At 1 January	15,482	15,600
Liquidation of a subsidiary	-	(118)
At 31 December	15,482	15,482
Total	8,784,754	8,763,967
Market value of Malaysian quoted shares, based on Group's effective interest	200,591	316,316

The disclosure of market value of Malaysia quoted shares is based on Level 1 fair value computation.

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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %
Direct subsidiaries														
Felda Global Ventures Indonesia Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0	100.0	100.0	100.0	-	-	-	-	-	-
FGV Sugar Sdn. Bhd. (formerly known as Felda Global Ventures Sugar Sdn. Bhd.)	Malaysia	Investment holding	100.0	100.0	100.0	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	100.0	100.0	-	-	-	-	-	-
FGV Resources Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	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	100.0	100.0	-	-	-	-	-	-
Felda Global Ventures Livestock Sdn. Bhd. *(Note 5)*	Malaysia	Liquidated	-	-	100.0	-	-	100.0	-	-	-	-	-	-
MSM Malaysia Holdings Berhad	Malaysia	Investment holding	11.0	11.0	11.0	51.0	51.0	51.0	49.0	49.0	49.0	-	-	-
FGV Downstream Sdn. Bhd. (formerly known as Felda Global Ventures Downstream Sdn. Bhd.)	Malaysia	Investment holding	100.0	100.0	100.0	100.0	100.0	100.0	-	-	-	100.0	100.0	100.0
Felda Global Ventures Plantations Sdn. Bhd. *(Note 7)*	Malaysia	Investment holding	100.0	100.0	100.0	100.0	100.0	100.0	-	-	-	100.0	100.0	100.0

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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %
Direct subsidiaries (continued)														
FGV Shares Service Centre Sdn. Bhd. (formerly known as Felda Global Ventures Shared Service Centre Sdn. Bhd.)	Malaysia	Provision of shared services	100.0	100.0	100.0	100.0	100.0	100.0	-	-	-	-	-	-
FGV R&D Sdn. Bhd. (formerly known as Felda Global Ventures Research & Development Sdn. Bhd.)	Malaysia	Research and development	100.0	100.0	100.0	100.0	100.0	100.0	-	-	-	-	-	-
FGV Capital Sdn. Bhd. (formerly known as Felda Global Ventures Capital Sdn. Bhd.)	Malaysia	Undertake the business of all kinds of treasury services	100.0	100.0	100.0	100.0	100.0	100.0	-	-	-	-	-	-
FGV Investment (L) Pte. Ltd.	Malaysia	Investment holding	100.0	100.0	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	100.0	100.0	-	-	-	-	-	-
Felda Holdings Bhd.	Malaysia	Investment holding	100.0	100.0	100.0	100.0	100.0	100.0	-	-	-	-	-	-
FGV Research Sdn. Bhd. (formerly known as 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	100.0	100.0	-	-	-	-	-	-

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		
			31.12.2018 %	31.12.2017 %	1.1.2017 %	31.12.2018 %	31.12.2017 %	1.1.2017 %	31.12.2018 %	31.12.2017 %	1.1.2017 %	31.12.2018 %	31.12.2017 %	1.1.2017 %
Direct subsidiaries (continued)														
Felda Global Ventures Rubber Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0	100.0	100.0	100.0	-	-	-	-	-	-
FGV Trading Sdn. Bhd.	Malaysia	Commodity trading	100.0	100.0	100.0	100.0	100.0	100.0	-	-	-	-	-	-
FGV China Oils Ltd.#	China	Refining of palm oil	100.0	100.0	100.0	100.0	100.0	100.0	-	-	-	-	-	-
FGV Leads Sdn. Bhd. *(Note 6)*	Malaysia	Dormant	100.0	100.0	-	100.0	100.0	-	-	-	-	-	-	-
Indirect subsidiaries														
Subsidiaries of MSM Malaysia Holding Berhad														
MSM Prai Berhad	Malaysia	Sugar refining, sales and marketing of refined sugar product	-	-	-	51.0	51.0	51.0	49.0	49.0	49.0	-	-	-
MSM Perlis Sdn. Bhd.	Malaysia	Sugar refining, sales and marketing of refined sugar product and planting of rubber and oil palm	-	-	-	51.0	51.0	51.0	49.0	49.0	49.0	-	-	-
MSM Trading & Distribution Sdn. Bhd.	Malaysia	Conduct commodity trading and related business activities	-	-	-	51.0	51.0	51.0	49.0	49.0	49.0	-	-	-
MSM Sugar Refinery (Johor) Sdn. Bhd.	Malaysia	Carry on business in sugar products and by-products	-	-	-	51.0	51.0	51.0	49.0	49.0	49.0	-	-	-
MSM Trading International DMCC#	United Arab Emirates	Raw and refined sugar trading	-	-	-	51.0	51.0	51.0	49.0	49.0	49.0	-	-	-

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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %
Indirect subsidiaries (continued)														
Subsidiary of MSM Prai Berhad														
MSM Logistics Sdn. Bhd.	Malaysia	Provision of lorry transportation services	-	-	-	51.0	51.0	51.0	49.0	49.0	49.0	-	-	-
Subsidiaries of FGV Downstream Sdn. Bhd. (formerly known as Felda Global Ventures Downstream Sdn. Bhd.)														
Felda Global Ventures North America Sdn. Bhd.	Malaysia	Investment holding	-	-	-	100.0	100.0	100.0	-	-	-	100.0	100.0	100.0
FGV Biotechnologies Sdn. Bhd.	Malaysia	Processing and sale of biodiesel products	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
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	70.0	30.0	30.0	30.0	-	-	-
FGV Green Energy Sdn. Bhd.	Malaysia	Producing and manufacturing biodiesel	-	-	-	60.0	60.0	60.0	40.0	40.0	40.0	-	-	-
FGV Lipid Venture Sdn. Bhd.	Malaysia	Producing of tocotrienol from refined bleached palm oil	-	-	-	60.0	60.0	60.0	40.0	40.0	40.0	-	-	-

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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %
Indirect subsidiaries (continued)														
Subsidiaries of Felda Global Ventures North America Sdn. Bhd.														
Twin Rivers Technologies Holdings, Inc.#	United States of America	Investment holding	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Twin Rivers Technologies Holdings-Enterprise De Transformation De Graines Oleagineuses DuQuebec Inc*	Canada	Investment holding	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Subsidiaries of Twin Rivers Technologies Holding, Inc.														
Twin Rivers Technologies Manufacturing Corporation#	United States of America	Procurement, processing and supply of fatty acids	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
TRT Europe GambH#	Germany	Dormant	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Subsidiary of Twin Rivers Technologies Manufacturing Corporation														
Fore River Transportation Corporation#	United States of America	Operation, management and maintenance of a railroad service	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-

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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %
Indirect subsidiaries (continued)														
Subsidiary of FGV Cambridge Nanosystems Ltd.														
GasPlas AS*	Norway	Research and experimental development on natural sciences and engineering	-	-	-	70.0	70.0	70.0	30.0	30.0	30.0	-	-	-
Subsidiaries of Felda Global Ventures Plantations Sdn. Bhd.														
FGV Plantations (Malaysia) Sdn. Bhd. (formerly known as Felda Global Ventures Plantations (Malaysia) Sdn. Bhd.) *(Note 7)*	Malaysia	Production of FFB, rubber cup-lump, commodity trading, management of plantation estates and other biological assets	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
FGV Kalimantan Sdn. Bhd. (formerly Known as Felda Global Ventures Kalimantan Sdn. Bhd.)	Malaysia	Investment holding	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Subsidiaries of FGV Plantations (Malaysia) Sdn. Bhd. (formerly known as Felda Global Ventures Plantations (Malaysia) Sdn. Bhd.)														
Asian Plantations Limited# *(Note 7)*	Singapore	Investment holding	-	-	100.0	100.0	100.0	100.0	-	-	-	-	-	-

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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %
Indirect subsidiaries (continued)														
Subsidiaries of Asian Plantations Limited														
Asian Plantations (Sarawak) Sdn. Bhd.	Malaysia	Investment holding	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Asian Plantations (Sarawak) II Sdn. Bhd.	Malaysia	Investment holding	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Asian Plantations (Sarawak) III Sdn. Bhd.	Malaysia	Investment holding	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Subsidiaries of Asian Plantations (Sarawak) Sdn. Bhd.														
BJ Corporation Sdn. Bhd.	Malaysia	Oil palm plantation	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Incosetia Sdn. Bhd.	Malaysia	Oil palm plantation	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Fortune Plantation Sdn. Bhd.	Malaysia	Oil palm plantation	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Asian Plantations Milling Sdn. Bhd.	Malaysia	Oil palm milling	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Subsidiary of Incosetia Sdn. Bhd.														
South Asian Farms Sdn. Bhd.	Malaysia	Dormant	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-

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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %
Indirect subsidiaries (continued)														
Subsidiaries of Asian Plantations (Sarawak) II Sdn. Bhd.														
Kronos Plantation Sdn. Bhd.	Malaysia	Oil palm plantation	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Grand Performance Sdn. Bhd.	Malaysia	Oil palm plantation	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Subsidiary of Asian Plantation Sarawak III Sdn. Bhd.														
Jubilant Paradise Sdn. Bhd.	Malaysia	Oil palm plantation	-	-	-	100.0	60.0	60.0	40.0	40.0	40.0	-	-	-
Subsidiaries of FGV Kalimantan Sdn. Bhd. (formerly known as Felda Global Ventures Kalimantan Sdn. Bhd.)														
PT. Citra Niaga Perkasa#	Indonesia	Oil palm plantation	-	-	-	95.0	95.0	95.0	5.0	5.0	5.0	-	-	-
PT. Temila Agro Abadi#	Indonesia	Oil palm plantation	-	-	-	95.0	95.0	95.0	5.0	5.0	5.0	-	-	-
PT Bumi Agro Nusantara#	Indonesia	Management and consulting services	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Subsidiaries of FGV Investment (L) Pte. Ltd.														
FGV Myanmar (L) Pte. Ltd.	Malaysia	Investment holding	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
FGV Cambodia (L) Pte. Ltd.	Malaysia	Investment holding	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-

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		
			31.12.2018 %	31.12.2017 %	1.1.2017 %	31.12.2018 %	31.12.2017 %	1.1.2017 %	31.12.2018 %	31.12.2017 %	1.1.2017 %	31.12.2018 %	31.12.2017 %	1.1.2017 %
Indirect subsidiaries (continued)														
Subsidiaries of FGV Cambodia (L) Pte. Ltd.														
FGV-CVC (Cambodia) Co. Ltd.#	Cambodia	Production and export of rubber blocks and other processed rubber	-	-	-	75.0	75.0	75.0	25.0	25.0	25.0	-	-	-
Subsidiaries of Pontian United Plantations Berhad														
Redefined Land Sdn. Bhd.	Malaysia	Investment holding and property investment	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Kilang Kelapa sawit Pontian Sdn. Bhd.	Malaysia	Investment holding and property investment	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Bangsan Sdn. Bhd.	Malaysia	Investment holding	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Sabahanya Plantations Sdn. Bhd.@	Malaysia	Investment holding and cultivation of oil palm	-	-	-	100.0	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	78.3	21.7	21.7	21.7	-	-	-
Pontian Orico Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	-	78.3	78.3	78.3	21.7	21.7	21.7	-	-	-

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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %
<u>Indirect subsidiaries</u> (continued)														
<u>Subsidiaries of Pontian United Plantations Berhad</u> (continued)														
Pontian Pendirosa Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	-	78.3	78.3	78.3	21.7	21.7	21.7	-	-	-
Pontian Materis Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	-	78.3	78.3	78.3	21.7	21.7	21.7	-	-	-
Pontian Hillco Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	-	78.3	78.3	78.3	21.7	21.7	21.7	-	-	-
Pontian Subok Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	-	78.3	78.3	78.3	21.7	21.7	21.7	-	-	-
Yapidmas Plantation Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Sri Kehuma Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Ladang Kluang Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Tanah Emas Oil Palm Processing Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
<u>Subsidiaries of Sabahanya Plantations Sdn. Bhd</u>														
Rawajaya Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
Blossom Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-

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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %
<u>Indirect subsidiaries</u> (continued)														
<u>Subsidiaries of Felda Holdings Bhd.</u>														
FGV Palm Industries Sdn. Bhd. (formerly known as 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	72.0	28.0	28.0	28.0	-	-	-
FGV Agri Services Sdn. Bhd. (formerly known as Felda Agricultural Services Sdn. Bhd.)	Malaysia	Production and sale of palm oil, cocoa, rat poison, fertilisers and oil palm seeds and provision of agricultural research services	-	-	-	76.9	76.9	76.9	23.1	23.1	23.1	-	-	-
Felda Travel Sdn. Bhd.	Malaysia	Travel and tour agent	-	-	-	100.0	100.0	100.0	-	-	-	100.0	100.0	100.0
Malaysia Cocoa Manufacturing Sdn. Bhd.	Malaysia	Ceased operations in 2016	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-
FGV Fertiliser Sdn. Bhd. (formerly known as FPM Sdn. Bhd.)	Malaysia	Manufacturing and selling of granulated compound fertilisers	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-

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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %
<u>Indirect subsidiaries</u> (continued)														
<u>Subsidiaries of Felda Holdings Bhd.</u> (continued)														
FGV Prodata Systems Sdn. Bhd. (formerly known as Felda Prodata Systems Sdn. Bhd.)	Malaysia	Provision of computer services, sale of computer software and equipment	-	-	-	80.0	80.0	80.0	20.0	20.0	20.0	-	-	-
Felda-Johore Bulkers Sdn. Bhd. (Note 8)	Malaysia	Storing and handling of palm oil products	-	-	-	73.1	73.1	72.7	27.3	27.3	27.3	-	-	-
FGV Rubber Industries Sdn. Bhd. (formerly known as Felda Rubber Industries Sdn. Bhd.)	Malaysia	Processing of raw latex to concentrated latex and Standard Malaysia Rubber ("SMR")	-	-	-	71.4	71.4	71.4	28.6	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	51.0	49.0	49.0	49.0	-	-	-
FGV Transport Services Sdn. Bhd. (formerly known as Felda Transport Services Sdn. Bhd.)	Malaysia	Provision of transportation for palm oil based products	-	-	-	51.0	51.0	51.0	49.0	49.0	49.0	-	-	-

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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %
Indirect subsidiaries (continued)														
Subsidiaries of Felda Holdings Bhd. (continued)														
FGV Security Services Sdn. Bhd. (formerly known as Felda Security Services Sdn. Bhd.)	Malaysia	Provision of security services	-	-	-	51.0	51.0	51.0	49.0	49.0	49.0	-	-	-
F.W.Q. Enterprises (Pvt.) Ltd.*	Pakistan	Provision of jetty services	-	-	-	65.0	65.0	65.0	35.0	35.0	35.0	-	-	-
Felda Enterprises Sdn. Bhd.	Malaysia	Liquidated	-	-	-	-	-	100.0	-	-	-	-	-	-
Felda Plantations Sdn. Bhd.	Malaysia	Under liquidation	-	-	-	51.0	51.0	51.0	49.0	49.0	49.0	-	-	-
FGV Logistics Sdn. Bhd.	Malaysia	Provision of transportation	-	-	-	90.0	90.0	90.0	10.0	10.0	10.0	-	-	-
Subsidiaries of FGV Palm Industries Sdn. Bhd.														
FGV Refineries Sdn. Bhd. (formerly known as Felda Vegetable Oil Products Sdn. Bhd.)	Malaysia	Tolling services of crude palm oil and palm kernel oil	-	-	-	48.0	48.0	48.0	52.0	52.0	52.0	-	-	-
FGV Kernel Products Sdn. Bhd. (formerly known as Felda Kernel Products Sdn. Bhd.)	Malaysia	Processing of oil palm kernels	-	-	-	60.0	60.0	60.0	40.0	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	72.0	28.0	28.0	28.0	-	-	-

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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %
Indirect subsidiaries (continued)														
Subsidiaries of FGV Palm Industries Sdn. Bhd. (continued)														
FGV Marketing Services Sdn. Bhd. (formerly known as Felda Marketing Services Sdn. Bhd.)	Malaysia	Marketing of group products	-	-	-	36.7	36.7	36.7	63.3	63.3	63.3	-	-	-
FNI Biofuel Sdn. Bhd.*	Malaysia	Manufacturing of biomass fuel from empty fruit bunch	-	-	-	72.0	72.0	72.0	28.0	28.0	28.0	-	-	-
Sutrajaya Shipping Sdn. Bhd. *(Note 2)*	Malaysia	Under liquidation	-	-	-	-	72.0	72.0	-	28.0	28.0	-	-	-
Subsidiary of FGV Refineries Sdn. Bhd. (formerly known as Felda Vegetable Oil Products Sdn. Bhd.)														
F.S. Oils Sdn. Bhd.*	Malaysia	Dormant	-	-	-	48.0	48.0	48.0	52.0	52.0	52.0	-	-	-
Subsidiary of FGV Marketing Services Sdn. Bhd. (formerly known as Felda Marketing Services Sdn. Bhd.)														
PT. Cashgrow Ventures#	Indonesia	Commodity trading	-	-	-	34.9	34.9	34.9	65.1	65.1	65.1	-	-	-
Subsidiaries of Felda Plantations Sdn. Bhd.														
Felda Farm Products Sdn. Bhd. *(Note 4)*	Malaysia	Under liquidation	-	-	-	51.0	51.0	51.0	49.0	49.0	49.0	-	-	-

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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %
<u>Indirect subsidiaries</u> (continued)														
<u>Subsidiaries of FGV Rubber Industries Sdn. Bhd. (formerly known as Felda Rubber Industries Sdn. Bhd.)</u>														
Feltex Co. Ltd.*	Thailand	Processing and marketing of latex concentrate	-	-	-	36.4	36.4	36.4	63.6	63.6	63.6	-	-	-
P.T. Felda Indo Rubber*	Indonesia	Processing and marketing of latex	-	-	-	50.0	50.0	50.0	50.0	50.0	50.0	-	-	-
Felda Rubber Products Sdn. Bhd. *(Note 1)*	Malaysia	Under liquidation	-	-	-	-	71.4	71.4	-	28.6	28.6	-	-	-
<u>Subsidiaries of Felda-Johore Bulkers Sdn. Bhd.</u>														
FGV Bulkers Sdn. Bhd. (formerly known as Felda Bulkers Sdn. Bhd.) *(Note 8)*	Malaysia	Storing and handling export of palm oil, oleochemical products, latex concentrate and SMR	-	-	-	86.3	86.3	86.1	13.9	13.9	13.9	-	-	-
P.T. Patisindo Sawit*	Indonesia	Storing and handling export of vegetable oil	-	-	-	72.7	72.7	72.7	27.3	27.3	27.3	-	-	-
Langsat Bulkers Sdn. Bhd. *(Note 8)*	Malaysia	Provision of bulking installation services for palm oil and related vegetable oil products	-	-	-	73.1	73.1	72.7	27.3	27.3	27.3	-	-	-

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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %
Indirect subsidiaries (continued)														
Subsidiary of FGV Bulkers Sdn. Bhd. (formerly known as Felda Bulkers Sdn. Bhd.)														
FGV Grains Terminal Sdn. Bhd. (formerly known as Felda Grains Terminal Sdn. Bhd.) (Note 8)	Malaysia	Handling storage transportation, mixing and blending of palm kernel and grains	-	-	-	70.3	70.3	70.1	29.9	29.9	29.9	-	-	-
Subsidiaries of Felda Engineering Services Sdn. Bhd.														
Allied Engineering Consultancy Services Sdn. Bhd.*	Malaysia	Provision of engineering consultancy services	-	-	-	51.0	51.0	51.0	49.0	49.0	49.0	-	-	-
Felda Properties Sdn. Bhd.	Malaysia	Property management of FELDA projects	-	-	-	51.0	51.0	51.0	49.0	49.0	49.0	-	-	-
Felda Construction Sdn. Bhd. *(Note 4)*	Malaysia	Under liquidation	-	-	-	-	51.0	51.0	-	49.0	49.0	-	-	-
Subsidiaries of Felda Travel Sdn. Bhd.														
Plantation Resorts Sdn. Bhd.	Malaysia	Dormant	-	-	-	100.0	100.0	100.0	-	-	-	-	-	-

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		
			31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %	31.12. 2018 %	31.12. 2017 %	1.1. 2017 %
Indirect subsidiaries (continued)														
Subsidiary of FGV Research Sdn. Bhd. (formerly known as 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	100.0	-	-	-	-	-	-
Subsidiary of Felda Global Ventures Rubber Sdn. Bhd.														
FGV Green Rubber Sdn. Bhd. (Note 3)	Malaysia	Purchasing and processing raw lattices and marketing rubber	-	-	-	-	100.0	100.0	-	-	-	-	-	-

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.

* Audited by firms other than member firms of PricewaterhouseCoopers International Limited.
\# Audited by member firms of PricewaterhouseCoopers International Limited, which are separate and independent legal entities from PricewaterhouseCoopers, Malaysia.
@ 30% equity stake in Sabahanya Plantations Sdn. Bhd. is held in trust for the beneficial interest of the Group.

22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Liquidation and dissolvement of subsidiaries during the financial year

Note 1 On 9 April 2018, the member's voluntary winding up process for Felda Rubber Products Sdn. Bhd. ("FRP"), a dormant indirect subsidiary of the Company had been completed and was deemed fully dissolved pursuant to Section 459(5) of the Companies Act 2016. As a result, the Group derecognised its interest in FRP and recorded a gain on liquidation of RM988,000 during the financial year.

Note 2 On 30 October 2018, the member's voluntary winding up process for Sutrajaya Shipping Sdn. Bhd. ("SSSB"), a dormant indirect subsidiary of the Company had been completed and was deemed fully dissolved pursuant to Section 459(5) of the Companies Act 2016. The capital return was received in 2016 and the impact of the dissolvement had been recorded in the same year.

Note 3 On 23 November 2018, the process to strike-off the name of FGV Green Rubber Sdn. Bhd. ("FGVGR"), a dormant indirect subsidiary of the Company, from the Register of the Companies Commission of Malaysia under Section 550 of the Companies Act 2016 ("the Act") has completed and FGVGR has been duly dissolved under the Act. As a result, the Group derecognised its interest in FGVGR and the effect of the dissolvement was not material to the Group.

Note 4 On 29 November 2018, the member's voluntary winding up process for Felda Construction Sdn. Bhd. ("FCSB") and Felda Farm Products Sdn. Bhd. ("FFPSB"), both dormant and indirect subsidiaries of the Company have been completed. Both FCSB and FFPSB are deemed fully dissolved pursuant to Section 459(5) of the Companies Act 2016. As a result, the Group derecognised its interest in FCSB and FFPSB and recorded a gain on liquidation of RM324,000 and RM600,000 respectively during the financial year.

(c) Liquidation, incorporation and restructuring of subsidiaries in previous financial year

Note 5 On 10 February 2017, the member's voluntary winding up process for Felda Global Ventures Livestock Sdn. Bhd. ("FGVL"), a dormant subsidiary of the Company had been completed and was deemed fully dissolved pursuant to Section 459(5) of the Companies Act 2016. As a result, the Group derecognised its interest in FGVL and recorded a loss on liquidation of RM68,000 in previous financial year.

Note 6 On 21 July 2017, the Company incorporated a wholly-owned subsidiary known as FGV Leads Sdn. Bhd., a company incorporated in Malaysia with a share capital of RM2.

22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Liquidation, incorporation and restructuring of subsidiaries in previous financial year (continued)

Note 7 On 20 December 2017, Felda Global Ventures Plantations Sdn. Bhd. ("FGVP"), a wholly-owned subsidiary, entered into a Share Sale Agreement to acquire 100% of the total issued and paid-up share capital of Asian Plantations Limited ("APL") from the Company at its carrying amount of RM567.90 million.

Thereafter, on 27 December 2017, the APL shares were acquired by Felda Global Ventures Plantations (Malaysia) Sdn. Bhd. ("FGVPM"), a wholly-owned subsidiary of FGVP via a Share Sale Agreement for a total consideration of the same amount.

The above arrangement is an internal re-organisation exercise which resulted in APL becoming a direct subsidiary of FGVPM and an indirect subsidiary of the Company. There is no change in the Group's effective interest in APL arising from the internal re-organisation exercise.

Note 8 On 31 May 2017, a subsidiary of the Company, Felda Holdings Berhad acquired additional equity interest of 0.35% shareholdings in its subsidiary, Felda-Johor Bulkers Sdn. Bhd. ("FJB") comprising of 177,384, unit of shares for a total consideration of RM 1,000,000. The acquisition resulted in accretion of equity interest in FJB from 72.7% to 73.1%. Consequently, the equity interest in FJB's subsidiaries, FGV Bulkers Sdn. Bhd. increased from 86.1% to 86.3%, FGV Grains Terminal Sdn. Bhd. increased from 70.1% to 70.3% and Langsat Bulkers Sdn. Bhd. increased from 72.7% to 73.1%.

(d) 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 (other subsidiaries that have non-controlling interests are individually not significant).

Summarised statements of financial position

	MSM Malaysia Holdings Berhad Group			Felda Palm Industries Sdn. Bhd.		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current						
Assets	1,249,081	1,301,568	1,623,075	2,532,321	938,845	738,308
Liabilities	(1,064,087)	(1,038,555)	(985,971)	(1,630,309)	(258,208)	(131,446)
Total current net assets	184,994	263,013	637,104	902,012	680,637	606,862
Non-current						
Assets	2,397,512	2,139,557	1,623,157	1,367,450	1,528,552	1,578,844
Liabilities	(628,735)	(449,046)	(252,647)	(295,953)	(303,760)	(296,238)
Total non-current net assets	1,768,777	1,690,511	1,370,510	1,071,497	1,224,792	1,282,606
Net assets	1,953,771	1,953,524	2,007,014	1,973,509	1,905,429	1,889,468

22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) 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 (other subsidiaries that have non-controlling interests are individually not significant). (continued)

Summarised statements of comprehensive income

	MSM Malaysia Holdings Berhad Group		Felda Palm Industries Sdn. Bhd.	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Revenue	2,215,465	2,646,875	7,421,520	858,955
Profit/(loss) before zakat and taxation	24,548	(13,214)	181,762	193,154
Tax and zakat expense	(26,842)	(16,767)	(31,145)	(31,776)
(Loss)/profit for the financial year	(2,294)	(29,981)	150,617	161,378
Other comprehensive income/(loss)	2,541	4,009	(1,736)	(3,415)
Total comprehensive income/(loss)	247	(25,972)	148,881	157,963
(Loss)/profit attributable to non-controlling interest	(1,124)	(14,691)	42,173	45,186
Total comprehensive (loss)/income attributable to non-controlling interest	121	(12,726)	41,687	44,230
Accumulated non-controlling interest	957,348	957,227	552,583	533,520
Dividends paid to non-controlling interest	-	13,778	22,624	39,761

During financial year, the Group's loss attributable to non-controlling interest mainly relates to impairment of property, plant and equipment in a subsidiary of the Group, FGV Green Energy Sdn. Bhd. amounting to RM41,549,000.

22 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) 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 (other subsidiaries that have non-controlling interests are individually not significant). (continued)

Summarised statements of cash flows

	MSM Malaysia Holdings Berhad Group		Felda Palm Industries Sdn. Bhd.	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Cash flow generated from/(used in) operations	172,001	(13,371)	163,176	131,941
Retirement benefits paid	-	-	(1,457)	(491)
Zakat paid	(1,500)	-	(1,612)	(2,383)
Income tax (paid)/refund	(12,109)	(18,348)	570	(20,277)
Net cash generated from/(used in) operating activities	158,392	(31,719)	160,677	108,790
Net cash (used in)/generated from investing activities	(297,573)	(561,238)	127,874	(158,021)
Net cash generated from/(used in) financing activities	86,983	434,202	(108,920)	(52,521)
Net (decrease)/increase in cash and cash equivalents	(52,198)	(158,755)	179,631	(101,752)
Effect of foreign exchange rate changes	209	(9,029)	-	-
Cash and cash equivalents at beginning of financial year	154,923	322,707	83,648	185,400
Cash and cash equivalents at end of financial year	102,934	154,923	263,279	83,648

23 INTERESTS IN ASSOCIATES

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Share of net assets of associates	101,082	275,478	260,700

23 INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information in respect of the associates' revenue, Group's share of results and capital commitments of its associates is set out below:

	Group	
	2018 RM'000	2017 RM'000
Revenue	459,704	643,652
Group's share of results for the financial year	(11,721)	21,336
Share of capital commitments of associates	-	13,545

Set out below are details of the associates of the Group as at 31 December 2018. The associates as listed below have share capital consisting of ordinary and RCPS 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 31.12.2018 %	31.12.2017 %	1.1.2017 %	Nature of business
<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	30.0	(ii)
Nilai Education Sdn. Bhd.	Malaysia	30.0	30.0	30.0	(iii)
FKW Global Commodities (PVT) Limited	Malaysia	30.0	30.0	30.0	(iv)
<u>Associate of PUP</u>					
Malacca Plantation Sdn. Bhd.	Malaysia	34.33	34.33	34.33	(v)

(i) Manufacturing and sale of activated bleaching earth
(ii) Investment holding
(iii) Management of an educational institute
(iv) Commodity trading
(v) Investment holding and cultivation of oil palm

* During the financial year, Taiko Clay Chemicals Sdn. Bhd. was disposed for a total consideration of RM145,000,000, resulting in a loss on disposal amounting to RM18,494,000.

\# In the previous financial year, Paragon Yield Sdn. Bhd. redeemed its RCPS held by the Group for a total consideration of RM5,400,000, resulting in a gain on redemption of RM2,700,000. The redemption of RCPS did not affect the Group's effective interest in the associate.

There are no material contingent liabilities relating to the Group's interests in the associates.

The associate companies above are private companies and have no quoted market price available for their shares.

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		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current									
Cash and cash equivalents	-	166,354	128,435	32,271	39,910	30,313	32,271	206,264	158,748
Other current assets (excluding cash)	-	279,137	216,927	92,221	75,589	56,753	92,221	354,726	273,680
Total current assets	-	445,491	345,362	124,492	115,499	87,066	124,492	560,990	432,428
Financial liabilities (excluding trade payables)	-	(14,971)	(92,144)	(11,445)	(24,820)	(23,411)	(11,445)	(39,791)	(115,555)
Other current liabilities (including trade payables)	-	(92,308)	(27,033)	(40,717)	(20,056)	(7,342)	(40,717)	(112,364)	(34,375)
Total current liabilities	-	(107,279)	(119,177)	(52,162)	(44,876)	(30,753)	(52,162)	(152,155)	(149,930)
Non-current									
Assets	-	254,929	294,285	261,957	305,409	307,960	261,957	560,338	602,245
Financial liabilities	-	(25,179)	(16,875)	(12,178)	(15,903)	(16,619)	(12,178)	(41,082)	(33,494)
Total non-current liabilities	-	(25,179)	(16,875)	(12,178)	(15,903)	(16,619)	(12,178)	(41,082)	(33,494)
Net assets	-	567,962	503,595	322,109	360,130	347,654	322,109	928,092	851,249

23 INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information for associates (continued)

Summarised statements of comprehensive income

	Taiko		Insignificant in aggregate		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	300,400	458,930	159,304	184,722	459,704	643,652
Profit from continuing operations	(6,142)	110,728	(35,620)	19,192	(41,762)	129,920
Tax and zakat income/(expense)	(16,841)	(37,090)	23	1,312	(16,818)	(35,778)
Post-tax profit from continuing operations	(22,983)	73,638	(35,597)	20,504	(58,580)	94,142
Other comprehensive loss	-	(9,271)	-	-	-	(9,271)
Total comprehensive income	(22,983)	64,367	(35,597)	20,504	(58,580)	84,871
Dividends received from associate	-	-	824	806	824	806

The information above reflects the figures after group adjustments on the amounts presented in the financial statements of the associates.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interests in associates

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	Taiko		Insignificant in aggregate		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Opening net assets	567,962	503,595	360,130	347,654	928,092	851,249
(Loss)/profit for the financial year	(22,983)	73,638	(35,597)	20,504	(58,580)	94,142
Dividend	-	-	(2,424)	(8,028)	(2,424)	(8,028)
Other comprehensive loss	-	(9,271)	-	-	-	(9,271)
Disposal	(544,979)	-	-	-	(544,979)	-
Closing net assets	-	567,962	322,109	360,130	322,109	928,092
Interest in associates	-	30.0%	7% - 34%	7% - 34%	-	-
Carrying value	-	170,389	101,082	105,089	101,082	275,478
Unrecognised share of loss	-	-	-	-	-	-

24 INTERESTS IN JOINT VENTURES

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Share of net assets of joint ventures	499,525	595,773	635,627
Accumulated impairment losses	(11,350)	(10,000)	(7,556)
	488,175	585,773	628,071

The joint ventures' revenue, Group's share of results and capital commitments of its joint ventures are as follows:

	2018 RM'000	2017 RM'000
Revenue	5,326,294	7,624,256
Group's share of results for the financial year	(29,324)	6,188
Share of capital commitments of joint ventures	4,446	8,814

During the financial year, the Group fully impaired its investment in MyBiomass Sdn. Bhd. amounting to RM1,350,000 (2017: RM2,444,000).

24 INTERESTS IN JOINT VENTURES (CONTINUED)

Set out belows are details of the joint ventures of the Group as at 31 December 2018. 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 31.12.2018 %	31.12.2017 %	1.1.2017 %	Nature of business
Indirect joint ventures					
Joint venture of FGVD					
Felda Iffco Sdn. Bhd.	Malaysia	50.0	50.0	50.0	(i)
Joint venture of FGVK					
Trurich Resources Sdn. Bhd.	Malaysia	50.0	50.0	50.0	(ii)
Joint ventures of FHB					
FPG Oleochemicals Sdn. Bhd.	Malaysia	50.0	50.0	50.0	(iii)
Malaysia Pakistan Venture Sdn. Bhd. (30 June)#	Malaysia	37.5	37.5	37.5	(iv)
Mapak Edible Oils (Pvt) Ltd. (30 June)#	Pakistan	30.0	30.0	30.0	(v)
MEO Trading Sdn. Bhd.#	Malaysia	30.0	30.0	30.0	(vi)
FTJ Biopower Sdn. Bhd.#	Malaysia	43.0	43.0	43.0	(vii)
ProXcel Sdn. Bhd.#	Malaysia	43.0	43.0	40.0	(viii)
Sahabat Renewable Fuel Ventures Sdn. Bhd.#	Malaysia	-	-	36.7	(ix)
MyBiomass Sdn. Bhd.#	Malaysia	23.1	23.1	23.1	(x)
FGV Pho La Min Co. Ltd.#	Myanmar	51.0	51.0	51.0	(xi)

24 INTERESTS IN JOINT VENTURES (CONTINUED)

Name of company	Country of incorporation	Group's effective interest 31.12.2018 %	31.12.2017 %	1.1.2017 %	Nature of business
Indirect joint operation					
Kuala Muda Estate Joint Venture	Malaysia	50.0	50.0	50.0	(xii)

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) Oil palm plantation operation
(iii) Processing and selling of oleochemical products
(iv) Investment holding
(v) Manufacturing and marketing of finished customer and industrial palm oil products
(vi) Futures trading
(vii) Developing, constructing, operating and maintaining a power plant
(viii) Under liquidation
(ix) Disposed on 22 March 2017. The disposal effect is immaterial to the Group.
(x) Aggregation of biomass, identification of the technology to convert palm-based biomass into High Value Green Chemicals/Products and commercialisation of the technologies
(xi) Technical advisory services in agriculture sector
(xii) 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.

24 INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information for joint ventures

Set out below are the summarised financial information for Felda Iffco Sdn. Bhd. ("FISB"), Trurich Resources Sdn. Bhd. ("Trurich") 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			Trurich			FPG			Insignificant in aggregate			Total		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current															
Cash and cash equivalents	200,761	119,587	194,947	41,420	16,717	42,555	266,195	196,233	225,953	49,008	54,541	62,764	557,384	387,078	526,219
Other current assets (excluding cash)	710,678	870,693	870,772	133,898	93,865	75,210	199,218	363,131	282,976	209,174	178,149	108,750	1,252,968	1,505,838	1,337,708
Total current assets	911,439	990,280	1,065,719	175,318	110,582	117,765	465,413	559,364	508,929	258,182	232,690	171,514	1,810,352	1,892,916	1,863,927
Financial liabilities (excluding trade payables)	(449,527)	(549,424)	(636,801)	(43,502)	(24,419)	(122,840)	-	-	(1,787)	(2,966)	(2,966)	(2,966)	(495,995)	576,809)	(764,394)
Other current liabilities (including trade payables)	(582,555)	(589,055)	(626,429)	(190,875)	(189,836)	(147,394)	(90,198)	(156,368)	(148,941)	(131,606)	(135,987)	(131,660)	(995,234)	(1,071,246)	(1,054,424)
Total current liabilities	(1,032,082)	(1,138,479)	(1,263,230)	(234,377)	(214,255)	(270,234)	(90,198)	(156,368)	(150,728)	(134,572)	(138,953)	(134,626)	(1,491,229)	(1,648,055)	(1,818,818)
Non-current															
Assets	275,233	366,177	409,572	1,170,842	1,256,719	1,461,953	231,339	225,377	225,664	51,062	71,014	135,540	1,728,476	1,919,287	2,232,729
Financial liabilities	(25,680)	(77,454)	(78,867)	(982,199)	(878,672)	(936,171)	(20,653)	(20,774)	(23,386)	(1,036)	(1,036)	(1,036)	(1,029,568)	(977,936)	(1,039,460)
Total non-current liabilities	(25,680)	(77,454)	(78,867)	(982,199)	(878,672)	(936,171)	(20,653)	(20,774)	(23,386)	(1,036)	(1,036)	(1,036)	(1,029,568)	(977,936)	(1,039,460)
Net assets	128,910	140,524	133,194	129,584	274,374	373,313	585,901	607,599	560,479	173,868	163,715	171,392	1,018,031	1,186,212	1,238,378

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	3,700,768	4,764,039	168,539	290,002	1,456,987	1,941,731	235,803	322,737	5,562,097	7,318,509
Depreciation and amortisation	(30,378)	(31,336)	-	(58,919)	(11,161)	(16,201)	(1,135)	(1,664)	(42,674)	(108,120)
Interest income	-	-	-	368	-	-	570	2,415	570	2,783
Interest expense	(27,515)	(35,813)	(52,312)	(46,352)	(11)	(11)	(5,768)	(772)	(85,606)	(82,948)
Profit/(loss) before taxation	45,600	31,900	(143,637)	(86,996)	68,686	119,934	9,694	(7,567)	(19,657)	57,271
Tax expense	(17,443)	(8,605)	(1,154)	(10,518)	(20,384)	(22,814)	-	(110)	(38,981)	(42,047)
Profit/(loss) for the financial year	28,157	23,295	(144,791)	(97,514)	48,302	97,120	9,694	(7,677)	(58,638)	15,224
Other comprehensive loss	(25,912)	(8,965)	(231)	(1,425)	-	-	459	-	(25,684)	(10,390)
Total comprehensive income/(loss)	2,245	14,330	(145,022)	(98,939)	48,302	97,120	10,153	(7,677)	(84,322)	4,834
Dividends received from joint ventures	6,929	3,500	-	-	35,000	25,000	-	-	41,929	28,500

The information above reflects the figures after group adjustments on the amounts presented in the financial statements of the joint ventures.

24 INTERESTS IN JOINT VENTURES (CONTINUED)

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Opening net assets	140,524	133,194	274,374	373,313	607,599	560,479	163,715	171,392	1,186,212	1,238,378
Profit/(loss) for the financial year	28,157	23,295	(144,791)	(97,514)	48,302	97,120	9,694	(7,677)	(58,638)	15,224
Dividend	(13,859)	(7,000)	-	-	(70,000)	(50,000)	-	-	(83,859)	(57,000)
Other comprehensive loss	(25,912)	(8,965)	(231)	(1,425)	-	-	459	-	(25,684)	(10,390)
Closing net assets	128,910	140,524	129,352	274,374	585,901	607,599	173,868	163,715	1,018,031	1,186,212
Interest in joint ventures	50%	50%	50%	50%	50%	50%	23%-51%	23%-51%	-	-
Carrying value	64,455	70,262	64,676	137,187	292,951	303,800	66,093	74,524	488,175	585,773
Unrecognised share of loss	-	-	-	-	-	-	(8,290)	(1,622)	(8,290)	(1,622)

25 PREPAID LEASE PAYMENTS

The prepaid lease payments were payment for rights to use the following:

Group	Leasehold land 2018 RM'000	Leasehold land 2017 RM'000
At 1 January	85,766	87,070
Currency translation differences	(1,098)	(1,304)
31 December	84,668	85,766
Accumulated amortisation		
At 1 January	14,100	11,360
Amortisation charge	3,700	2,964
Currency translation differences	(221)	(224)
At 31 December	17,579	14,100
Net book value at 31 December	67,089	71,666
Net book value at 1 January 2017		75,710

As at 31 December 2018, the carrying amount of prepaid lease lands under land arrangements with FELDA amounted to RM24,033,000 (2017: RM26,432,000). FELDA is in the midst of applying the land titles from respective state authorities.

26 RECEIVABLES

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current assets						
Deposits	6,406	7,840	15,932	-	-	-
Prepayment (Note i)	76,211	86,623	91,729	-	-	-
	82,617	94,463	107,661	-	-	-
Loss allowance:						
Deposits	(6,406)	(6,406)	-	-	-	-
	76,211	88,057	107,661	-	-	-
Current assets						
Trade receivables (Note ii)	1,047,593	1,119,171	1,362,649	-	-	-
Other receivables (Note iii)	144,714	245,707	277,259	5,891	10,548	9,339
Prepayments	47,635	54,055	34,655	339	434	331
Deposits (Note iv)	80,641	59,272	46,551	11,076	8,597	12,597
Goods and services tax ("GST") receivable	116,832	23,372	86,707	-	-	-
	1,437,415	1,501,577	1,807,821	17,306	19,579	22,267
Loss allowance:						
Trade receivables	(185,912)	(116,022)	(44,563)	-	-	-
Other receivables	(12,943)	-	-	-	-	-
Deposits	(2,699)	(11,579)	-	-	-	-
	1,235,861	1,373,976	1,763,258	17,306	19,579	22,267
Total	1,312,072	1,462,033	1,870,919	17,306	19,579	22,267

(Note i) Included in non-current prepayments is a security deposit amounting to RM62,120,000 (2017: 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 upon reclamation of land under the LLA and lease receivables which represent outstanding net present value of receipts under leasing arrangements amounting to RM6,775,000 (2017: RM14,004,000).

(Note ii) Included in trade receivables are cooking oil subsidy receivable from Kementerian Perdagangan Dalam Negeri, Koperasi Dan Kepenggunaan of RM2,253,000 (2017: RM19,500,000).

(Note iiii) Included in other receivables of the Group are deposit for CPO and sugar futures trading facilities amounting to RM31,421,000 (2017: RM119,084,000).

(Note iv) Included in current deposits of the Group are deposit for Provisional Pricing Agreement ("PPA") entered into with a supplier for precious metals for use in production amounting to RM57,359,000 (31.12.2017: RM24,774,000; 1.1.2017: Nil) and deposits in relation to insurance facilities of the Group and of the Company amounting to RM5,868,000 (31.12.2017: RM5,868,000; 1.1.2017: RM9,868,000).

26 RECEIVABLES (CONTINUED)

The receivables are denominated as follows:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
- Ringgit Malaysia	909,195	965,202	1,104,054	17,306	19,579	22,267
- United States Dollar	365,264	457,900	687,562	-	-	-
- Indonesian Rupiah	8,777	8,880	58,283	-	-	-
- Chinese Yuen Renminbi	22,380	22,641	10,878	-	-	-
- Thai Baht	3,036	4,957	8,957	-	-	-
- Pakistan Rupee	377	1,410	843	-	-	-
- Singapore Dollars	495	229	320	-	-	-
- Great Britain Pound	953	327	22	-	-	-
- Others	1,595	487	-	-	-	-
	1,312,072	1,462,033	1,870,919	17,306	19,579	22,267

The credit terms of trade receivables are up to 90 days (31.12.2017: 90 days; 1.1.2017: up to 90 days).

(a) Reconciliation of loss allowance

(i) Trade receivables using simplified approach

The loss allowance for trade receivables as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Non-credit impaired RM'000	Credit impaired RM'000	Total RM'000
At 1 January before restatement – calculated under FRS 139	5,892	110,130	116,022
Amounts restated through opening retained earnings	5,688	2,752	8,440
Opening loss allowance as at 1 January 2018 – calculated under MFRS 9	11,580	112,882	124,462
Increase in loss allowance recognised in profit or loss during the year	3,361	63,710	67,071
Write-offs during the year	-	(2,092)	(2,092)
Recoveries during the year	(319)	(2,152)	(2,471)
Foreign exchange movements	-	(1,058)	(1,058)
At 31 December	14,622	171,290	185,912

In the previous financial years, the loss allowance was recognised based on FRS 139's incurred loss model.

26 RECEIVABLES (CONTINUED)

(a) Reconciliation of loss allowance (continued)

(i) Trade receivables using simplified approach (continued)

The following table contains an analysis of the credit exposure of trade receivables for which an ECL allowance is recognised, based on collective and individual impairment assessment:-

31 December 2018	Current	Up to 30 days past due	31 days to 90 days past due	More than 91 days past due	Total
Gross carrying amount	803,131	35,981	3,056	205,425	1,047,593
Individual impairment – credit impaired	-	-	-	(171,290)	(171,290)
	803,131	35,981	3,056	34,135	876,303
Expected credit loss rate	0.1%	2.2%	12.6%	36.0%	
Collective impairment	(1,122)	(799)	(384)	(12,317)	(14,622)
Carrying amount (net of loss allowance)	802,009	35,182	2,672	21,818	861,681

The increase in trade receivables' ECL during the financial year relates to receivables from current year sales that are credit-impaired.

(ii) Other receivables and deposits using general 3 stage approach

The loss allowance for other receivables and deposits as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Performing RM'000	Under performing RM'000	Non performing RM'000	Total RM'000
At 1 January 2018 before restatement (calculated under FRS 139)	-	-	17,985	17,985
Amounts restated through opening retained earnings	-	-	1,320	1,320
Opening loss allowance as at 1 January 2018 (calculated under MFRS 9)	-	-	19,305	19,305
Loss allowance for the year	-	-	2,743	2,743
Closing loss allowance as at 31 December 2018	-	-	22,048	22,048

The following table contains an analysis of the credit exposure of other receivables and deposits for which an ECL allowance is recognised, based on individual impairment assessment:-

	Performing RM'000	Under performing RM'000	Non performing RM'000	Total RM'000
Gross carrying amount	209,713	-	22,048	231,761
Loss allowance	-	-	(22,048)	(22,048)
Carrying amount (net of loss allowance)	209,713	-	-	209,713

26 RECEIVABLES (CONTINUED)

In the previous financial year, the impairment of receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment.

The group considered that there was evidence of impairment if any of the following indicators were present:
- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Ageing and history of default analysis of trade receivables of the previous financial year were as follows:

Past due but not impaired

In previous financial year, RM455,895,000 (1.1.2017: RM417,978,000) 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	No history of default RM'000	History of default RM'000	New customers RM'000	Total RM'000
31.12.2017				
Less than 30 days past due	293,328	3,438	479	297,245
Between 30 and 60 days past due	67,639	485	57	68,181
Between 61 and 90 days past due	17,661	57	20	17,738
Between 91 days and 1 year past due	35,710	7,277	27	43,014
More than 1 year past due	29,687	30	-	29,717
At 31 December 2017	444,025	11,287	583	455,895
1.1.2017				
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 1 January 2017	335,534	35,162	47,282	417,978

26 RECEIVABLES (CONTINUED)

Past due but not impaired (continued)

As at 31 December 2017 and 1 January 2017, there are no receivables of the Company that were past due but not impaired.

Impaired and provided for

In previous financial year, RM134,007,000 (1.1.2017: RM44,563,000) of receivables of the Group were impaired and provided for. The individually impaired receivables mainly related to debtors that were having financial difficulties and have defaults on payments. In particular, the individually impaired receivables mainly related to three downstream and refining customers experiencing unexpected economic difficulties and two trading customers who were unable to settle the agreed net trade settlement with the Group.

Movement of the Group's provision for impairment of receivables are as follows:

	Group	
	31.12.2017 RM'000	1.1.2017 RM'000
Trade receivables		
At 1 January	44,563	7,523
Charged to profit or loss	71,459	37,040
At 31 December	116,022	44,563
Other receivables and deposits		
At 1 January	-	-
Charged to profit or loss	17,985	-
At 31 December	17,985	-
Total	134,007	44,563

As at 31 December 2017 and 1 January 2017, there were no receivables of the Company that were impaired and provided for.

26 RECEIVABLES (CONTINUED)

In previous financial year, receivables balances (excluding prepayments and GST receivable) of RM842,088,000 (1.1.2017: RM1,239,850,000) and RM19,145,000 (1.1.2017: RM21,936,000) 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.

The credit quality of receivables excluding prepayments and GST receivable that are neither past due nor impaired can be assessed to historical information about counterparty default rates:

	Group		Company	
	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Group 1	1,048	5,197	-	-
Group 2	841,040	1,179,150	19,145	21,936
Group 3	-	55,503	-	-
	842,088	1,239,850	19,145	21,936

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 approximates their carrying values, as the impact of discounting is not significant.

27 CONTRACT ASSETS

The Group's contract assets relating to the provision of construction and IT services as at financial year end can be summarised as follows:

	Group	
	2018 RM'000	2017 RM'000
Contract assets		
At 1 January	13,091	17,351
Performance obligations performed	72,826	36,284
Transfer from contract assets to receivables	(52,184)	(40,544)
At 31 December	33,733	13,091

28 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current assets						
Amounts due from:						
Joint venture	111,359	54,681	38,288	-	-	-
Significant shareholder	195,566	-	-	-	-	-
Other related companies	156,832	-	-	-	-	-
	463,757	54,681	38,288	-	-	-
Provision for impairment:						
Joint venture	(48,430)	(27,740)	(17,374)	-	-	-
Significant shareholder	(60,584)	-	-	-	-	-
Other related companies	(30,498)	-	-	-	-	-
	324,245	26,941	20,914	-	-	-
Current assets						
Amounts due from:						
Significant shareholder	27,610	222,659	188,022	2,328	2,328	2,328
Subsidiaries	-	-	-	730,410	775,208	610,535
Joint ventures	326,389	472,938	524,429	-	-	-
Associate	-	-	214	-	-	-
Other related companies	50,206	149,033	174,869	1,924	1,955	1,941
	404,205	844,630	887,534	734,662	779,491	614,804
Provision for impairment:						
Significant shareholder	-	(7,270)	(5,491)	(2,308)	(2,308)	(2,308)
Subsidiaries	-	-	-	(8,188)	(684)	(684)
Other related companies	-	(2,244)	(2,244)	(1,725)	(1,725)	(1,725)
	-	(9,514)	(7,735)	(12,221)	(4,717)	(4,717)
	404,205	835,116	879,799	722,441	774,774	610,087
	728,450	862,057	900,713	722,441	774,774	610,087
Current liabilities						
Amounts due to:						
Significant shareholder	(187,582)	(483,166)	(399,190)	(1,441)	(16,985)	(6,568)
Subsidiaries	-	-	-	(30,672)	(84,346)	(18,302)
Associate	(210)	(37)	(167)	-	-	-
Joint ventures	(249)	-	(6)	-	-	-
Other related companies	(2,559)	(128,641)	(11,433)	(171)	(124)	(65)
	(190,600)	(611,844)	(410,796)	(32,284)	(101,455)	(24,935)

28 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

(a) The amounts due from/(to) a significant shareholder, joint ventures, an associate and other related companies are unsecured, free of financial charges and have credit terms ranging from 15 to 120 days (2017: 15 to 120 days).

The amount due from/(to) subsidiaries are unsecured, interest rate ranging from 3.50% to 5.05% per annum (2017: 3.83% to 4.50% per annum) and have credit term of 30 to 180 days (2017: 30 to 180 days).

(b) The amounts due from/(to) a significant shareholder, subsidiaries, joint ventures, an associate and other related companies are denominated as follows:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Amount due from a significant shareholder						
Ringgit Malaysia	162,592	215,389	182,531	20	20	20
Amounts due from subsidiaries						
Ringgit Malaysia	-	-	-	722,222	774,524	609,851
Amounts due from joint ventures						
Ringgit Malaysia	354,656	443,326	460,603	-	-	-
United States Dollar	34,662	56,553	84,740	-	-	-
	389,318	499,879	545,343	-	-	-
Amount due from an associate						
Ringgit Malaysia	-	-	214	-	-	-
Amounts due from other related companies						
Ringgit Malaysia	176,540	146,789	172,625	199	230	216
Total	728,450	862,057	900,713	722,441	774,774	610,087

28 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

(b) The amounts due from/(to) a significant shareholder, subsidiaries, joint ventures, an associate and other related companies are denominated as follows: (continued)

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Amount due to a significant shareholder						
Ringgit Malaysia	187,582	483,166	399,190	1,441	16,985	6,568
Amounts due to subsidiaries						
Ringgit Malaysia	-	-	-	30,672	84,346	18,302
Amount due to joint ventures						
Ringgit Malaysia	249	-	6	-	-	-
Amount due to an associate						
Ringgit Malaysia	210	37	167	-	-	-
Amounts due to other related companies						
Ringgit Malaysia	2,541	128,623	11,415	171	124	65
United States Dollar	18	18	18	-	-	-
	2,559	128,641	11,433	171	124	65
Total	190,600	611,844	410,796	32,284	101,455	24,935

28 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

Amounts due from subsidiaries

	Company	
	2018 RM'000	2017 RM'000
At 1 January	774,524	609,851
Net movement during the financial year	(36,973)	732,571
Loss allowance during the financial year	(7,504)	-
Conversion into ordinary shares# (Note 22)	(7,825)	(567,898)
At 31 December	722,222	774,524
Analysed as:		
Current	722,222	774,524

Financial year ended 31.12.2018

On 26 September 2018, the Company subscribed for 1,889,706 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 USD1,889,706 equivalent to RM7,825,000.

Financial year ended 31.12.2017

On 22 December 2017, the Company subscribed for 567,898,609 ordinary shares from Felda Global Ventures Plantations Sdn. Bhd. ("FGVP"), a wholly-owned subsidiary of the Company, by a conversion of an amount due from FGVP of RM567,898,000.

28 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

(a) Reconciliation of loss allowance

Amounts due from subsidiaries using general 3 stage approach

The loss allowance for amounts due from subsidiaries as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Performing RM'000	Under-performing RM'000	Non-performing RM'000	Total RM'000
Opening loss allowance as at 1 January 2018 (calculated under MFRS 9)	-	-	-	-
Loss allowance for the year	-	-	7,504	7,504
Closing loss allowance as at 31 December 2018	-	-	7,504	7,504

The following table contains an analysis of the credit exposure of amounts due from subsidiaries for which an ECL allowance is recognised, based on individual impairment assessment:-

	Performing RM'000	Under-performing RM'000	Non-performing RM'000	Total RM'000
Gross carrying amount	722,222	-	7,504	729,726
Loss allowance	-	-	(7,504)	(7,504)
Carrying amount (net of loss allowance)	722,222	-	-	722,222

28 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

(a) Reconciliation of loss allowance (continued)

Trade amounts due from joint ventures, a significant shareholder and other related companies using simplified approach

The loss allowance for trade amounts due from joint ventures, a significant shareholder and other related companies as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Group		
	Non-credit impaired RM'000	Credit impaired RM'000	Total RM'000
At 1 January before restatement – calculated under FRS 139	2,244	7,270	9,514
Amounts restated through opening retained earnings	24,580	(3,368)	21,212
Opening loss allowance as at 1 January 2018 – calculated under MFRS 9	26,824	3,902	30,726
Increase in loss allowance recognised in profit or loss during the year	52,037	8,319	60,356
At 31 December	78,861	12,221	91,082

The following table contains an analysis of the credit exposure trade amounts due from joint ventures, a significant shareholder and other related companies for which an ECL allowance is recognised, based on individual impairment assessment:-

	Non-credit impaired RM'000	Credit impaired RM'000	Total RM'000
Gross carrying amount	723,953	48,579	772,532
Individual assessment	(78,861)	(12,221)	(91,082)
Carrying amount (net of loss allowance)	645,092	36,358	681,450

The significant increase in the loss allowance for the financial year relates to increase of ECL from amount due from a significant shareholder and other related companies as the adverse movement of CPO price during the financial year and the low CPO price forecast are expected to further impact their abilities to settle the amounts due to the Group on a timely manner.

28 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

(a) Reconciliation of loss allowance (continued)

Non-trade amounts due from joint ventures using general 3 stage approach

The loss allowance for non-trade amounts due from joint ventures as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Performing RM'000	Under-performing RM'000	Non-performing RM'000	Total RM'000
Opening loss allowance as at 1 January 2018 (calculated under MFRS 9)	-	-	27,740	27,740
Loss allowance for the year	-	-	20,690	20,690
Closing loss allowance as at 31 December 2018	-	-	48,430	48,430

The following table contains an analysis of the credit exposure non-trade amounts due from joint ventures for which an ECL allowance is recognised, based on individual impairment assessment:-

	Performing RM'000	Non-performing RM'000	Total RM'000
Gross carrying amount	47,000	48,430	95,430
Individual assessment	-	(48,430)	(48,430)
Carrying amount (net of loss allowance)	47,000	-	47,000

In the previous financial year, the impairment of significant shareholder, joint ventures and other related companies were assessed individually based on the incurred loss model and the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

28 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

Ageing and history of default analysis of the significant shareholder, joint ventures and other related companies balances of the previous financial year were as follows:

Past due but not impaired

In previous financial year, RM533,248,000 (1.1.2017: RM287,356,000) of amounts due from a significant shareholder, joint ventures and other related companies and RM774,754,000 (1.1.2017: RM610,067,000) 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:

Group	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
At 31 December 2017						
Amounts due from a significant shareholder	33,813	10,330	13,313	37,992	76,244	171,692
Amounts due from joint ventures*	276,605	27,819	6,110	1,215	30,097	341,846
Amounts due from other related companies	9,984	4,127	3,245	1,057	1,297	19,710
	320,402	42,276	22,668	40,264	107,638	533,248

Group	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
At 1 January 2017						
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

* Included in the amounts due from joint ventures is an amount due RM26,941,000; 1.1.2017: RM20,914,000), 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 2017.

28 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

Past due but not impaired (continued)

Company	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
At 31 December 2017						
Amounts due from subsidiaries	129,028	17,084	3,348	41,536	583,528	774,524
Amounts due from other related companies	-	-	-	15	215	230
	129,028	17,084	3,348	41,551	583,743	774,754
At 1 January 2017						
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

Impaired and provided for

As at 31 December 2018, certain amounts due from a significant shareholder, subsidiaries, joint ventures and other related companies amounting to RM139,512,000 (2017: RM37,254,000) and RM12,221,000 (2017: RM4,717,000) of the Group and of the Company respectively were impaired and fully provided for.

The individually impaired amounts due from a significant shareholder, other related companies, joint ventures and subsidiaries mainly relate to debtors that are having financial difficulties and have defaults on payments. The individually impaired amounts due from joint ventures relate to expected collection shortfall from a power plant operating joint venture arising from its delay in achieving its required plant capacity factor.

28 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, AN 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		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Amount due from a significant shareholder						
At 1 January	19,740	5,491	5,491	2,308	2,308	2,308
Charged to profit or loss	40,844	1,779	-	-	-	-
At 31 December	60,584	7,270	5,491	2,308	2,308	2,308
Amounts due from other related companies						
At 1 January	10,508	2,244	2,244	1,725	1,725	1,725
Charged to profit or loss	19,990	-	-	-	-	-
At 31 December	30,498	2,244	2,244	1,725	1,725	1,725
Amounts due from joint ventures						
At 1 January	28,218	17,374	3,481	-	-	-
Charged to profit or loss	20,212	10,366	13,893	-	-	-
At 31 December	48,430	27,740	17,374	-	-	-
Amounts due from subsidiaries						
At 1 January	-	-	-	684	684	684
Charged to profit or loss	-	-	-	8,144	-	-
Reversal of impairment	-	-	-	(640)	-	-
At 31 December	-	-	-	8,188	684	684
Total	139,512	37,254	25,109	12,221	4,717	4,717

28 AMOUNTS DUE FROM/(TO) A SIGNIFICANT SHAREHOLDER, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

In previous financial year, amounts due from a significant shareholder, joint ventures, an associate and other related companies of RM328,809,000 (1.1.2017: RM613,357,000) of the Group and amount due from a significant shareholder of RM20,000 (1.1.2017: RM20,000) 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	
	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Amounts due from a significant shareholder				
Group 2	43,697	73,529	20	20
Amounts due from joint ventures				
Group 2	158,033	516,629	-	-
Amounts due from an associate				
Group 2	-	214	-	-
Amounts due from other related companies				
Group 2	127,079	22,985	-	-
Total unimpaired amounts from related parties	328,809	613,357	20	20

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/(to) a significant shareholder, subsidiaries, joint ventures, an associate and other related companies approximated their respective carrying values, as the impact of discounting was not significant.

29 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Group								
	31.12.2018			31.12.2017			1.1.2017		
	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000
Non-current									
Islamic profit rate swap	479,167	561	-	317,380	717	-	-	-	-
Current									
Foreign currency forward contracts	116,912	3,706	630	407,996	6,875	497	879,597	80	19,237
Oil palm futures contracts	97,460	-	6,915	61,432	-	542	379,114	5,409	197
	214,372	3,706	7,545	469,428	6,875	1,039	1,258,711	5,489	19,434
	693,539	4,267	7,545	786,808	7,592	1,039	1,258,711	5,489	19,434

The Group classifies derivative financial instruments as financial assets/liabilities at fair value through profit or loss except for Islamic profit rate swap which is used for cash flow hedge.

The notional amount of contracts outstanding are as follows:

	31.12.2018	31.12.2017	1.1.2017
Foreign currency forward contracts	USD16,130,446	USD90,989,199	USD199,755,226
Palm oil futures contracts	59,100 MT	24,250 MT	123,475 MT

30 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

^ In the previous financial years, the Group had designated below investments as available-for-sale ("AFS") financial assets. Refer to Note 62(b) for adjustments made to investment in non-trading equity securities from AFS to FVOCI.

Group	2018 RM'000	^ 2017 RM'000
At 1 January (Note 62)	91,302	-
Additions	13,593	-
Fair value changes	(18,671)	-
At 31 December	86,224	-
Analysed as:		
Non-current	86,224	-

The financial assets at fair value through other comprehensive income comprise the following:

	2018 RM'000	2017 RM'000
Quoted equity securities:		
- In Malaysia	3,590	-
Unquoted equity securities:		
- In Malaysia	82,634	-
	86,224	-

The Group has irrevocably elected non-trading equity securities above at initial recognition to present its fair value changes in OCI. The Group considers this classification to be more relevant as these instruments are strategic investments of the Group and not held for trading purpose.

Financial assets at fair value through other comprehensive income are denominated in the following currencies:

	2018 RM'000	2017 RM'000
- Ringgit Malaysia	86,224	-

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 (Note 4(c)).

31 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group	2018 RM'000	2017 RM'000
At 1 January (Note 62)	-	314,241
Transfer from financial assets at fair value through profit and loss (Note 36)	-	104
Additions	-	72,263
Disposals	-	(214,786)
Fair value changes transferred to available-for-sale reserve	-	(7,397)
Foreign exchange difference	-	(139)
At 31 December	-	164,286

	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Analysed as:			
Non-current	-	157,877	154,810
Current	-	6,409	159,431
	-	164,286	314,241

The significant disposal in the previous financial year included the disposal of the 16% equity interest in AXA Affin General Insurance Berhad ("AXA Affin") by an indirect subsidiary, Felda Marketing Services Sdn. Bhd. The interest in AXA Affin was disposed off on 21 December 2017 for a net consideration of RM198.9 million, resulting in a gain on disposal of RM73.2 million to the Group, including transfer of available-for-sale reserve of RM33.7 million upon disposal.

31 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Financial assets previously classified as available-for-sale comprised the following:

	2018 RM'000	2017 RM'000
Quoted equity securities:		
- In Malaysia	-	71,004
- Outside Malaysia	-	6,409
Unquoted equity securities:		
- In Malaysia	-	86,873
	-	164,286

Financial assets previously classified as available-for-sale were denominated in the following currencies:

	2018 RM'000	2017 RM'000
- Ringgit Malaysia	-	157,877
- Chinese Yuan Renminbi	-	6,409
	-	164,286

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 (Note 4(c)).

These investments were designated as AFS financial assets as they did not have fixed maturities and fixed or determinable payments, and management intended to hold them for the medium to long-term. The AFS financial assets were presented as non-current assets unless they matured, or management intends to dispose them within 12 months of the end of the reporting period.

32 LOANS DUE FROM JOINT VENTURES

	Group	
	2018 RM'000	2017 RM'000
At 1 January	71,431	54,222
Addition	-	22,510
Provision for impairment	(2,300)	-
Currency translation differences	1,070	(5,301)
At 31 December	70,201	71,431

The loans are denominated as follows:

	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
- Ringgit Malaysia	22,510	22,510	-
- United States Dollar	47,691	48,921	54,222
	70,201	71,431	54,222

Loans due from joint ventures are unsecured and have financing terms of 180 days with interest rate of 6.02% per annum (31.12.2017: 180 days with interest rate of 4.96% per annum; 1.1.2017: 180 days with interest rate of 4.73% per annum).

(a) Reconciliation of loss allowance

<u>Loans due from joint ventures using general 3 stage approach</u>

The loss allowance for loan due from joint ventures as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Performing RM'000	Under-performing RM'000	Non-performing RM'000	Total RM'000
At 1 January 2018	-	-	-	-
Current year loss allowance	-	(2,300)	-	(2,300)
Closing loss allowance as at 31 December 2018	-	(2,300)	-	(2,300)

32 LOANS DUE FROM JOINT VENTURES (CONTINUED)

(a) Reconciliation of loss allowance (continued)

Past due but not impaired

In previous financial year, there were no loans due from joint ventures that were neither past due nor impaired.

Impaired and provided for

In previous financial year, there were no loans due from joint ventures impaired and provided for.

The credit quality of the loans due from joint ventures that were neither past due nor impaired can be assessed to historical information about counterparty default rates:

	Group	
	2018 RM'000	2017 RM'000
Group 2	70,201	71,431

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 carrying amount and fair value of the loans due from joint ventures are as follows:

	Group					
	Carrying amount			Fair value		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Loans due from joint ventures	70,201	71,431	54,222	70,222	71,446	54,222

The fair value of loans due from joint ventures is based on cash flows discounted using a rate based on the borrowing rate of 6.02% (31.12.2017: 4.96%; 1.1.2017: 4.73%). The fair value of the loans due from joint ventures is a Level 2 computation.

33 INVENTORIES

Group	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
- Finished goods	1,002,549	1,130,895	886,277
- Raw materials	747,391	732,933	1,134,768
- Work in progress	32,302	78,150	55,058
- Chemicals	33,044	40,971	51,852
- Stores, consumables and replaceable products	247,949	149,354	61,300
	2,063,235	2,132,303	2,189,255

34 BIOLOGICAL ASSETS

Net book value

Group	Oil Palm	
	2018 RM'000	2017 RM'000
At 1 January (Note 62)	54,338	68,831
Transfer to produce stocks	(54,338)	(68,831)
Fair value changes	42,446	54,338
At 31 December	42,446	54,338

Oil Palm

Oil palm represents the fresh fruit bunches ("FFB") of up to 15 days prior to harvest for use in the Group's palm product operations. During the financial year ended 31 December 2018, the Group harvested approximately 4,210,173 metric tonnes ("MT") of FFB (2017: 4,260,064 MT). The quantity of unharvested FFB of the Group as at 31 December 2018 included in the fair valuation of FFB was 161,716 MT (2017: 133,457 MT).

In arriving at the fair value, the Group adopted the income approach which considers the net present value of all directly attributable cash inflows, cash outflows and imputed contributory asset charges where no actual cash flows associated with the use of assets essential to the agricultural activity. Changes to the assumed prices of the FFB and tonnage included in the valuation will have a direct effect on the reported valuation.

The Groups biological assets computation is a Level 3 fair value estimation.

If the selling prices of FFB or tonnage changed by 10%, the Group's fair value changes in FFB would have increased or decreased by approximately RM6.31 million (2017: RM7.01 million).

35 LOANS DUE FROM SUBSIDIARIES

	Company	
	2018 RM'000	**2017 RM'000**
At 1 January	3,664	206,013
Addition	249,464	-
Repayment	(246,129)	(202,349)
At 31 December	6,999	3,664

The loans are denominated as follows:

- Ringgit Malaysia	5,937	2,602
- Great Britain Pound	1,062	1,062
	6,999	3,664

Financing terms of short term loans due from subsidiaries are between 30 to 365 days (31.12.2017: 30 to 180 days; 1.1.2017: 30 to 180 days) with interest ranging from 0.38 % to 3.64 % per annum (31.12.2017: 0.15% to 4.50% per annum; 1.1.2017: 0.80% to 4.73% per annum).

No loss allowances were recorded as at 31 December 2018 due to most of the balances have yet to exceed the credit period.

Past due but not impaired

In the previous financial year, the short term loans due from subsidiaries were neither past due nor impaired as they had yet to exceed the credit period.

Impaired and provided for

In the previous financial year, the short term loans due from subsidiaries were neither impaired nor provided for.

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	
	2018 RM'000	**2017 RM'000**
Group 2	6,999	3,664

35 LOANS DUE FROM SUBSIDIARIES (CONTINUED)

Impaired and provided for (continued)

Ageing and history of default analysis of loans due from subsidairies of the previous financial year were as follows:

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 approximates their carrying value, as the impact of discounting was not significant.

36 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2018 RM'000	2017 RM'000
At 1 January (Note 62)	122,305	58,322
Transfer to available-for-sale (Note 31)	-	(104)
Additions	41,152	-
Disposals	(113,823)	(4,415)
Fair value gains credited to profit or loss (Note 10)	1,380	2,735
Currency translation differences	(4,959)	(7,217)
As at 31 December	46,055	49,321
Quoted investments:		
In Malaysia	3,766	3,613
Outside Malaysia	42,289	45,708
	46,055	49,321

Financial assets at fair value through profit or loss are denominated in the following currencies:

	2018 RM'000	2017 RM'000
- Ringgit Malaysia	3,766	3,613
- Australian Dollar	3,732	4,623
- Pakistan Rupee	35,204	41,085
- Chinese Yuen Renminbi	3,353	-
	46,055	49,321

The fair value of all equity securities is based on their quoted bid prices in an active market.

37 DEPOSITS, CASH AND BANK BALANCES

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Fixed deposits in:						
- Licensed banks	558,944	1,182,545	861,168	534	11,609	38,118
- Licensed financial institutions	28,470	144,155	450,658	-	29,230	36,367
	587,414	1,326,700	1,311,826	534	40,839	74,485
Cash and bank balances	632,937	413,958	542,228	12,143	7,033	4,712
Deposits, cash and bank balances	1,220,351	1,740,658	1,854,054	12,677	47,872	79,197
Less: Restricted cash	(124,344)	(47,340)	-	-	-	-
Cash and cash equivalents	1,096,007	1,693,318	1,854,054	12,677	47,872	79,197

Restricted cash of RM124,344,000 (31.12.2017: RM47,340,000; 1.1.2017: Nil) relates 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		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
- AAA	556,333	942,668	948,075	534	35,910	58,649
- AA-	-	1,000	1,000	-	-	-
- AA2	-	83,365	268,318	-	-	15,836
- AA3	879	5,925	879	-	-	-
- A2	30,202	254,249	49,178	-	4,929	-
- Others*	-	39,493	44,376	-	-	-
	587,414	1,326,700	1,311,826	534	40,839	74,485

* Others comprises of funds which are invested in Government approved financial institutions regulated by the Bank Negara of Malaysia.

37 DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

The fixed deposits, cash and bank balances are denominated as follows:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Ringgit Malaysia	1,066,138	1,535,172	1,624,564	9,594	35,412	41,583
United States Dollar	125,439	174,474	171,302	-	-	-
Canadian Dollar	3,023	12,399	37,585	3,023	12,399	37,585
Indonesian Rupiah	7,925	9,910	9,073	-	-	-
Pakistan Rupees	10,646	2,338	3,642	-	-	-
Great Britain Pound	237	184	91	60	61	29
Others	6,943	6,181	7,797	-	-	-
	1,220,351	1,740,658	1,854,054	12,677	47,872	79,197

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		
	31.12.2018 %	31.12.2017 %	1.1.2017 %	31.12.2018 %	31.12.2017 %	1.1.2017 %
- Licensed banks	2.73	2.94	3.01	0.89	0.53	0.25
- Licensed financial institutions	2.79	3.43	3.35	3.41	3.53	3.42

Fixed deposits as at 31 December 2018 for the Group and for the Company have average maturity periods of 59 days (31.12.2017: 60 days) and 30 days (1.1.2017: 30 days) respectively. Cash and bank balances are deposits held at call with banks.

38 ASSETS HELD FOR SALE

The details of assets held for sale are as follows:

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Assets			
Property, plant and equipment	1,073	21,126	21,936
Intangible assets	2,027	48,905	22,772
Receivables	842	754	1,393
Deposits, cash and bank balances	887	1,454	2,031
Assets held for sale	4,829	72,239	48,132
Liabilities			
Payables	985	954	1,076
Deferred tax liabilities	-	21,524	4,521
Liabilities related to assets held for sale	985	22,478	5,597

During the financial year, the assets held for sale relating to FGV Cambridge Nanosystems Ltd. ("FGVCNS"), an indirect subsidiary of the Company, of RM52,080,000 had been fully impaired and recognised in impairment of non-financial assets. The offers previously received for the sale of FGVCNS would unlikely to proceed as the financial ability of the potential buyers is now uncertain (31.12.2017 and 1.1.2017: no impairment on assets held for sale).

39 SHARE CAPITAL

	Group and Company			
	2018 Number of shares '000	2017 Number of shares '000	2018 RM'000	2017 RM'000
Issued and fully paid up:				
Ordinary shares				
At 1 January	7,029,889	3,648,152	7,029,889	3,648,152
Transition to no-par value regime on 31 January 2017 under the Companies Act 2016 (Notes 40, 44)	-	3,381,737	-	3,381,737
At 31 December	7,029,889	7,029,889	7,029,889	7,029,889
Special share				
At 1 January/ 31 December	#	#	#	#

Relating 1 unit special shares held by Minister of Finance of 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.

40 SHARE PREMIUM

	Group and Company	
	2018 RM'000	2017 RM'000
At 1 January	-	3,371,685
Transition to no-par value regime on 31 January 2017 under the 2016 Act (Note 39)	-	(3,371,685)
At 31 December	-	-

Share premium was recognised in conjunction with the listing of the Company's shares on Main Market of Bursa Malaysia Securities Berhad. Share premium was not available for distribution as cash dividends. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act, 1965. In accordance with the transitional provisions set out in Section 618(2) of the 2016 Act, on 31 January 2017 any amount standing to the credit of the Company's share premium account has become part of the Company's share capital (Note 39).

41 TREASURY SHARES

During the financial year, the Company purchased 3,115,900 (31.12.2017: 5,261,100; 1.1.2017: 859,800) of its issued ordinary shares listed on the Main Market of Bursa Malaysia Securities Berhad from the open market at an average price of approximately RM1.62 per share (31.12.2017: RM1.62 per share; 1.1.2017: RM1.73 per share). The total consideration paid was RM4,920,000 (31.12.2017: RM8,588,000; 1.1.2017: RM1,488,000) including transaction costs of RM33,702 (31.12.2017: RM30,348; 1.1.2017: 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. In the current financial year, 3,452,600 (31.12.2017: 5,289,500; 1.1.2017: Nil) of its treasury shares of RM5,699,000 (31.12.2017: RM8,592,000; 1.1.2017: Nil) vested to the employees and employees of the subsidiaries within the Group as part of equity settled share based compensation plan (Note 55).

42 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.

43 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.

44 OTHER RESERVES

Group	Other comprehensive income reserve RM'000	LTIP reserve RM'000	Cash flow hedge reserve RM'000	Total RM'000
2018				
At 1 January 2018 (Note 62)	(12,811)	416	366	(12,029)
Fair value changes	(18,477)	-	-	(18,477)
Cash flow hedges	-	-	(81)	(81)
Employee share grant	-	5,283	-	5,283
Transfer from treasury shares	-	(5,699)	-	(5,699)
At 31 December 2018	(31,288)	-	285	(31,003)

Group	Available-for-sale-reserve RM'000	Capital redemption reserve RM'000	LTIP reserve RM'000	Cash flow hedge reserve RM'000	Total RM'000
2017					
At 1 January 2017	4,267	10,052	429	-	14,748
Transition to par value regime on 31 January 2017 under Companies Act 2016 (Note 39)	-	(10,052)	-	-	(10,052)
Fair value changes	(7,609)	-	-	-	(7,609)
Transfer of reserve on derecognition of available-for-sale financial assets	(2,893)	-	-	-	(2,893)
Cash flow hedges	-	-	-	366	366
Employee share grant	-	-	8,579	-	8,579
Transfer from treasury shares	-	-	(8,592)	-	(8,592)
At 31 December 2017	(6,235)	-	416	366	(5,453)

44 OTHER RESERVES (CONTINUED)

Company	Capital redemption reserve RM'000	LTIP reserve RM'000	Total RM'000
2018			
At 1 January 2018	-	416	416
Employee share grant	-	1,519	1,519
Recharge to subsidiaries	-	3,764	3,764
Transfer from treasury shares	-	(5,699)	(5,699)
At 31 December 2018	-	-	-
2017			
At 1 January 2017	10,052	429	10,481
Transfer to par value regime on 31 January 2017 under Companies Act 2016	(10,052)	-	(10,052)
Employee share grant	-	2,425	2,425
Recharge to subsidiaries	-	6,154	6,154
Transfer from treasury shares	-	(8,592)	(8,592)
At 31 December 2017	-	416	416

Available-for-sale reserve
Available-for-sale reserve in the prior year included the Group's share of available-for-sale reserves of joint ventures and associates.

Capital redemption reserve
Capital redemption reserve in prior financial year related to reserve created upon redemption of RCPS/RCCPS as required by Companies Act, 1965. In accordance with the transitional provisions set out in Section 618(2) of the 2016 Act, on 31 January 2017 any amount standing to the credit of the Company's capital redemption reserve has become part of the Company's share capital (Note 36).

Long Term Incentive Plan ("LTIP") reserve
LTIP reserve relates to reserve created from the corresponding increase in equity from expenses recognised in profit or loss over the vesting period of the equity-settled share based compensation plan for the Group's employees as disclosed in Note 55 to the financial statements.

Cash flow hedge reserve
The Group manages its cash flow interest rate risk with floating-to-fixed interest rate swaps which are designated in cash flow hedge relationships. To the extent this hedge is effective, the change in fair value of the hedge instrument is recognised in the cash flow hedge reserve. The gain or loss relating to the effective portion of the interest rate swaps is reclassified to profit or loss and recognising within 'finance cost'.

45 BORROWINGS

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current						
Secured:						
Short term trade financing	31,569	34,700	41,694	-	-	-
Islamic term loans	212,254	80,158	-	-	-	-
Term loans	175	375	558	-	-	-
Finance lease liabilities	-	-	1,186	-	-	-
Unsecured:						
Islamic short term trade financing	2,587,372	2,572,665	3,290,323	84,880	-	540,900
Short term trade financing	419,972	687,359	356,300	-	-	-
Islamic term loans	1,263	1,665	1,665	-	-	-
Finance lease liabilities	-	-	414	-	-	-
	3,252,605	3,376,922	3,692,140	84,880	-	540,900
Non-current						
Secured:						
Islamic term loans	985,182	725,873	189,867	-	-	-
Term loans	409	653	468	-	-	-
Finance lease liabilities	-	-	823	-	-	-
Unsecured:						
Islamic term loans	5,915	6,708	7,834	-	-	-
	991,506	733,234	198,992	-	-	-
Total borrowings	4,244,111	4,110,156	3,891,132	84,880	-	540,900

45 BORROWINGS (CONTINUED)

The maturity profile of borrowings are as follows:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Total borrowings						
Islamic short term trade financing	2,587,372	2,572,665	3,290,323	84,880	-	540,900
Short term trade financing	451,541	722,059	397,994	-	-	-
Islamic term loans	1,204,614	814,404	199,366	-	-	-
Term loans	584	1,028	1,026	-	-	-
Finance lease liabilities	-	-	2,423	-	-	-
	4,244,111	4,110,156	3,891,132	84,880	-	540,900
Less: Repayable after more than one year	(991,506)	(733,234)	(198,992)	-	-	-
	3,252,605	3,376,922	3,692,140	84,880	-	540,900

The maturity profile of borrowings are as follows:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Less than 1 year	3,252,605	3,376,922	3,692,140	84,880	-	540,900
Between 1 and 5 years	991,506	607,212	198,992	-	-	-
More than 5 years	-	126,022	-	-	-	-
	4,244,111	4,110,156	3,891,132	84,880	-	540,900

The borrowings are denominated as follows:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
- Ringgit Malaysia	3,690,210	3,446,512	2,920,571	84,880	-	540,900
- United States Dollar	486,179	596,236	904,213	-	-	-
- Great Britain Pound	61,029	60,114	54,253	-	-	-
- Thai Baht	3,598	4,205	9,006	-	-	-
- Singapore Dollar	3,095	3,089	3,089	-	-	-
	4,244,111	4,110,156	3,891,132	84,880	-	540,900

45 BORROWINGS (CONTINUED)

Effective finance rates for borrowings are as follows:

	Group		Company	
	Finance rate	Effective finance rate at date of statement of financial position position per annum %	Finance rate	Effective finance rate at date of statement of financial position position per annum %
31.12.2018				
Islamic short term trade financing	Fixed/Floating	1.14 - 4.70	Fixed	4.11 - 4.21
Short term trade financing	Fixed	2.70 - 6.87	-	-
Islamic term loans	Floating	4.48 - 6.00	-	-
Term loans	Floating	3.79 - 4.37	-	-
31.12.2017				
Islamic short term trade financing	Fixed/Floating	0.78 - 3.96	-	-
Short term trade financing	Fixed	3.09 - 7.12	-	-
Islamic term loans	Floating	5.27 - 6.00	-	-
Term loans	Floating	3.79 - 4.37	-	-
1.1.2017				
Islamic short term trade financing	Fixed/Floating	0.60 - 4.20	Floating	3.96 - 4.20
Short term trade financing	Fixed	3.09 - 4.23	-	-
Islamic term loans	Floating	3.09 - 4.23	-	-
Term loans	Floating	3.79 - 4.37	-	-
Finance lease liabilities	Fixed	4.05 - 5.41	-	-

The secured term loans consists of the followings:

(i) RM584,000 (31.12.2017: RM1,028,000; 1.1.2017: RM1,026,000) term loans repayable over periods ranging between six to seven years commencing from 2016 to 2017 up to 2019 to 2022 and is secured over certain leasehold lands of the Group.

(ii) RM1,197,436,000 (31.12.2017: RM806,031,000; 1.12.2017: RM189,867,000) Islamic term loans 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) RM31,569,000 (31.12.2017: RM34,700,000; 1.1.2017: RM41,694,000) 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.

45 BORROWINGS (CONTINUED)

During the financial year ended 31 December 2017, MSM Malaysia Holdings Berhad ("MSMH"), a subsidiary of the Group, was not in compliance with certain financial covenants for its Islamic term loans amounting to RM404.7 million. However, MSMH had received a letter of indulgence dated 3 November 2017 from the lender allowing the requirement to comply with the financial covenants to be deferred until 31 December 2018 and that the financial covenants would be required to be met for the 12 month period ending 31 December 2018 and all times thereafter but subject to the following conditions:

(a) No dividend declaration and/or payment by MSMH without prior written consent from the financier until the financial covenants are complied with;
(b) Letter of undertaking from the Group to MSMH to complete the construction of the new sugar refinery in Johor by second quarter of 2018; and
(c) MSMH's ability to perform all obligations under and comply with all terms and conditions governing the facilities.

As at 31 December 2018, the waiver of the financial covenants continued to be effective as MSMH met all the above conditions as stipulated in the letter of indulgence. Accordingly, the Islamic term loan of RM683.2 million has been classified based on its contractual payment dates as at 31 December 2018.

On 19 March 2019, MSMH has received a letter of indulgence from the lender allowing the requirement to comply with the financial covenants to be further deferred until 31 December 2019 subject to the following conditions:

(a) No dividend declaration and/or payment by MSMH without prior written consent from the lender until such financial covenants are complied with; and
(b) Amendments to payment terms of the loan and other relevant terms and conditions in the loan agreement must be in place and effective by the next payment due on 27 May 2019.

Management of MSMH has been in discussions with the lender to negotiate the amendments to the payment period and other relevant terms and conditions of the Islamic term loan agreement. The Directors of MSMH believe that MSMH would be able to finalise the amendments to the Islamic term loan agreement with the lender before 27 May 2019, to meet the conditions as stipulated in the letter of indulgence dated 19 March 2019.

The fair value of the Group's and Company's borrowings amounts approximates their respective carrying values as the impact of discounting was not significant.

46 LOANS DUE TO A SIGNIFICANT SHAREHOLDER

	Group and Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Unsecured:			
- Non-current	1,074,045	1,222,765	1,475,799
- Current	85,058	164,551	213,206
	1,159,103	1,387,316	1,689,005

Early settlements of loans due to a significant shareholder totalling RM130 milion were made during the financial year (2017: RM120 million).

The loans are denominated as follows:

	Group and Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
- Ringgit Malaysia	1,159,103	1,387,316	1,689,005

Effective finance rate for the loans is as follows:

	Group and Company					
	31.12.2018		31.12.2017		1.1.2017	
	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 %	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	Fixed	4.911

46 LOANS DUE TO A SIGNIFICANT SHAREHOLDER (CONTINUED)

The carrying amount and fair value of the loans due to a significant shareholder are as follows:

	Group and Company					
	Carrying amount			Fair value		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Loans due to a significant shareholder	1,159,103	1,387,316	1,689,005	1,158,489	1,385,888	1,702,544

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 4.50% (31.12.2017: 4.98%; 1.1.2017: 4.66%). The fair value of the loans due to a significant shareholder is a Level 2 computation.

Cash flows and non-cash changes arising from loans due to a significant shareholder financing activities are disclosed in statements of cash flows.

47 LOANS DUE TO SUBSIDIARIES

	Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Unsecured:			
- Non-current	845,985	667,669	252,109
- Current	258,924	435,090	48,896
	1,104,909	1,102,759	301,005

The loans are denominated as follows:

- Ringgit Malaysia	1,104,909	1,074,706	272,110
- Canadian Dollar	-	28,053	28,895
	1,104,909	1,102,759	301,005

During the financial year, a subsidiary of the Company, has agreed to waive the loan due to the subsidiary, amounting to RM28,053,000.

47 LOANS DUE TO SUBSIDIARIES (CONTINUED)

Effective finance rate for the loans is as follows:

	Company					
	31.12.2018		31.12.2017		1.1.2017	
	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 %	Finance rate	Effective finance rate at date of statement of financial position per annum %
Loans due to subsidiaries	Fixed/ Floating	2.23 - 5.50	Fixed/ Floating	2.23 - 5.54	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		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Loans due to subsidiaries	1,104,909	1,102,759	301,005	1,104,057	1,102,692	297,868

The fair value of loans due to subsidiaries is based on cash flows discounted using a rate based on the borrowing rate of 4.5% (31.12.2017: 4.13% - 5.28%; 1.1.2017: 3.84%). The fair value of the loans due to subsidiaries is a Level 2 computation.

Cash flows and non-cash changes arising from loans due to subsidiaries financing activities are disclosed in statements of cash flows.

48 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.

48 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 FGVPM 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, FGVPM 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 FGVPM 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 FGVPM 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, FGVPM 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 losses rights to these land, no compensation is payable to FGVPM.

(v) Management Agreement

On 21 May 2012, the Tenancy Agreement dated 6 January 2012 was supplemented by an addendum, whereby both FELDA and FGVPM acknowledged that as at 1 January 2012, FGVPM has yet to be deemed or recognised as native in respect of the lands in Sarawak to the Sarawak Land Code. Both FELDA and FGVPM agree to exclude all the Sarawak Land from the Tenancy Agreement and the LLA. Both FELDA and FGVPM 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 FGVPM has duly obtained the status of native, all Approvals have been obtained and upon registration of the lease in accordance with the Sarawak Land Code. 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.

48 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)

(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 RM243,843,000 (2017: RM244,164,000;) per annum together with 15% (2017: 15%) of yearly plantation operating profit attributable to the land.

	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current	4,079,836	4,067,794	4,125,032
Current	248,172	325,486	282,532
	4,328,008	4,393,280	4,407,564

Movement in LLA liability is as follows:

	2018 RM'000	2017 RM'000
At 1 January	4,393,280	4,407,564
Fair value changes charged to profit or loss (Note 10)	233,379	292,845
Repayment during the financial year	(298,651)	(307,129)
At 31 December	4,328,008	4,393,280

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 93 years.

48 LAND LEASE AGREEMENT ("LLA") LIABILITY (CONTINUED)

The key assumptions used to compute the fair value of the LLA liability are as follows:

(i)	Discount rate	9.47% (31.12.2017: 9.47%; 1.1.2017: 9.47%) based on discount rates applied by relevant comparable companies
(ii)	CPO price	RM2,250/MT to RM2,586/MT (31.12.2017: RM2,500/MT to RM2,600/MT; 1.1.2017: RM2,450/MT to RM2,700/MT)
(iii)	PK price	RM1,600/MT to RM1,875/MT (31.12.2017: RM1,752/MT to RM2,300/MT; 1.1.2017 : RM1,752/MT to RM2,900/MT)
(iv)	Average FFB Yield	17.8 MT/ha to 27.1 MT/ha (31.12.2017: 17.3 MT/ha to 27.1 MT/ha; 1.1.2017: 16.9 MT/ha to 27.1 MT/ha)
(v)	Mature estate cost	RM3,079 per hectare to RM3,649 per hectate (31.12.2017: RM3,127 per hectare to RM3,565 per hectare; 1.1.2017: RM3,028 per hectare to RM3,565 per hectare)
(vi)	Immature estate cost	RM3,993 per hectare to RM4,331 per hectate (31.12.2017: RM3,782 per hectare to RM4,268 per hectare; 1.1.2017: RM3,782 per hectare to RM4,175 per hectare)
(vii)	Lease term	Extension of lease term to 99 years (31.12.2017: 99 years; 1.1.2017: 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) Discount rate	Increase by 0.5%	Decrease by RM240.2 million
	Decrease by 0.5%	Increase by RM270.8 million
(ii) CPO price	Increase by RM200 per metric tonne	Increase by RM312.9 million
	Decrease by RM200 per metric tonne	Decrease by RM331.5 million
(iii) PK price	Increase/decrease by RM100 per metric tonne	Increase/decrease by RM40.5 million
(iv) Improvement/ reduction in FFB yield	Increase/decrease by 1%	Increase/decrease by RM31.6 million
(v) Mature estate cost	Increase/decrease by 5%	Decrease/increase by RM108.5 million
(vi) Immature estate cost	Increase/decrease by 5%	Decrease/increase by RM24.0 million

49 PROVISION FOR ASSET RETIREMENT

	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
At 1 January	33,373	32,847	32,916
Unwinding of discount	465	1,385	623
Payment made during the financial year	(48)	(29)	(62)
Reversal of provision during the financial year	(1,500)	-	(1,000)
Currency translation differences	182	(830)	370
At 31 December	32,472	33,373	32,847

Provision for asset retirement relates to the Group's fatty acids manufacturing facility in USA and mills in Malaysia. The asset retirement obligation is computed based on detailed estimates, adjusted for inflation, escalated to the estimated spending dates, and then discounted using an average 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.

	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Analysed as:			
Non-current	31,810	32,725	32,129
Current	662	648	718
	32,472	33,373	32,847

50 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 they falls due.

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current						
- Retirement benefit scheme	57,445	60,674	50,325	1,944	1,834	1,516
- Housing assistance scheme	17,697	19,266	17,569	-	-	-
- Long service award	7,819	7,828	4,013	150	184	67
	82,961	87,768	71,907	2,094	2,018	1,583

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 25 years in Malaysia.

50 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 services rendered 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Present value of unfunded obligation:				
At 1 January	87,768	71,907	2,018	1,583
Charge to profit or loss	2,606	11,523	203	287
Benefits paid	(5,660)	(3,500)	(91)	(20)
Re-measurement	(2,034)	8,109	(36)	168
Currency translation difference	281	(271)	-	-
At 31 December	82,961	87,768	2,094	2,018

The remeasurement amounts recognised in the other comprehensive income are determined as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Re-measurement:				
- Changes in financial assumptions	(586)	822	104	16
- Experience adjustments	(1,448)	7,287	(140)	152
	(2,034)	8,109	(36)	168

50 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

The amounts recognised in profit or loss are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current service cost	(1,153)	4,115	126	93
Finance cost	4,282	3,812	77	86
Past service cost	-	3,596	-	108
Remeasurement	(523)	-	-	-
Expense recognised in profit or loss	2,606	11,523	203	287

The defined benefit obligations for the Group by country are as follows:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Present value of obligation:						
- Malaysia	79,268	84,101	68,165	2,094	2,018	1,583
- Indonesia	2,871	2,877	2,829	-	-	-
- Thailand	822	790	913	-	-	-
	82,961	87,768	71,907	2,094	2,018	1,583

The principal actuarial assumptions used in respect of the Group's and the Company's unfunded defined retirement benefits are as follows:

	Group			Company		
	31.12.2018 %	31.12.2017 %	1.1.2017 %	31.12.2018 %	31.12.2017 %	1.1.2017 %
Discount rate	5.30	5.30	5.40	5.30	5.30	5.40
Expected rate of salary increase	5.00	5.00	5.00	5.00	5.00	5.00

50 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 1%	Decrease by RM5,237 Increase by RM6,146
ii) Salary growth rate	Increase 1% Decrease 1%	Increase by RM1,643 Decrease by RM2,145

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 have not changed compared to the previous financial year.

The weighted average duration of the defined benefit obligation is 11 to 27 (31.12.2017: 12 to 27; 1.1.2017: 15 to 28) 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 2018	3,838	4,350	17,383	192,970	218,541
At 31 December 2017	2,324	4,652	16,964	194,979	218,919
At 1 January 2017	2,679	7,447	25,831	178,679	214,636

51 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		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Subject to income tax						
- Deferred tax assets	605,163	740,359	779,421	28,119	-	-
- Deferred tax liabilities	(735,370)	(812,363)	(849,327)	-	-	-

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Deferred tax assets:						
- Deferred tax assets to be recovered after more than 12 months	472,324	625,837	761,369	-	-	-
- Deferred tax assets to be recovered within 12 months	132,839	114,522	18,052	28,119	-	-
	605,163	740,359	779,421	28,119	-	-
Deferred tax liabilities:						
- Deferred tax liabilities to be recovered after more than 12 months	(735,370)	(816,123)	(864,256)	-	-	-
- Deferred tax liabilities to be recovered within 12 months	-	3,760	14,929	-	-	-
	(735,370)	(812,363)	(849,327)	-	-	-
Deferred tax (liabilities)/ assets (net)	(130,207)	(72,004)	(69,906)	28,119	-	-

51 DEFERRED TAXATION (CONTINUED)

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
At 1 January	(72,004)	(69,906)	119,272	-	-	24,873
Acquisition of subsidiaries	-	-	(107,090)	-	-	-
Transfer to liability held for sale	-	17,040	4,521	-	-	-
(Charged)/credited to profit or loss (Note 15):						
- intangible assets	(1,881)	(5,818)	1,461	-	-	725
- investment properties	2,054	2,054	2,054	-	-	-
- property, plant and equipment	59,232	25,373	(56,930)	-	-	1,027
- biological assets	2,854	3,478	(16,519)	-	-	-
- inventories	(5,983)	(7,145)	3,807	-	-	-
- receivables	(683)	5,093	(3,863)	-	-	-
- payables	(8,228)	(6,774)	8,039	-	-	(2,579)
- unused tax losses	(71,550)	(19,811)	16,240	28,119	-	(24,046)
- LLA liability	(15,663)	(11,072)	(52,711)	-	-	-
- others	(18,765)	(1,234)	6,448	-	-	-
	(58,613)	(15,856)	(91,974)	28,119	-	(24,873)
Currency translation differences	410	(3,282)	5,365	-	-	-
At 31 December	(130,207)	(72,004)	(69,906)	28,119	-	-
Deferred tax assets						
- receivables	10,671	10,671	10,416	-	-	-
- property, plant and equipment	1,569	7,771	7,138	-	-	-
- intangible assets	4,662	7,205	8,625	-	-	-
- investment properties	8,699	8,699	6,645	-	-	-
- inventories	7,709	13,692	20,837	-	-	-
- LLA liability	1,038,722	1,054,385	1,065,457	-	-	-
- payables	65,724	73,952	80,726	-	-	-
- unused tax losses	127,727	199,277	219,088	34,838	-	-
- others	12,755	20,150	24,994	-	-	-
Amount before offsetting	1,278,238	1,395,802	1,443,926	34,838	-	-
Offsetting	(673,075)	(655,443)	(664,505)	(6,719)	-	-
	605,163	740,359	779,421	28,119	-	-

51 DEFERRED TAXATION (CONTINUED)

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Deferred tax liabilities						
- intangible assets	(15,869)	(16,531)	(28,968)	-	-	-
- property, plant and equipment	(1,366,942)	(1,432,376)	(1,457,116)	6,719	-	-
- prepaid lease payments	(2,306)	(2,306)	(2,306)	-	-	-
- biological assets	(10,187)	(13,041)	(16,519)	-	-	-
- receivables	(873)	(190)	(5,028)	-	-	-
- inventories	(3,666)	(3,666)	(3,666)	-	-	-
- others	(8,602)	304	(229)	-	-	-
Amount before offsetting	(1,408,445)	(1,467,806)	(1,513,832)	6,719	-	-
Offsetting	673,075	655,443	664,505	(6,719)	-	-
	(735,370)	(812,363)	(849,327)	-	-	-

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's and Company's unused tax losses with no expiry period as at 31 December 2018 for which no deferred tax assets were recognised amounted to RM979,085,000 and RM148,282,000 respectively will be imposed with a time limit of utilisation . Any accumulated unused tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

The significant reduction as a result of time limit imposed above to the Group during the financial year relates to the deferred tax assets reversal of a refinery business of RM21,292,000 as the tax benefits are not expected to be utilised by 2025.

In addition, a reversal of RM53,290,000 relating to APL's deferred tax assets was recognised as the amount relating to unabsorbed tax losses is not expected to be utilised subsequent to the impairment assessment done on APL (Note 19).

The amount of unused tax losses for which no deferred tax assets are recognised in the statement of financial position by certain subsidiaries of the Group and by Company 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 by year of assessment 2025 is as follows:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Unused tax losses	979,085	398,843	230,155	148,282	228,703	156,885
Deductible temporary differences	-	-	-	-	40,656	41,609
	979,085	398,843	230,155	148,282	269,359	198,494

52 PAYABLES

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Trade payables	519,143	378,440	573,554	-	-	-
Other payables and accruals	708,642	800,443	867,951	35,964	39,963	40,907
	1,227,785	1,178,883	1,441,505	35,964	39,963	40,907

Included in other payables and accruals are:

(i) Provision for Voluntary Separation Scheme ("VSS") amounting to RM65,912,000 for the Group and RM2,474,000 for the Company (2017: RM10,964,000 for the Group and RM2,903,000 for the Company).

(ii) Provision for Voluntary Early Retirement Scheme ("VERS") for the Group amounting to RM6,806,000 (2017: RM3,446,000) due to rationalisation plans carried out by the Group.

The payables are denominated as follows:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
- Ringgit Malaysia	1,125,112	971,883	900,734	35,964	39,963	40,815
- United States Dollar	63,674	176,501	511,364	-	-	-
- Chinese Yuen Renminbi	29,405	22,612	7,578	-	-	92
- Indonesian Rupiah	5,834	3,592	16,000	-	-	-
- Pakistan Rupee	2,601	2,622	3,571	-	-	-
- Thai Baht	1,159	1,645	2,190	-	-	-
- Great Britain Pound	-	26	-	-	-	-
- Others	-	2	68	-	-	-
	1,227,785	1,178,883	1,441,505	35,964	39,963	40,907

The credit terms of trade payables range up to 90 days (2017: up to 90 days).

The fair value of the payables approximates their carrying values, as the impact of discounting is not significant.

53 CONTRACT LIABILITIES

	Group	
	2018 RM'000	**2017 RM'000**
Contract liabilities		
At 1 January	58,714	44,635
Revenue recognised that was included in the contract liability balance at the beginning of financial period	(58,337)	(44,435)
Cash received	40,832	58,514
At 31 December	41,209	58,714

Revenue recognised in relation to contract liabilities:

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Group	
	2018 RM'000	**2017 RM'000**
Revenue recognised that was included in the contract liability balance at the beginning of the period		
- Sales of palm products	32,882	5,357
- Sales of other commodities and by-products	16,529	17,295
- Provision of services	5,714	4,008
- Construction contract	606	13,737
- Others	2,606	4,038
	58,337	44,435

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting date, of which the Group expects to recognise is RM41,209,000 (2017: RM58,714,000).

All other contracts are for periods of one year or less or are billed based on time incurred. As permitted under MFRS 15, the Group applied the practical expedient in MFRS 15 and did not disclose information about recognising performance obligations that have original expected duration of one year or less.

54 PROVISION FOR LITIGATION LOSS

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
At 1 January	32,841	-	-
Provision during the financial year	2,700	32,841	-
At 31 December	35,541	32,841	-

Provision for litigation loss relates to amount provided for legal suit by a vessel owner, against FGV Trading Sdn. Bhd. ("FGVT"), a wholly-owned subsidiary of the Company. The claims are for the loss and damages caused by an alleged breach of the terms of a Letter of Indemnity ("LOI") issued by FGVT in relation to the release of goods by the vessel owner for CPO sold by FGVT to end customer, which had defaulted payments to the financial institution.

During the financial year, FGVT provided an additional provision of RM2,700,000 as letter of demand has been issued to FGVT for the claims demanded by a vessel owner.

55 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 Director 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.

55 LONG TERM INCENTIVE PLAN (CONTINUED)

The details of the Grant are as follows: (continued)

(b) PS Grant

The PS Grant is a performance share grant for senior management of the Group and Executive Director 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.

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 the Company (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.

55 LONG TERM INCENTIVE PLAN (CONTINUED)

During the financial year, 11,666,800 RS (2017: 5,342,400 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 ordinary shares in the Company, after meeting the vesting conditions as set out in the letter of offer for the shares under the LTIP.

The RS granted during the financial year on 1 June 2018 has a three years vesting period where the first vesting date was on 30 September 2018. The fair value of share price at grant date was RM1.484.

The first RS granted on 1 July 2016 has a three years vesting period and the first vesting date was on 31 March 2017. The fair value of share price at grant date was RM1.413.

Movement in the number of RS Grant under the LTIP is as follows:

2018		Number of shares grants over ordinary share			
Grant date	Outstanding as at 1.1.2018	Granted	Vested	(Forfeited)	Outstanding as at 31.12.2018
1 July 2016	578,800	-	(211,900)	(149,900)	217,000
1 June 2018	-	11,666,800	(3,240,700)	(85,600)	8,340,500

2017		Number of shares grants over ordinary share			
Grant date	Outstanding as at 1.1.2018	Granted	Vested	(Forfeited)	Outstanding as at 31.12.2018
1 July 2016	814,500	-	(209,200)	(26,500)	578,800
12 July 2017	-	5,342,400	(5,080,300)	(262,100)	-

56 FINANCIAL INSTRUMENTS

Financial instruments by category

	Group			
	31 December 2018			
	Amortised cost RM'000	Financial assets at fair value through profit or loss RM'000	Financial assets at fair value through other comprehensive income RM'000	Total RM'000
Assets as per statement of financial position				
Receivables (excluding prepayments and GST receivable)	1,071,394	-	-	1,071,394
Amount due from a significant shareholder	162,592	-	-	162,592
Amounts due from joint ventures	389,318	-	-	389,318
Amounts due from other related companies	176,540	-	-	176,540
Loan due from joint ventures	70,201	-	-	70,201
Financial assets at fair value through other comprehensive income	-	-	86,224	86,224
Financial assets at fair value through profit or loss	-	46,055	-	46,055
Derivative financial assets	-	4,267	-	4,267
Deposits, cash and bank balances	1,220,351	-	-	1,220,351
Total	3,090,396	50,322	86,224	3,226,942

	Liabilities at fair value through profit or loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per statement of financial position			
Amount due to a significant shareholder	-	187,582	187,582
Amount due to an associate	-	210	210
Amounts due to other related companies	-	2,559	2,559
Amounts due to joint ventures	-	249	249
Loans due to a significant shareholder	-	1,159,103	1,159,103
Borrowings	-	4,244,111	4,244,111
LLA liability	4,328,008	-	4,328,008
Derivative financial liabilities	7,545	-	7,545
Payables	-	1,155,067	1,155,067
Total	4,335,553	6,748,881	11,084,434

56 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

	Group			
	31 December 2017			
	Loans and receivables RM'000	Financial assets at fair value through profit or loss RM'000	Available -for-sale RM'000	Total RM'000
Assets as per statement of financial position				
Available-for-sale financial assets	-	-	164,286	164,286
Receivables (excluding prepayments and GST receivable)	1,297,983	-	-	1,297,983
Amount due from a significant shareholder	215,389	-	-	215,389
Amounts due from joint ventures	499,879	-	-	499,879
Amounts due from other related companies	146,789	-	-	146,789
Loan due from joint ventures	71,431	-	-	71,431
Financial assets at fair value through profit or loss	-	49,321	-	49,321
Derivative financial assets	-	7,592	-	7,592
Deposits, cash and bank balances	1,740,658	-	-	1,740,658
Total	3,972,129	56,913	164,286	4,193,328

	Liabilities at fair value through profit or loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per statement of financial position			
Amount due to a significant shareholder	-	483,166	483,166
Amount due to an associate	-	37	37
Amounts due to other related companies	-	128,641	128,641
Loans due to a significant shareholder	-	1,387,316	1,387,316
Borrowings	-	4,110,156	4,110,156
LLA liability	4,393,280	-	4,393,280
Derivative financial liabilities	1,039	-	1,039
Payables	-	1,164,473	1,164,473
Total	4,394,319	7,273,789	11,668,108

56 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

	Group			
	1 January 2017			
	Loans and receivables RM'000	Financial assets at fair value through profit or loss RM'000	Available -for-sale RM'000	Total RM'000
Assets as per statement of financial position				
Available-for-sale financial assets	-	-	314,241	314,241
Receivables (excluding prepayments and GST receivable)	1,657,828	-	-	1,657,828
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
Total	4,466,817	63,811	314,241	4,844,869

	Liabilities at fair value through profit or loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per statement of financial position			
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	-	1,441,505	1,441,505
Total	4,426,998	7,432,438	11,859,436

56 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

	Company		
	Amortised cost	Loans and receivables	
For the financial year ended	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Assets as per statement of financial position			
Receivables (excluding prepayments and GST receivable)	16,967	19,145	21,936
Amount due from a significant shareholder	20	20	20
Amounts due from subsidiaries	722,222	774,524	609,851
Amounts due from other related companies	199	230	216
Loans due from subsidiaries	6,999	3,664	206,013
Deposits, cash and bank balances	12,677	47,872	79,197
Total	759,084	845,455	917,233

	Other financial liabilities at amortised cost	
	For the financial year ended 31 December	
	2018 RM'000	2017 RM'000
Liabilities as per statement of financial position		
Payables	33,490	37,060
Amount due to a significant shareholder	1,441	16,985
Amounts due to subsidiaries	30,672	84,346
Amounts due to other related companies	171	124
Loans due to a significant shareholder	1,159,103	1,387,316
Loans due to subsidiaries	1,104,909	1,102,759
Borrowings	84,880	-
Total	2,414,666	2,628,590

57 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% (2017: 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 28, 46, 48, 57(a), 57(b), 57(c), 57(e), 57(f) and 57(g) 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.

57 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Significant related parties and relationships are summarised as follows:

(i) Subsidiaries

FGV Plantations (Malaysia) Sdn. Bhd.
(formerly known as Felda Global Ventures Plantations (Malaysia) Sdn. Bhd.) ("FGVPM")
Felda Holdings Bhd. ("FHB")
FGV Agri Services Sdn. Bhd.
(formerly known as Felda Agricultural Services Sdn. Bhd.) ("FASSB")
Felda Engineering Services Sdn. Bhd. ("FESSB")
FGV Kernel Products Sdn. Bhd.
(formerly known as Felda Kernel Products Sdn. Bhd.) ("FKPSB")
FGV Palm Industries Sdn. Bhd.
(formerly known as Felda Palm Industries Sdn. Bhd.) ("FPISB")
FGV Prodata Systems Sdn. Bhd.
(formerly known as Felda Prodata Systems Sdn. Bhd.) ("Prodata")
FGV Rubber Industries Sdn. Bhd.
(formerly known as Felda Rubber Industries Sdn. Bhd.) ("FRISB")
FGV Security Sdn. Bhd.
(formerly known as Felda Security Services Sdn. Bhd.) ("FSSSB")
FGV Fertiliser Sdn. Bhd.
(formerly known as FPM Sdn. Bhd.) ("FGVF")
Felda Travel Sdn. Bhd. ("Felda Travel")
FGV Bulkers Sdn. Bhd.
(formerly known as Felda Bulkers Sdn. Bhd.) ("FBSB")
FGV Capital Sdn. Bhd.
(formerly known as Felda Global Ventures Capital Sdn. Bhd.) ("FGVC")
FGV Trading Sdn. Bhd. ("FGV Trading")

(ii) Joint ventures

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)
Koperasi Permodalan Felda Malaysia Berhad ("KPF")

57 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(a) Sales of goods, services and investments				
(i) Transactions with subsidiaries				
Dividend received/receivable from subsidiaries	-	-	234,353	353,083
Management fees charged to subsidiaries	-	-	148,671	59,843
(ii) Transactions with joint ventures				
Sales of CPO by FGVPM to FISB Group	1,365,665	1,826,595	-	-
Sales of CPKO, RBDPKO and PFAD by FKPSB to FISB Group and FPG	1,135,348	1,661,119	-	-
Sales of Processed Palm Oil ("PPO") by FGV Trading to FISB Group	136,146	223,411	-	-
Sales of CPO by FGVPM to MAPAK	228,612	353,468	-	-
Provision of storage space for vegetable oil by FBSB to FISB Group and FPG	14,904	14,900	-	-
(iii) Transactions with an associate				
Sales of PPO by FGV Trading to FKW	21,278	43,179	-	-
(iv) Transactions with FELDA and its subsidiaries				
Sales of fertilizer by FGVF	104,158	275,384	-	-
IT services rendered by Prodata	25,230	27,974	-	-
Security services rendered by FSSSB	23,564	21,777	-	-
Sales of seedlings and planting materials by FASSB	16,647	12,788	-	-
Maintenance and consultancy services by FESSB	6,602	39,544	-	-
Travel and hospitality services by Felda Travel	10,980	10,472	-	-
Contributions to Yayasan FELDA	5,762	2,044	-	-

57 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(b) Purchase of goods and services				
(i) Transactions with subsidiaries				
Finance costs charged by by FGVC	-	-	27,214	14,464
Purchase of IT services from Prodata	-	-	6,383	13,465
Purchase of security services from FSSSB	-	-	510	809
Purchase of travel sevices from Felda Travel	-	-	3,074	3,875
(ii) Transactions with FELDA and its subsidiaries				
Finance expense charged	61,932	77,746	61,932	77,746
Building rental charged	22,383	27,356	6,976	8,924
LLA liability paid by FGVPM	298,651	307,129	-	-
Purchase of latex by FRISB	125,512	147,300	-	-
Purchase of FFB by FPISB and FGVPM	2,838,442	3,756,304	-	-
Joint Consultative Committee payment by FPISB and FGVPM to FELDA	12,678	12,783	-	-
(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 Perdagangan Dalam Negeri, Koperasi dan Kepenggunaan	20,669	71,701	-	-
Cess payment to MPOB	36,724	38,911	-	-

57 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fees	2,546	2,463	2,203	1,774
Salaries and bonuses	22,423	15,803	20,992	14,650
Defined contribution and benefit plans	5,697	4,803	5,431	4,618
Other short-term employee benefits	5,793	5,983	4,297	4,014
	36,459	29,052	32,923	25,056

(e) Loans due from subsidiaries

Terms and conditions of the loans are disclosed in Note 35 to the financial statements.

	Company	
	2018 RM'000	2017 RM'000
At 1 January	3,664	206,013
Addition	249,464	-
Repayment	(246,129)	(202,349)
At 31 December	6,999	3,664

57 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Loans due from joint ventures

Terms and conditions of the loan are disclosed in Note 32 to the financial statements.

	Group	
	2018 RM'000	2017 RM'000
At 1 January	71,431	54,222
Addition	-	22,510
Provision for impairment	(2,300)	-
Currency translation difference	1,070	(5,301)
At 31 December	70,201	71,431

(g) Dividend payable to other related company

	Group	
	2018 RM'000	2017 RM'000
KPF	-	123,561

58 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	
	2018 RM'000	2017 RM'000
Within 1 year	36,834	39,436
Between 1 and 2 years	14,102	17,727
Between 2 and 3 years	12,410	8,130
Between 3 and 4 years	10,183	6,736
Between 4 and 5 years	8,063	6,304
More than 5 years	6,323	9,170
	87,915	87,503

The lease payments recognised in profit or loss during the financial year amounted to RM26,021,000 (2017: RM26,656,000).

(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	
	2018 RM'000	2017 RM'000
Within 1 year	2,134	2,089
Between 1 and 2 years	2,134	2,089
Between 2 and 3 years	2,134	2,089
Between 3 and 4 years	2,134	2,089
Between 4 and 5 years	2,134	2,089
	10,670	10,445

58 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 RM1,955,000 (2017: RM2,201,000).

(b) Capital commitments

	Group	
	2018 RM'000	2017 RM'000
Capital expenditure approved and contracted for:		
- Property, plant and equipment	404,636	514,209
- Intangible asset	2,941	-
	407,577	514,209

59 CONTINGENT LIABILITIES

On 21 September 2017, Delima Oil Products Sdn. Bhd. ("DOP"), an indirect subsidiary of the Company, was sued by a company in China known as Chengdu Azonda International Trading Co., Ltd. ("Azonda"). The Plaintiff claims that they have incurred damages due to the alleged shipment issues in 2016 and 2017 amounting to RM7.0 million as well as loss of future profits approximately RM46.0 million.

On 3 November 2017, DOP filed its Statement of Defence and Counterclaim and Azonda filed its Reply to Defence and Defence to Counterclaim on 15 November 2017. The Court had heard part trial the matter on 15 January 2019 and continued another part heard on 4 March 2019 to 6 March 2019. The matter now is fixed for continued trial on 12 April 2019.

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

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

60 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(i) On 9 February 2018, the Board of Directors announced that the Joint Venture and Shareholders' Agreement ("JVSA") between Felda Global Ventures Downstream Sdn. Bhd. and Lipid Venture Sdn. Bhd. dated 13 November 2013 has been mutually terminated and shall have no further effect. The termination of this JVSA would not have any financial impact on FGV and its subsidiaries.

(ii) On 14 May 2018, Felda Palm Industries Sdn Bhd, an indirect subsidiary of FGV entered into a sale and purchase agreement ("SPA") with Orient View Sdn Bhd for the proposed disposal of 30% of the issued share capital of Taiko Clay Chemicals Sdn Bhd for a cash consideration of RM145.0 million. On 23 August 2018, the disposal has completed in accordance with the terms and conditions of the SPA and the balance purchase price has been duly received, resulting in a loss on disposal of RM18.49 million.

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

(iv) On 27 August 2018, the Board of Directors announced that ProXcel Sdn Bhd ("ProXcel"), an indirect joint venture company of FGV, has been placed under members' voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. A liquidator has been appointed for ProXcel on the same day. The members' voluntary winding-up of ProXcel will not have any material impact on the net assets and earnings per share of FGV for the financial year ending 31 December 2018.

(v) On 5 July 2018, the Board had established a three member Special Board Committee ("SBC") to monitor the performance of FGV closely; engage directly with the Group President/Chief Executive ("GP/CEO") regularly on the progress of key result areas; ascertain the sufficiency of steps being taken and planned, for the attainment of such key result areas; and make such recommendations and give directions to the management where appropriate.

The three members of the SBC were FGV Chairman, Datuk Wira Azhar Abdul Hamid and Board members, Datuk Dr Salmiah Ahmad and Dr Nazeeb Alithambi.

(vi) On 13 September 2018, a Notice of Inquiry was issued to the GP/CEO of FGV, following the conclusion of internal investigations. Following the Notice of Inquiry, the GP/CEO's powers and authorities vested in him as the GP/CEO of FGV have been suspended pending further notification by the Board.

In the interim, the Special Board Committee 2 comprising of four (4) FGV Directors, namely its Chairman, Datuk Wira Azhar Abdul Hamid, Datuk Dr. Salmiah Ahmad, Dr. Mohamed Nazeeb P. Alithambi and Datin Hoi Lai Ping, had taken over the responsibilities to perform the functions of the GP/CEO of FGV.

(vii) On 18 September 2018, Dato' Zakaria Arshad resigned as the Group GP/CEO of FGV, thus the suspension ended.

60 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(viii) APL was acquired by FGVH in 2014 for cash consideration of RM568 million, resulted in goodwill on acquisition of RM513 million. At the date of acquisition, the fair value of net assets of APL included external borrowings of RM517 million assumed by FGVH group, which had been subsequently settled by FGVH on APL's behalf. The Board is of the view that effectively FGVH had paid a total of RM1,081 million for its investment in APL.

The goodwill which arose from the acquisition of APL had been assessed for impairment on an annual basis in accordance with MFRS 136 "Impairment" as part of the Palm Upstream group of cash generating units ("CGUs"), as this group of CGUs is expected to benefit from the synergies of the combination, which represented the lowest level within the Group at which goodwill was monitored. On this basis, the goodwill had been assessed as fully recoverable.

APL has been loss making since acquisition, despite efforts undertaken by management to improve its performance due to several challenges faced by APL in particular due to its geographical location, labour shortages and weather. APL had also suffered crop losses over the years, which require significant efforts to rehabilitate the estate assets. Management has reorganised its reporting structure to review APL operations separately from the other Palm Upstream operations with effect from the quarter ended 30 September 2018. Accordingly, the goodwill on the acquisition of APL has been retained in APL.

Based on the impairment assessment performed subsequent to the reorganization of its reporting structure, an impairment loss of RM513 million has been recognized in the consolidated financial statements for the period ended 30 September 2018.

(ix) On 1 October 2018, FGV changed its registered address to Level 21, Wisma FGV, Jalan Raja Laut 50350 Kuala Lumpur.

(x) On 12 October 2018, Encik Ahmad Tifli Dato' Haji Mohd Talha resigned as the Group Chief Financial Officer ("GCFO"). Puan Aznur Kama Azmir, Head of Group Finance Division was appointed as the Acting GCFO of FGV on 18 October 2018.

(xi) On 24 October 2018, Datuk Wira Azhar Abdul Hamid was appointed as an Interim Chief Executive Officer until a new Chief Executive Officer is appointed. This appointment on an interim basis had been concurred by the Minister of Finance (Incorporated). The Special Board Committee 2, which took over the responsibilities to perform the functions of the GP/CEO since 18 September 2018 was disbanded. His current role as Chairman of FGV Board remains unchanged.

(xii) On 23 November 2018, the Board of Directors announced that the Company has commenced legal proceedings in Kuala Lumpur Court against 14 defendants consist of former Directors and Employees of FGV. The suit concerns the Company's acquisition of 100% equity interest in Asian Plantation Limited ("APL") via a voluntary conditional cash offer in 2014. The Company brought this action for loss suffered from their failure to discharge their respective fiduciary duty, duty of fidelity and/or duty to exercise reasonable care, skill and diligence.

The Company seeks the damages totalling RM514 million for loss arising from the acquisition of APL, general damages with 5% interest rate per annum starting from the date of the filling of the suit until the date of full and final settlement; costs with 5% interest rate per annum on the amount of costs awarded starting from the date when the costs was awarded until the date of full and final settlement as well as other reliefs that the Court deems fit and proper. The Company is currently assessing the financial impact arising from this litigation and will make a further announcement at a later date. However, there is no impact on existing operations.

61 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(i) On 2 January 2019, Dato' Mohd Hairul Abdul Hamid has been appointed as Chief Financial Officer of FGV.

(ii) On 3 January 2019, in relation to the Termination of the Joint Venture Agreement between FGV Myanmar (L) Pte. Ltd., a wholly owned subsidiary of the Company and Pho La Min Trading Company Limited in 12 May 2017, the Board of Directors of the Company announced that FGV Pho La Min Co., Ltd. ("FGV PLM"), the indirect joint venture of the Company has been terminated. This was following the notification received from The Government of the Republic of the Union of Myanmar, Ministry of Investment and Foreign Economic Relations, Directorate of Investment and Company Administration. As a result, FGV PLM has ceased to be a joint venture company of the Group. The termination will not have material financial impact to the Group for the financial year ending 31 December 2019.

(iii) On 23 January 2019, Dato' Haris Fadzilah Hassan has been appointed as a new Chief Executive Officer and his appointment has been concurred by the Minister of Finance (Incorporated). With the appointment of Dato' Haris Fadzilah Hassan as Chief Executive Officer, Datuk Wira Azhar Abdul Hamid has resigned as the Interim Chief Executive Officer.

(iv) On 12 February 2019, all Defendants to the suit filed by FGV on 23 November 2018 against its former members of the Board of Directors and former employees on the acquisition of APL ("Company suit") have filed their respective Defences except for one, who is directed by the High Court to file his Defence on or before 4 March 2019.

On 11 February 2019, certain Defendants to the Company suit have filed a counterclaim ("the Counterclaim") against FGV and the current members of the Board of Directors of FGV ("Counterclaim Defendants"). The Counterclaim seeks reliefs, jointly and severally, against FGV and the Counterclaim Defendants for declaration that FGV and the Counterclaim Defendants are liable for the loss of RM514 million (in the Company's suit) and for any damages, general damages and interest at 5% per annum to be indemnified by FGV and Counterclaim Defendants. The Company's solicitors are in the process of reviewing the Counterclaim and advising FGV on the same.

(v) On 12 February 2019, the member's voluntary winding up process for Felda Plantations Sdn. Bhd. ("FPSB"), a dormant and indirect subsidiary of the Company has been completed and was deemed fully dissolved pursuant to Section 459(5) of the Companies Act 2016.

(vi) On 20 February 2019, the process to strike-off the name of Felda Global Ventures Rubber Sdn. Bhd. ("FGVR"), a wholly-owned subsidiary of the Company, from the Register of the Companies Commission of Malaysia under Section 550 of the Companies Act 2016 ("the Act") has been duly dissolved under the Act. The dissolvement will not have material financial impact to the Group for the financial year ending 31 December 2019.

62 FIRST TIME ADOPTION OF MFRS FRAMEWORK

Transition from FRS to MFRS

As stated in Note 2 to the financial statements, these are the first set of financial statements of the Group and the Company for the year ended 31 December 2018, prepared in accordance with MFRSs and applying MFRS 1 'First-time Adoption of MFRSs'. Aside from the short-term exemption on first-time application of MFRS 9 'Financial Instruments' and certain transition elections disclosed in Note 3(g), the Group and the Company have consistently applied the same accounting policies in its opening MFRS statement of financial position at the date of transition, 1 January 2017, and throughout all periods presented, as if these policies had always been in effect. These policies comply with each MFRS effective as at 31 December 2018, including MFRS 15 'Revenue from Contracts with Customers' and MFRS 141 'Agriculture'. The financial statements for financial year 2017 were prepared in accordance with Financial Reporting Standards (FRSs). Accordingly, the comparative figures for 2017 in these financial statements have been restated to give effect to these changes. Note 62(a) discloses the impact of the transition to MFRS on the Group's reported financial position, financial performance and cash flows.

(i) MFRS 1 "First time adoption of Malaysian Financial Reporting Standards" ("MFRS 1")

The Group and the Company have applied the following mandatory exceptions as required by MFRS 1:

(a) Estimates

MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

(b) Classification and measurement of financial assets

For financial assets that exist at the beginning of the first MFRS reporting period, at 1 January 2018, an assessment was performed as to whether a financial asset meets the condition to be classified and measured as financial asset measured at amortised cost or financial asset measured at fair value through other comprehensive income in accordance with MFRS 9 on the basis of the facts and circumstances that exist at the beginning of the first MFRS reporting period.

(c) Impairment of financial assets

Impairment requirements in MFRS 9 are applied retrospectively for debt instruments measured at amortised cost or fair value through other comprehensive income, lease receivable, contract asset or loan commitment. The requirements are applied using reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the initial recognition of financial instrument and compare that to the credit risk at the beginning of the first MFRS reporting period, at 1 January 2018, to determine if there has been a significant increase in credit risk.

(d) Hedge accounting

Hedge accounting can only be applied prospectively from the date of transition to a hedging relationship that qualifies for hedge accounting under MFRS 9 at date of transition. Hedging relationships cannot be designated retrospectively.

62 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

Transition from FRS to MFRS (continued)

(i) MFRS 1 "First time adoption of Malaysian Financial Reporting Standards" ("MFRS 1") (continued)

As provided in MFRS 1, the Group and the Company as first time adopters of MFRS have elected to apply the following exemptions on other MFRSs from a full retrospective application as explained below:

- Business combinations

  MFRS 1 provides the option to apply MFRS 3 "Business combinations" prospectively for business combinations (including acquisition of interests in associates, joint ventures and joint operations that constitute businesses) that occurred from the transition date or from a designated date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date or a designated date prior to the transition date. The Group elected to apply MFRS 3 prospectively to business combinations that occurred after 1 January 2017. Business combinations that occurred prior to 1 January 2017 have not been restated. The Group has also applied MFRS 10 "Consolidated financial statements" from the same date.

- Previous revaluation as deemed cost – Property, plant and equipment

  Under FRSs, valuation adjustments on certain plantation land and building were incorporated into the financial statements. The Group and Company elected to use the previous revaluation as deemed cost as at the date of revaluation. Accordingly, the carrying amounts of these plantation land and building have not been restated.

- Previous FRS carrying amounts as deemed cost – Investment in subsidiaries, joint ventures and associates

  The Group and Company elected to use the previous FRS carrying amounts as deemed cost as at the date of transition. Accordingly, the carrying amounts of these investment in subsidiaries, joint ventures and associates have not been restated.

- Revenue

  The Group has elected to apply the following practical expedients under MFRS 15:

  (i) No restatement of completed contracts that begin and end within the same annual reporting period;

  (ii) No restatement for completed contracts as at transition date;

  (iii) The use of transaction price at the date contract was completed for completed contracts in the comparative period with variable consideration;

  (iv) No restatement of contract modifications that occurred before transition date;

  (v) No disclosure is required on the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise the amount as revenue for all reporting periods presented before the first MFRS reporting period, at 1 January 2018.

62 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

Transition from FRS to MFRS (continued)

(ii) First time application of MFRS 9

The Group and the Company elected the short-term exemption on first-time application of MFRS 9 in accordance with MFRS 1. The comparative information in the Group's and the Company's first MFRS financial statements in respect of items within the scope of MFRS 9 are accounted for based on the requirements of FRS 139 'Financial Instruments: Recognition and Measurement'. Accordingly, the comparative information in the Group's and the Company's first MFRS financial statements in respect of these items have not been restated to comply with the requirements of MFRS 9. See Note 62(b) on change in accounting policy of the Group arising from this short-term exemption.

(iii) MFRS 141 "Agriculture" ("MFRS 141")

As at 1 January 2017, the biological assets are measured at fair value less costs of disposal. Changes in fair value less costs of disposal are recognised in profit or loss. Harvested fresh fruit bunches are transferred to inventories at fair value less costs to sell when harvested. The effects from the adoption of MFRS 141 on the financial statements are disclosed in Note 62(a).

62 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

Impact of first time adoption of MFRS framework

(a) MFRS 15 and MFRS 141

The transition to the MFRS framework have resulted in changes to the Group's accounting policies when compared to those policies adopted in applying the FRS issued by the Malaysian Accounting Standards Board ("MASB"). The effects arising from these changes on the Group's statements of comprehensive income, statements of financial position and statements of cash flows are set out in the reconciliations below:

Group	Restatement of comparative figures			
	Financial year ended 31 December 2017			
Impact on statement of comprehensive income:	As per previous accounting framework RM'000	MFRS 15 RM'000	MFRS 141 RM'000	As per current accounting framework RM'000
Revenue	16,939,704	(17,930)	-	16,921,774
Cost of sales (Note 63)	(14,981,874)	(176,963)	(9,510)	(15,168,347)
Selling and distribution costs	(370,504)	190,339	-	(180,165)
Operating profit	499,427	(4,554)	(14,493)	480,380
Taxation	(203,488)	(118)	3,478	(200,128)
Profit for the financial period	208,046	(4,672)	(6,032)	197,342
Profit attributable to:				
- Owners of the Company	143,727	(6,860)	(5,939)	130,928
- Non-controlling interests	64,319	2,188	(93)	66,414
	208,046	(4,672)	(6,032)	197,342
Total comprehensive income for the financial year	62,594	(4,672)	(6,032)	51,890
Total comprehensive income attributable to:				
- Owners of the Company	31,569	(6,860)	(5,939)	18,770
- Non-controlling interests	31,025	2,188	(93)	33,120
	62,594	(4,672)	(6,032)	51,890
Earning per share ("EPS") attributable to owners of the Company:				
Basic and diluted EPS (sen)	3.9			3.6

62 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

Impact of first time adoption of MFRS framework (continued)

(a) MFRS 15 and 141 (continued)

Group	Restatement of comparative figures							
	As at 31 December 2017				As at 1 January 2017			
Impact on statements of financial position:	As per previous accounting framework RM'000	MFRS 15 RM'000	MFRS 141 RM'000	As per current accounting framework RM'000	As per previous accounting framework RM'000	MFRS 15 RM'000	MFRS 141 RM'000	As per current accounting framework RM'000
Non-current assets								
Property, plant and equipment	10,445,915	-	207	10,446,122	10,073,774	-	337	10,074,111
Biological assets	23,931	-	(23,931)	-	29,044	-	(29,044)	-
Current assets								
Inventories	2,126,893	5,410	-	2,132,303	2,189,255	-	-	2,189,255
Biological assets	-	-	54,338	54,338	-	-	68,831	68,831
Receivables	1,376,916	(2,940)	-	1,373,976	1,755,127	8,131	-	1,763,258
Contract assets	-	13,091	-	13,091	-	17,351	-	17,351
Total assets	20,560,618	15,561	30,614	20,606,793	21,026,686	25,482	40,124	21,092,292

62 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

Impact of first time adoption of MFRS framework (continued)

(a) MFRS 15 and 141 (continued)

Group	Restatement of comparative figures							
	As at 31 December 2017				As at 1 January 2017			
Impact on statements of financial position: (continued)	As per previous accounting framework RM'000	MFRS 15 RM'000	MFRS 141 RM'000	As per current accounting framework RM'000	As per previous accounting framework RM'000	MFRS 15 RM'000	MFRS 141 RM'000	As per current accounting framework RM'000
Equity								
Reorganisation reserve	(3,060,790)	-	(28,707)	(3,089,497)	(3,060,790)	-	(28,707)	(3,089,497)
Retained earnings	1,525,806	(7,064)	45,820	1,564,562	1,606,827	(204)	51,759	1,658,382
Non-controlling interests	2,253,398	2,074	460	2,255,932	2,403,166	(114)	553	2,403,605
Non-current liabilities								
Deferred tax liabilities	799,304	18	13,041	812,363	832,908	(100)	16,519	849,327
Current liabilities								
Payables	1,217,064	(38,181)	-	1,178,883	1,460,240	(18,735)	-	1,441,505
Contract liabilities	-	58,714	-	58,714	-	44,635	-	44,635
Total equity and liabilities	20,560,618	15,561	30,614	20,606,793	21,026,686	25,482	40,124	21,092,292

62 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

Impact of first time adoption of MFRS framework (continued)

(a) MFRS 15 and 141 (continued)

Group	Restatement of comparative figures			
	Financial year ended 31 December 2017			
Impact on statements of cash flows	As per previous accounting framework RM'000	MFRS 15 RM'000	MFRS 141 RM'000	As per current accounting framework RM'000
Profit/(loss) for the financial year	208,046	(4,672)	(6,032)	197,342
Taxation	203,488	118	(3,478)	200,128
Depreciation of property, plant and equipment	572,818	-	93	572,911
Property, plant and equipment written off	22,901	-	37	22,938
Amortisation of biological assets	93	-	(93)	-
Biological assets writen off	5,852	-	(5,852)	-
Changes in biological assets	-	-	14,493	14,493
Working capital changes – inventories	58,846	(5,410)	-	53,436
Working capital changes – receivables	324,225	11,071	-	335,296
Working capital changes – payables	(220,582)	(1,107)	-	(221,689)
Net cash generated from operations	1,751,264	-	(832)	1,750,432
Addition of biological assets	(832)	-	832	-
Net cash used in investing activities	(816,191)	-	832	(815,359)

The adoption of MFRS 15 and MFRS 141 did not have any impact on the Company's financial statements.

62 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

Impact of first time adoption of MFRS framework (continued)

(a) MFRS 15 and 141 (continued)

Transitioning adjustments arising from MFRS 15 and MFRS 141

The following tables present the reconciliations from FRS to MFRS for the respective periods noted for equity, including adjustments arising from initial application of MFRS 15 'Revenue' and MFRS 141 'Agriculture'.

Reconciliation of equity

	Note	Group 1.1.2017 (Date of transition) RM'000	Group 31.12.2017 RM'000
Equity as reported under FRS		8,197,541	7,860,443
Add/(Less): Transitioning adjustments arising from MFRS 15:			
Change in timing of revenue recognised due to additional performance obligation identified	62(a)(i)	(418)	(4,972)
Deferred tax arising from MFRS 15 transitioning adjustments		100	(18)
Add/(Less): Transitioning adjustments arising from MFRS 141:			
Remeasurement of biological asets to fair value	62(a)(v)	68,831	54,338
Deferred tax arising from MFRS 141 transitioning adjustments		(16,519)	(13,041)
Change in recognition of forest to reorganisation reserve		(28,707)	(23,724)
Equity on transition		8,220,828	7,873,026

No adjustments made to Company's equity arising from initial application of MFRS 15 'Revenue' and MFRS 141 'Agriculture'.

(i) Revenue – Determining separate performance obligations

Under MFRS 15, certain contracts for the sale of palm oil products and sugar include bundled deliverables, such as the delivery of the goods on board vessels or tankers being bundled with provision of transportation or freight services. For each deliverable to be a separate performance obligation, it needs to be distinct, where the goods or service is distinct from the context of the contract as well being enjoyable or beneficial to the customer on its own.

62 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

Impact of first time adoption of MFRS framework (continued)

(a) MFRS 15 and 141 (continued)

Transitioning adjustments arising from MFRS 15 and MFRS 141 (continued)

(i) Revenue – Determining separate performance obligations (continued)

In assessing whether the bundled deliverables have separate performance obligations, management determined that in most cases, these contracts are simple where each goods or service benefits the customer on its own without having to be significantly integrated, modified, customised and not highly interrelated with each other.

Arising from this, transportation costs incurred prior to the transfer of control of sales of goods from the sugar operation to customers are regarded as cost of fulfilment of the contract.

Freight services performed after the transfer of control of sales of goods are regarded as a separate performance obligation and recognised over time depending on the terms of the contract. Contract liability is recognised at year end for freight services billed (together with sales of goods) but where the provision of services is ongoing.

(ii) Reclassification of costs relating to fulfillment of revenue contracts

Prior to the adoption of MFRS 15, freight costs incurred for delivery of goods to customer port were recognised as part of selling and distribution expenses. Upon adoption of MFRS 15, these freight costs are reclassified to cost of sales as the costs were incurred to fulfill the Group’s sales contracts.

(iii) Reclassification of advances received from customers to contract liabilities

Prior to the adoption of MFRS 15, advances from customers were recognised as other payables in the Group’s financial statements. Upon adoption of MFRS 15, these advances are reclassified to contract liabilities as the advances were received for the fulfillment of the sales contracts.

(iv) Reclassification of amounts due from customers on contracts to contract assets

Prior to the adoption of MFRS 15, where the revenue recognised for a construction contract exceed the progress billings, the balance was shown as amount due from customer on contract. Upon adoption of MFRS 15, these amounts due from customers on contracts are reclassified to contract assets.

(v) Remeasurement of biological assets to fair value

Under FRS, agricultural produce growing on bearer plants was not recognised as an asset.

Under MFRS 141, the agricultural produce growing on bearer plants meets the definition of biological asset. The agricultural produce is measured at fair value less costs to sell, with fair value changes recognised in profit or loss as the produce grows.

62 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

Impact of first time adoption of MFRS framework (continued)

(b) Change in accounting policy upon application of MFRS 9

The accounting policies were changed to reflect the application of MFRS 9 from the beginning of the first MFRS reporting period. MFRS 9 replaces the provisions of FRS 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. MFRS 9 also significantly amends other standards dealing with financial instruments such as MFRS 7 'Financial Instruments: Disclosures'. The cumulative effects of the changes are recognised in the statements of financial position as at the beginning of the first MFRS reporting period, which is on 1 January 2018.

The nature of adjustments made to the statements of financial position of the Group and the Company as at 1 January 2018 in respect of items within the scope of MFRS 9 are described as follows:

(i) Classification and measurement of financial assets

Until 31 December 2017, financial assets were classified in the following categories: financial assets at fair value through profit or loss ('FVPL'), loans and receivables, and available-for-sale ('AFS') financial assets. Note 3(h) sets out the details of accounting policies for classification and measurement of financial instruments under FRS 139.

From 1 January 2018, the Group and the Company applies the following MFRS 9's classification approach to all types of financial assets, including those that contain embedded derivative features:

- Investments in debt instruments: There are 3 subsequent measurement categories: amortised cost, fair value with changes either recognised through other comprehensive income ('FVOCI') or through profit or loss ('FVPL').

- Investments in equity instruments: These instruments are always measured at fair value with changes in fair value presented in profit or loss unless the Group and the Company has made an irrevocable choice to present changes in fair value in other comprehensive income ('OCI') for investments that are not held for trading.

- Embedded derivatives in financial asset host contracts: The Group and the Company apply the classification and measurement of financial assets to the entire hybrid instrument for financial assets with embedded derivatives.

The new accounting policies for classification and measurement of financial instruments under MFRS 9 are set out in Note 3(h).

62 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

Impact of first time adoption of MFRS framework (continued)

(b) Change in accounting policy upon application of MFRS 9 (continued)

(i) Classification and measurement of financial assets (continued)

To reflect this change in accounting policies, the Group and the Company have made the following reclassification of financial assets upon application of MFRS 9:

- Reclassification of investment in debt securities from AFS to FVPL

  Investment in debt securities were reclassified from AFS to financial assets at FVPL because their contractual cash flows do not represent solely payment of principal and interest ('SPPI'). Related fair value gains were transferred from AFS reserves, along with the related deferred tax expense impact, to retained earnings on 1 January 2018.

- Reclassification of investment in non-trading equity securities from AFS to FVOCI

  The Group and the Company elected to present in OCI changes in the fair value of all its investments in equity securities previously classified as AFS, because these investments are not held for trading or arise from contingent consideration recognised by acquirer in business combination. As a result, investments in these equity securities were reclassified from AFS financial assets to financial assets at FVOCI. Related AFS reserves were reclassified to FVOCI reserve on 1 January 2018.

(ii) Impairment of financial assets

Until 31 December 2017, the Group and the Company assessed the impairment of loans and receivables and AFS financial assets based on the incurred impairment loss model. Note 3(h) sets out the details of accounting policies for impairment of financial assets under FRS 139.

From 1 January 2018, the Group and the Company apply expected credit loss ('ECL') model to determine impairment on investment in debt instruments that are measured at amortised cost and at FVOCI. The new accounting policies for impairment under MFRS 9 are set out in Note 3(h).

- Trade receivables and contract assets that do not contain significant financing components

  For all trade receivables and contract assets that do not contain significant financing components, the Group and the Company apply the MFRS 9 simplified approach which is to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life. This resulted in the recognition of additional loss allowances for trade receivables on 1 January 2018.

62 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

Impact of first time adoption of MFRS framework (continued)

(b) Change in accounting policy upon application of MFRS 9 (continued)

(ii) Impairment of financial assets (continued)

- Loans to subsidiaries

  Loans to subsidiaries that are repayable on demand and interest-free are classified as amortised cost in the Company's financial statements because the Company's business model is to hold and collect the contractual cash flows and those cash flows represent SPPI. The Company applied the general 3-stage approach when determining ECL for these loans to subsidiaries.

  No additional loss allowance is recognised on these loans to subsidiaries upon application of MFRS 9 as all strategies indicate that the Company could fully recover the outstanding balance of the loans to subsidiaries.

The total impact of adjustments made to the Group's retained earnings and reserves as at 1 January 2018 in respect of items within the scope of MFRS 9 are as follows:

Group	Retained earnings RM'000
Balance as at 31 December 2017	1,564,562
Change in accounting policy based on MFRS 1 short-term exemption applied on items within scope of MFRS 9 (net of tax effects):	
Reclassification of investments in debt securities from AFS to FVPL	6,576
Increase in loss allowance of financial assets	(31,468)
Adjustment to retained earnings upon application of MFRS 9	(24,892)
As restated at 1 January 2018	1,539,670

62 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

Impact of first time adoption of MFRS framework (continued)

(b) Change in accounting policy upon application of MFRS 9 (continued)

The total impact of adjustments made to the Group's retained earnings and reserves as at 1 January 2018 in respect of items within the scope of MFRS 9 are as follows: (continued)

	FVOCI reserves RM'000
Balance as at 31 December 2017	
Change in accounting policy based on MFRS 1 short-term exemption applied on items within scope of MFRS 9:	
Reclassify non-trading equity securities from AFS to FVOCI	(12,811)
As restated at 1 January 2018	(12,811)

	AFS reserves RM'000
Balance as at 31 December 2017	(6,235)
Change in accounting policy based on MFRS 1 short-term exemption applied on items within scope of MFRS 9:	
Reclassify debt securities from AFS to FVPL	(6,576)
Reclassify non-trading equity securities from AFS to FVOCI	12,811
As restated at 1 January 2018	-

No adjustments made to the Company's retained earnings and reserves as at 1 January 2018 in respect of items within the scope of MFRS 9.

62 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

Impact of first time adoption of MFRS framework (continued)

(b) Change in accounting policy upon application of MFRS 9 (continued)

The adjustments made to the Group's statements of financial position in respect of items within the scope of MFRS 9 are as follows:

	Measurement category		Carrying amount			
Group	Previous accounting framework (FRS 139)	New accounting framework (MFRS 9)	31.12.2017 RM'000	Reclassifications RM'000	Impairment RM'000	1.1.2018 RM'000
Non-current financial asset						
AFS - debt securities	AFS	-	66,575	(66,575)	-	-
FVTPL	-	FVPL	-	66,575	-	66,575
AFS - equity securities	AFS	-	91,302	(91,302)	-	-
FVOCI	-	FVOCI	-	91,302	-	91,302
Current financial assets						
Receivables	Loan and receivables	Amortised cost	1,376,916	-	(9,760)	1,367,156
Amount due from a significant shareholder	Loan and receivables	Amortised cost	215,389	-	(12,470)	202,919
Amount due from joint ventures	Loan and receivables	Amortised cost	472,938	-	(478)	472,460
Amount due from other related companies	Loan and receivables	Amortised cost	146,789	-	(8,264)	138,525
Investment in equity securities	AFS	-	6,409	(6,409)	-	-
Investment in equity securities	-	FVPL	-	6,409	-	6,409
Non-current liabilities						
Borrowings	Amortised cost	Amortised cost	733,234	-	-	733,234
Capital and reserves						
Other reserves:						
- FVOCI reserves			-	(12,811)	-	(12,811)
- AFS reserves			(6,235)	6,235	-	-
Retained earnings			1,559,579	6,576	(31,468)	1,534,687
Non-controlling interests			2,255,932	-	496	2,256,428

No adjustments made to the Company's statement of financial position in respect of items within the scope of MFRS 9.

63 COMPARATIVES

The following comparatives have been restated to conform with current year presentation which more accurately reflect the nature of the relevant transactions.

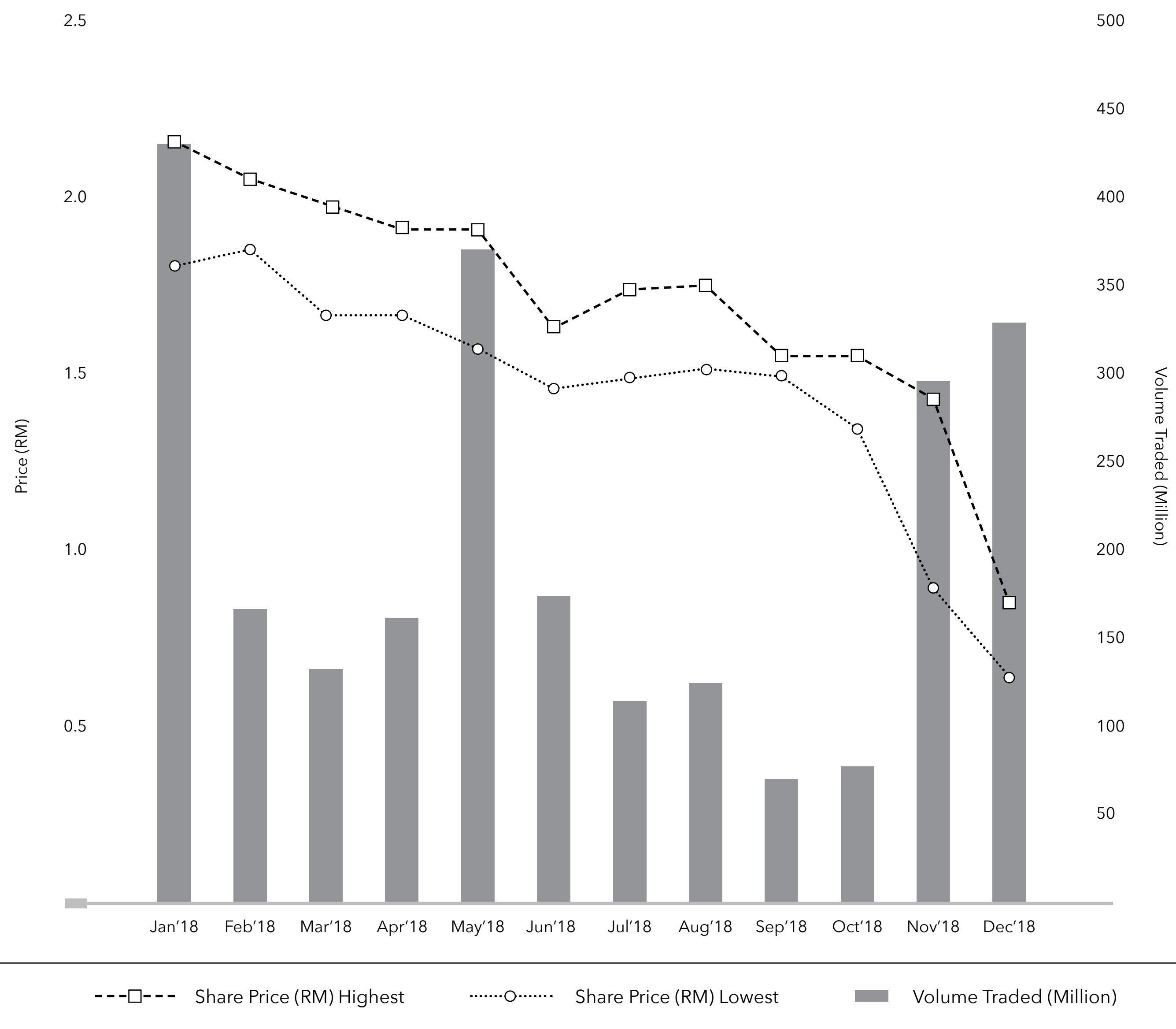
Statement of comprehensive income for the financial year ended 31 December 2017	As restated on adoption of MFRS framework RM'000	Reclassification RM'000	As restated RM'000
Group			
- Cost of sales (Note 62 (a))	(15,168,347)	14,417	(15,153,930)
- Administrative expenses	(982,299)	91,223	(891,076)
- Impairment of financial assets (net)	-	(101,589)	(101,589)
- Impairment of non-financial assets (net)	-	(14,417)	(14,417)
- Other operating expenses	(51,825)	10,366	(41,459)
Company			
- Administrative expenses	(116,020)	(1)	(116,021)
- Other operating expenses	(69)	1	(68)

64 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 March 2019.

SHARE PRICE MOVEMENT

FGV Share Price Performance 2018



	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18	Nov'18	Dec'18
Share Price (RM) Highest	2.15	2.04	1.96	1.90	1.89	1.62	1.73	1.74	1.55	1.55	1.42	0.85
Share Price (RM) Lowest	1.80	1.83	1.66	1.66	1.57	1.45	1.48	1.51	1.49	1.34	0.89	0.64
Volume Traded (Million)	429	165	132	160	368	174	113	123	69	76	295	328

FINANCIAL CALENDAR

Financial Calendar 2018

Quarterly Results

23 February 2018
Announcement of the unaudited consolidated results for the 4th quarter ended 31 December 2017.

28 May 2018
Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2018.

28 August 2018
Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2018.

28 November 2018
Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2018.

Annual Audited Accounts

30 April 2018
Announcement of the Annual Audited Accounts for the financial year ended 31 December 2017.

Annual General Meeting and Extraordinary General Meeting

30 April 2018
Notice of the Tenth (10th) Annual General Meeting and issuance of Annual Integrated Report 2017.

5 June 2018
Notice and issuance of Circular to Shareholders of the Extraordinary General Meeting.

28 June 2018
Tenth (10th) Annual General Meeting and Extraordinary General Meeting.

Financial Calendar 2019

Quarterly Results

28 February 2019
Announcement of the unaudited consolidated results for the 4th quarter ended 31 December 2018.

Annual Audited Accounts

29 April 2019
Announcement of the Annual Audited Accounts for the financial year ended 31 December 2018.

Annual General Meeting

29 April 2019
Notice of the Eleventh (11th) Annual General Meeting and issuance of Annual Integrated Report 2018.

25 June 2019
Eleventh (11th) Annual General Meeting.

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

Issued and Paid-up Share Capital	:	3,648,151,500 ordinary shares and 1 special share
Class of Shares	:	Ordinary shares Special share
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	535	0.81	4,743	0.00
100 to 1,000	41,647	62.96	32,631,232	0.89
1,001 to 10,000	15,663	23.68	78,049,918	2.14
10,001 to 100,000	7,157	10.82	235,644,085	6.46
100,001 to less than 5% of issued shares	1,138	1.72	1,304,688,047	35.76
5% and above of issued shares	7	0.01	1,997,133,475	54.75
TOTAL	**66,147**	**100.00**	**3,648,151,500**	**100.00**

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.	DATUK WIRA AZHAR ABDUL HAMID	694,500	0.02	-	-
2.	MOHD HASSAN AHMAD	-	-	-	-
3.	DATO' DR. OTHMAN HAJI OMAR	-	-	-	-
4.	DATO' YUSLI MOHAMED YUSOFF	-	-	-	-
5.	DATO' MOHAMED SUFFIAN AWANG	-	-	-	-
6.	DATUK DR. SALMIAH AHMAD	-	-	-	-
7.	DR. MOHAMED NAZEEB P.ALITHAMBI	7,000	0.00	-	-
8.	DATUK MOHD ANWAR YAHYA	-	-	-	-
9.	DR. NESADURAI KALANITHI	-	-	-	-
10.	DATIN HOI LAI PING	-	-	-	-

Note :

- *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 2018.*
- *Dato' Haris Fadzilah Hassan, Group Chief Executive Officer of FGV who is not a Director of FGV has no direct/indirect interest in FGV.*

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

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	21.24	452,921,192*	12.42
	- Own Account	415,988,300			-	-
	- Maybank Nominees (Tempatan) Sdn. Bhd. (415321)	270,000,000			-	-
	- Maybank Securities Nominees (Tempatan) Sdn. Bhd. (FELDA 2)	69,041,500			-	-
	- HLIB Nominees (Tempatan) Sdn. Bhd.	20,000,000			-	-
2	FELDA ASSET HOLDINGS COMPANY SDN. BHD.		452,921,192	12.42		
	- Own Account	452,921,192			-	-
3	URUSHARTA JAMAAH SDN. BHD.		283,710,100	7.78		
	- Own Account	283,710,100			-	-
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)		212,548,400	5.83		
	- Own Account	200,539,700			-	-
	- Citigroup Nominees (Tempatan) Sdn. Bhd. (DiPerbadankan) (CIMB Equities)	9,267,500			-	-
	- Citigroup Nominees (Tempatan) Sdn. Bhd. (I-Vcap)	1,020,200			-	-
	- Citigroup Nominees (Tempatan) Sdn. Bhd. (DiPerbadankan) (CIMB PRNCP ISLM)	1,721,000			-	-
5	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD		191,566,608	5.25		
	- Own Account	191,566,608			-	-
6	KERAJAAN NEGERI PAHANG		182,407,575	5.00		
	- Maybank Nominees (Tempatan) Sdn. Bhd.	182,407,575			-	-

Note :

* *Deemed interest by virtue of its interest in Felda Asset Holdings Company Sdn. Bhd.*

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	FELDA ASSET HOLDINGS COMPANY SDN. BHD.	452,921,192	12.42
2	LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (FELDA)	415,988,300	11.40
3	URUSHARTA JAMAAH SDN. BHD.	283,710,100	7.78
4	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Lembaga Kemajuan Tanah Persekutuan (415321)	270,000,000	7.40
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	200,539,700	5.50
6	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	191,566,608	5.25
7	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Kerajaan Negeri Pahang	182,407,575	5.00
8	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Sawit Kinabalu Sdn. Bhd.	82,610,989	2.26
9	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. Malayan Banking Berhad for Lembaga Kemajuan Tanah Persekutuan (FELDA 2)	69,041,500	1.89
10	UOB KAY HIAN NOMINEES (TEMPATAN) SDN. BHD. SDB Asset Management Sdn. Bhd. for Chief Minister State of Sabah	65,934,066	1.81
11	LEMBAGA TABUNG ANGKATAN TENTERA	45,593,900	1.25
12	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. Employees Provident Fund Board	44,132,700	1.21
13	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. Mtrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	37,894,900	1.04
14	AFFIN HWANG NOMINEES (ASING) SDN. BHD. Exempt An for Lei Shing Hong Securities Limited (Clients A/C)	31,400,000	0.86
15	HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA for Vanguard Total International Stock Index Fund	29,562,724	0.81
16	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. Exempt An for CIMB Bank Berhad (FELDA IPO SMF)	29,421,500	0.81
17	HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA for Vanguard Emerging Markets Stock Index Fund	28,443,857	0.78
18	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. Employees Provident Fund Board (CIMB PRIN)	23,522,900	0.64
19	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc.	21,123,700	0.58
20	UOB KAY HIAN NOMINEES (TEMPATAN) SDN. BHD. SDB Asset Managment Sdn. Bhd. for Ekuiti Yakinjaya Sdn.Bhd.	20,869,113	0.57
21	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY for Dimensional Emerging Markets Value Fund	20,670,400	0.57
22	AMANAHRAYA TRUSTEES BERHAD Amanah Saham Bumiputera	20,000,000	0.55
23	HLIB NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Lembaga Kemajuan Tanah Persekutuan (FELDA)	20,000,000	0.55
24	CARTABAN NOMINEES (ASING) SDN. BHD. Exempt An for State Street Bank & Trust Company (West CLT OD67)	19,135,700	0.52
25	TA KIN YAN	16,675,000	0.46
26	RHB NOMINEES (TEMPATAN) SDN. BHD. OSK Capital Sdn. Bhd. for Yayasan Islam Terengganu	16,455,100	0.45
27	AMSEC NOMINEES (TEMPATAN) SDN. BHD. Exempt An for Ambank Islamic Berhad (FELDA)	14,770,900	0.40
28	HSBC NOMINEES (ASING) SDN. BHD. Exempt An for Credit Suisse (SG BR-TST-ASING)	14,684,400	0.40
29	CARTABAN NOMINEES (ASING) SDN. BHD. BCSL Client AC PB Cayman Clients	14,610,200	0.40
30	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. CIMB Bank Berhad (EDP 2)	12,836,200	0.35

TOP 10 PROPERTIES OF FGV GROUP

Location	Tenure	Year lease expiring	Approximate Area (Hectares)	Description	Year of Acquisition	Net Book Value (RM'000)
1. **Sabah** 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 Badai, Kembara Sakti, Nilam Permata, Jeragan Bistari, Lanchang Kemudi	Leasehold	2028 - 2887	128,692	Oil palm estates, palm oil mills and refining plant	1996–2013, 2016	1,153,686
2. **Sarawak** 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, palm oil mills and office building	2012-2014	266,454
3 **Johor Darul Takzim** 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, Moakil, Nitar, Selanchar 2B, Belitong, Wa Ha, Tenggaroh Timur, Kulai, Plentong, Tanjung Langsat Industrial Complex	Leasehold	2018-2111	33,914	Oil palm estates, palm oil mills and margerine plant, warehouse, sugar refinery plant and two storey office	2012-2015	267,615
4. **Pahang Darul Makmur** 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 07, Tembangau 08, 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, palm oil mills and refining plant	2012	237,055

Location	Tenure	Year lease expiring	Approximate Area (Ha)	Description	Year of Acquisition	Net Book Value (RM'000)
5. **Kelantan Darul Naim** 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 mill	2012	103,505
6. **Perlis Indera Kayangan** 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 1755, Lot No: 18794, Mukim Chuping. PN 43, Lot No: 2037, Air Hujan, Chuping. HS (D) 145, PT, Chuping	Leasehold	206-2072	4,340	Rubber and other crops plantation and buildings	2011	80,294
7. **United States of America** 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 (tallow) and finished products via railroad connecting the plant located in Quincy and Braintree train station	2008-2009	64,325
8. **Terengganu Darul Iman** Chador 01, Cherul 03, Rantau Abang 01, Semaring 01, Setiu 01, Jerangau Baru, Jerangau Barat, Kertih, Chalok, Kuala Nerus	Leasehold	2061-2111	13,395	Oil palm estates and palm oil mill	2012	41,723
9. **Negeri Sembilan** 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	27,903
10. **Perak** Besout 06, Besout 07, Lawin Tengah, Nenering 02, Tawai 01, Tawai 02, Trolak, Besout	Leasehold	2111	15,551	Oil palm estates and palm oil mills	2012	21,383

UTILISATION OF PROCEEDS
There were no proceeds raised from corporate proposals during the financial year ended 31 December 2018.

NON-AUDIT FEES
The amount of non-audit fees rendered to the Group by its external auditors, PricewaterhouseCoopers PLT (PwC) for the financial year ended 31 December 2018 amounted to RM54,000 and within the allowable threshold.

MATERIAL CONTRACTS
Save for those disclosed in the Financial Statements, there was no other material contract entered into by the Company or its subsidiaries either still subsisting at the end of the financial year 2018 or entered into since the end of the previous financial year ended 31 December 2017.

LONG TERM INCENTIVE PLAN (LTIP)
Details of the LTIP are provided on page 108 of this Annual Integrated Report 2018.

SHARE ISSUANCE SCHEME
There was no Share Issuance Scheme declared or implemented in 2018.

RECURRENT RELATED PARTY TRANSACTION OF REVENUE OR TRADING NATURE
At the 10th Annual General Meeting (AGM) held on 28 June 2018, 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 11th AGM of the Company to be held on 25 June 2019.

The Company proposes to seek a renewal of the existing RRPT Mandate and the new RRPT Mandate at its forthcoming 11th 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 29 April 2019 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 2018.

A. Details of the RRPTs entered into by the FGV Group with the Related Parties under the Proposed Renewal of Shareholders' Mandate

Item	Transacting Related Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
1.	KPF-Linked Subsidiaries, MSM Group of Companies & FGV Trading	FGV Group	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Provision of management and shared services	121,996

Item	Transacting Related Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
2.	FGV Group, FELDA Group of Companies	KPF-Linked Subsidiaries	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman and Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Provision of laboratory analysis services and sales of seed Supply of fertiliser, oil palm seeds and fertilisers recommendation services Rental for buildings/ houses at various places for purposes of offices, store rooms, laboratories, pump houses, staff squatters and etc. Purchase of FFB	59,751 733 1,416 82,938
3.	FGV Group, FELDA Group of Companies	KPF-linked Subsidiaries	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Provision of engineering consultancy and project management services	51,703

Item	Transacting Related Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
4.	FGV Group	FGV Prodata	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Computer and printer rentals; sale and renting of IT services-i rental and service of computers	50,617
5.	FELDA Group of Companies, KPF Related Corporations	FGV Prodata	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar and Anuar Malek Interested person connected is KPF	Computer and printer rentals; sale and renting of IT services; rental and service of computers	30,006
6.	Yayasan Felda	FGV Prodata	Interested Major Shareholders are FELDA and FAHC Interested Director are: Dato' Othman Omar and Anuar Malek Interested person connected is KPF	Computer and printer rentals; sale and renting of IT services; rental and service of computers	192
7.	FGV Group	KPF-linked Subsidiaries	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Provision of security services	40,459

Item	Transacting Related Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
8.	FELDA Group of Companies, KPF Related Corporations	KPF-linked Subsidiaries	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Provision of security services	21,995
9.	FGV Group	KPF-linked Subsidiaries	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Provision of logistic services (including courier, transportation, freight forwarder services)	173,971
10.	FELDA Group of Companies, KPF Related Corporations	KPF-linked Subsidiaries	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Jetty commissions; provision of courier services	779

Item	Transacting Related Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
11.	FELDA Group of Companies, KPF Related Corporations, MSM Group of Companies and KPF-linked Subsidiaries	FGV Group	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Provision of travel and accommodation services	6,295
12.	FGV Group	KPF-linked Subsidiaries	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Provision of tolling services	77,569
13.	FGV Group	FELDA Group of Companies, KPF Related Corporations	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Purchase of FFB	2,838,713

Item	Transacting Related Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
13.	FGV Group	FELDA Group of Companies, KPF Related Corporations		Payment of incentive for the settlers' welfare to the Joint Consultative Committee (JCC)/ FELDA	12,678
				Natural resources income charged for the management fee for extraction of rock material on FELDA's land	91
				Rental for office premises	31,956
				Purchase of bleaching earth	2,887
14.	FELDA Group of Companies, KPF-linked Subsidiaries, KPF Related Corporations	FGV Group	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim and Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Sale of packed products Sale of product (bunch ash)	2,940 861

Item	Transacting Related Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
15.	FGV Group, FELDA Group of Companies	KPF-linked subsidiaries & Delima Oil Products	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim and Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Sale of cooking oil to FVOP for their employees on quarterly basis Supply of steam and electricity	27 4,244
16.	FGV Group, FELDA Group of Companies, KPF related corporations	KPF-Linked Subsidiaries & FGV Trading	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Provision of raw materials, sale of palm oil products	3,480,228
17.	FELDA, KPF-linked Subsidiaries	FGV Group	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Provision of plantation management services	-

Item	Transacting Related Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
18.	KPF-Linked subsidiaries	FGV Group	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Sale of FFB	1,525,939
19.	FELDA Group of Companies, KPF-linked Subsidiaries	FGV Group	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Sale of fertiliser	104,166
20.	MSM Group of Companies	FGV Group	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Supply of fertiliser	-

Item	Transacting Related Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
21.	FGV Group	MSM Group of Companies	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Sale of raw materials (rubber)	-
22.	FELDA	FGV Group	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Provision of GPS/GIS installation services	-
23.	FGV Group	FELDA	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Purchase of rubber	125,408

Item	Transacting Related Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
24.	FELDA	FGV Group	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Datuk Wira Azhar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Provision of project management consultant (PMC) services	747
25.	KPF-linked subsidiaries	FGV Capital	Interested Major Shareholders are FELDA and FAHC Interested Directors are: Dato' Othman Omar, Dato' Ab Ghani Mohd Ali, Datuk Khamis Mohamed Som, Rahayu Mahat @ Taib, Zaid Sidek, Dato' Safariah Awang Ngah, Anuar Malek, Sakinah Salleh, Abu Bakar Ibrahim, Dato' Saari Din, Samsudin Othman, Dato' Zainal Hassan, Dato' Ramli Ismail and Saodah Sudi Interested person connected is KPF	Provision of financial assistance to the FGV Group on a short or medium term basis (i.e. for a duration of not exceeding 3 years)	602,838
				Total	**9,454,143**

APPLICATION OF THE PRINCIPLES AND PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 (MCCG 2017)

FGV's application of the principles and practices of the MCCG 2017 in respect of FY2018 are explained in the Corporate Governance Report available in our website, www.fgvholdings.com and also in Annual Integrated Report 2018 set out in the following pages:

Practice	Details	Applied / Departure/ Adopted/ Not Adopted	Page*
PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS			
1.1	The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.	Applied	1-4, 14-23, 25-26, 33, 35, 38, 44, 49, 50, 52, 55-57, 66-67, 71, 93, 97, 99-100, 173, 177
1.2	A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.	Applied	9, 24-27, 56-57, 59, 64, 93-94
1.3	The positions of Chairman and CEO are held by different individuals.	Applied	59, 61, 64
1.4	The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.	Applied	9, 63
1.5	Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.	Applied	65
2.1	The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies– • the respective roles and responsibilities of the board, board committees, individual directors and management; and • issues and decisions reserved for the board.	Applied	64, 66, 71, 88
3.1	The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering. The Code of Conduct and Ethics is published on the Company's website.	Applied	21, 58, 72, 77, 79, 102
3.2	The board establishes, reviews and together with management implements policies and procedures on whistleblowing.	Applied	56, 85, 87, 96, 102
4.1	At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.	Applied	9, 57, 59-60
4.2	The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director. If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.	Not Applicable- No independent director(s) serving beyond 9 years	59-60, 72, 376
4.3 (Step up)	The board has a policy which limits the tenure of its independent directors to nine years.	Not Adopted	-
4.4	Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.	Applied	24, 28, 48-52, 57, 59-63, 72-75, 82

* *To also refer to our Corporate Governance Report, which is available on our website, www.fgvholdings.com*

Practice	Details	Applied / Departure/ Adopted/ Not Adopted	Page*
PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS			
4.5	The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.	Applied	48, 59, 61, 68, 72-74
4.6	In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.	Applied	-
4.7	The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.	Applied	72
5.1	The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome. For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.	Applied	67-68, 72-73, 75, 83, 88, 376
6.1	The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.	Applied	66-67, 73, 89, 92, 375-376
6.2	The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management. The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.	Applied	72-75 71
7.1	There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.	Applied	90-91
7.2	The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.	Applied	92
7.3 (Step up)	Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.	Not Adopted	-

APPLICATION OF THE PRINCIPLES AND PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 (MCCG 2017)

Practice	Details	Applied / Departure/ Adopted/ Not Adopted	Page*
PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT			
8.1	The Chairman of the Audit Committee is not the Chairman of the board.	Applied	59, 60, 76
8.2	The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.	Applied	81
8.3	The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.	Applied	78, 80-81
8.4 (Step up)	The Audit Committee should comprise solely of Independent Directors.	Not Adopted	-
8.5	Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process. All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.	Applied	59, 60, 69-70, 76
9.1	The board should establish an effective risk management and internal control framework.	Applied	96-104
9.2	The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.	Applied	96-104
9.3 (Step up)	The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.	Adopted	84-88
10.1	The Audit Committee should ensure that the internal audit function is effective and able to function independently.	Applied	48, 82-83
10.2	The board should disclose– • whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence; • the number of resources in the internal audit department; • name and qualification of the person responsible for internal audit; and • whether the internal audit function is carried out in accordance with a recognised framework.	Applied	78, 82-83
PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS			
11.1	The board ensures there is effective, transparent and regular communication with its stakeholders.	Applied	1, 14, 15, 19-21, 53-55, 93-94
11.2	Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.	Applied	1, 2, 95
12.1	Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.	Applied	374
12.2	All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.	Departure	-
12.3	Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate– • voting including voting in absentia; and • remote shareholders' participation at General Meetings.	Departure	-

Detailed explanation on the application/departure/adoption of the principles and practices of the MCCG 2017 are explained in our Corporate Governance Report, which is available on our website, www.fgvholdings.com

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eleventh (11th) Annual General Meeting of FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad) ("FGV" or "the Company") will be held at **TM Convention Centre, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia** on **Tuesday, 25 June 2019**, 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 2018 together with the Reports of the Directors and Auditors thereon.

   Please refer to Explanatory Note 1

2. To approve the payment of Directors' fees amounting to RM2,546,044.42 in respect of the financial year ended 31 December 2018. **(Resolution 1)**

   Please refer to Explanatory Note 2

3. To approve the payment of a portion of Directors' fees payable to the Non-Executive Directors up to an amount of RM1,178,400.00 from 26 June 2019 until the next Annual General Meeting of the Company to be held in 2020. **(Resolution 2)**

   Please refer to Explanatory Note 3

4. To approve the payment of benefits payable to the Non-Executive Directors based on the remuneration structure as disclosed in Explanatory Note 4 for the period from 26 June 2019 until the next Annual General Meeting of the Company to be held in 2020. **(Resolution 3)**

   Please refer to Explanatory Note 4

5. To re-elect the following Directors who retire by rotation in accordance with Clause 97 of the Company's Constitution and who, being eligible, offer themselves for re-election:

   (i) Dato' Mohamed Suffian Awang **(Resolution 4)**
   (ii) Datuk Wira Azhar Abdul Hamid **(Resolution 5)**

   Please refer to Explanatory Note 5

6. To re-elect the following Directors, each of whom retires in accordance with Clause 103 of the Company's Constitution and who, being eligible, offer themselves for re-election:

   (i) Datin Hoi Lai Ping **(Resolution 6)**
   (ii) Dato' Yusli Mohamed Yusoff **(Resolution 7)**
   (iii) Mohd Hassan Ahmad **(Resolution 8)**
   (iv) Dato' Dr. Othman Haji Omar **(Resolution 9)**

   Please refer to Explanatory Note 6

7. To re-appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Board of Directors to determine their remuneration. **(Resolution 10)**

   Please refer to Explanatory Note 7

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 FGV GROUP** **(Resolution 11)**

"**THAT** subject always to the Companies Act, 2016, the Constitution 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 the interests of the Related Parties as specified in Appendix I of the Circular to the Shareholders dated 29 April 2019 ("RRPT Circular"), provided that such arrangements and/or transactions are:

(a) recurrent transactions of a 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 a 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/or 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."

Please refer to Item 1 of the Explanatory Notes on Special Business

9. **AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT, 2016** **(Resolution 12)**

"**THAT**, pursuant to Section 75 of the Companies Act, 2016 and subject always to the Company's Constitution, the Listing Requirements and approvals of the relevant governmental/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."

Please refer to Item 2 of the Explanatory Notes on Special Business

10. To transact any other business of the Company for which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

BY ORDER OF THE BOARD

KOO SHUANG YEN (MIA 7556)
Company Secretary
Kuala Lumpur
29 April 2019

NOTES:

1. **Proxy**

(i) 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/her Proxy to attend and vote instead of the Member at the meeting. There shall be no restriction as to the qualification of the Proxy.

(ii) 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.

(iii) 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.

(iv) A Member may appoint up to two (2) Proxies to attend a general meeting of the Company. Where a Member appoints two (2) Proxies, each Proxy appointed shall represent a minimum of one hundred (100) shares and the appointment of such Proxies shall not be valid unless the Member specifies the proportion of his/her shareholding to be represented by each of such Proxy.

(v) The instrument appointing a Proxy shall be in writing under the hands of the appointor or of his/her 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.

(vi) 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 Section 25A(1) of SICDA.

(vii) **The instrument appointing a Proxy shall be deposited at the office of the Share Registrar of the Company at Boardroom Share Registrars Sdn. Bhd. (formerly known as 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 Monday, 24 June 2019 at 1.00 p.m., and in default the instrument of Proxy shall not be treated as valid.**

2. **Members entitled to attend**

For purposes of determining a Member who shall be entitled to attend the Eleventh (11th) AGM of the Company, the Company shall be requesting from Bursa Malaysia Depository Sdn. Bhd., in accordance with Clause 63 of the Company's Constitution and Section 34(1) of SICDA, to issue a General Meeting Record of Depositors as at 14 June 2019. **Only a depositor whose name appears on the General Meeting Record of Depositors as at 14 June 2019 shall be entitled to attend the said meeting or appoint a Proxy(ies) to attend and/or vote on such depositor's behalf.**

3. **Registration of Members/Proxies**

Registration of Members/Proxies will start at 8.30 a.m. and will end at a time as directed by the Chairman of the meeting. Members/Proxies are required to produce original MYKAD (for Malaysian) or valid Passport (for non-Malaysian) for registration and requested to be punctual as the registration for attendance will be closed to facilitate the commencement of poll voting.

4. **Voting**

Pursuant to Paragraph 8.29A(1) of the Listing Requirements, all the resolutions set out in the Notice of the Eleventh (11th) AGM of the Company will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling via e-voting process and to verify the results of the poll.

EXPLANATORY NOTES ON ORDINARY BUSINESS:

Explanatory Note 1:

Audited Financial Statements for the financial year ended 31 December 2018

This agenda item is meant for presentation and discussion only as under the provisions of Section 340(1)(a) of the Companies Act, 2016 and Clause 135 of the Company's Constitution, the Audited Financial Statements do not require the formal approval of Shareholders and hence, will not be put forward for voting.

Explanatory Note 2:

Resolution 1 - Payment of Directors' fees for the financial year ended 31 December 2018

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 Eleventh (11th) AGM of the Company on the Directors' remuneration in three (3) separate resolutions as indicated below:

- **Resolution 1** on payment of Directors' fees in respect of the preceding year 2018;
- **Resolution 2** on payment of a portion of Directors' fees payable to the Non-Executive Directors from 26 June 2019 until the next AGM of the Company in 2020 ("Relevant Period"); and
- **Resolution 3** on payment of benefits payable to the Non-Executive Directors in respect of the Relevant Period.

There is no increase on Directors' fees for the financial year ended 31 December 2018.

The Non-Executive Directors' Annual Fees structure are set out in the table below:

Board/Board Committee	Annual Fees
Board	- RM600,000.00 (Chairman) - RM120,000.00 (Non-Executive Directors)
Audit Committee	- RM64,000.00 (Chairman) - RM32,000.00 (Non-Executive Directors)
Nomination and Remuneration Committee	- RM35,000.00 (Chairman) - RM20,000.00 (Non-Executive Directors)
Special Board Committee	- RM36,000.00 (Chairman) - RM24,000.00 (Non-Executive Directors)
Other Board Committees	- RM32,000.00 (Chairman) - RM16,000.00 (Non-Executive Directors)

Please refer to Note 13 to the Audited Financial Statements in the Company's Annual Integrated Report 2018 for the amount of Directors' fees at the Company and Group levels, to be approved at this Eleventh (11th) AGM of the Company. The detailed amount of the Directors' fees is set out in the Corporate Governance Overview Statement in the Company's Annual Integrated Report 2018.

Explanatory Note 3:

Resolution 2 – Directors' fees payable to the Non-Executive Directors

The proposed Resolution 2, if passed, will allow the Company to pay a portion of Directors' fees per month to the Non-Executive Chairman and the Non-Executive Directors for the Relevant Period. The breakdown is as follows:

	FGV	MSM Malaysia Holdings Berhad
Non-Executive Chairman	RM23,200.00 per month	RM20,000.00 per month
Non-Executive Directors	RM5,000.00 per month for each Non-Executive Director	Nil

Explanatory Note 4:

Resolution 3 – Benefits payable to the Non-Executive Directors

The Company is seeking Shareholder's approval on the benefits payable to the Non-Executive Directors for the Relevant Period in accordance with the remuneration structure (excluding Directors' fees) set out below:

Meeting Allowance	• Local: RM2,000.00 • Overseas (Flight time <= 8 hours): RM2,000.00 • Overseas (Flight time > 8 hours): RM5,000.00 • Teleconferencing: RM1,000.00
Other Benefits	• Company car allowance, driver, club membership and telecommunication device for Non-Executive Chairman • Medical coverage, insurance coverage, travel expenses, benefits-in-kind and other claimable benefits

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 3 is passed at the Eleventh (11th) AGM of the Company. 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.

Explanatory Note 5:

Resolution 4 and 5 – Re-election of Directors who retire in accordance with Clause 97 of the Company's Constitution

Clause 97 of the Company's Constitution states that at each AGM one-third (1/3) of the Directors for the time being, or if their number is not a multiple of three (3), the number nearest to one-third (1/3) with a minimum of one (1), shall retire from office. In addition, each Director shall retire at least once in every three (3) years but shall be eligible for re-election.

Dato' Mohamed Suffian Awang who is standing for re-election has not exceeded the nine (9) years tenure as Independent Director. The independence of Dato' Mohamed Suffian Awang who has served as Independent Non-Executive Director 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 Director of the Company.

The Nomination and Remuneration Committee has recommended and the Board has approved the Directors to stand for re-election.

Explanatory Note 6:

Resolution 6,7,8 and 9 – Re-election of Directors who retire in accordance with Clause 103 of the Company's Constitution

Clause 103 of the Company's Constitution stipulates that a Director appointed by the Board shall hold office until the conclusion of the next AGM of the Company and shall be eligible for re-election.

The Directors standing for re-election have attended and successfully completed the Mandatory Accreditation Programme as required by the Listing Requirements.

The independence of Dato' Yusli Mohamed Yusoff and Datin Hoi Lai Ping who have served as Independent Non-Executive Directors of the Company have 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.

The Nomination and Remuneration Committee has recommended and the Board has approved the Directors to stand for re-election.

Explanatory Note 7:

Ordinary Resolution 10 – Re-appointment of Auditors

The present Auditors, Messrs. PricewaterhouseCoopers PLT ("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 2019 and have collectively agreed that PwC has met the relevant criteria prescribed by Paragraph 15.21 of the Listing Requirements.

Abstention from Voting

(i) All the Non-Executive Directors who are Shareholders of the Company will abstain from voting on Ordinary Resolution 1, 2 and 3 concerning Directors' fees and benefits payable at the Eleventh (11th) AGM of the Company.

(ii) The Director referred to in Ordinary Resolution 5 who is a Shareholder of the Company will abstain from voting on the resolution in respect of his re-election at the Eleventh (11th) AGM of the Company.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. **Ordinary Resolution 11 – Proposed Mandates**

   The proposed Resolution 11, if passed, will allow the Company and/or its subsidiary companies to enter into arrangements/ 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 RRPT Circular.

2. **Ordinary Resolution 12 - Authority for Directors to allot and issue shares**

   The proposed Resolution 12 is a general mandate to be obtained from the Shareholders of the Company at this Eleventh (11th) 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 Clause 97 of the Company's Constitution are set out on page 59 of the Annual Integrated Report 2018:

1. Dato' Mohamed Suffian Awang
2. Datuk Wira Azhar Abdul Hamid

The details of the following Directors who are seeking re-election pursuant to Clause 103 of the Company's Constitution are set out on pages 59 and 60 of the Annual Integrated Report 2018:

1. Datin Hoi Lai Ping
2. Dato' Yusli Mohamed Yusoff
3. Mohd Hassan Ahmad
4. Dato' Dr. Othman Haji Omar

The details of the Directors' shareholdings in the Company are set out on pages 109 and 354 of the Annual Integrated Report 2018.

The details of the authority for 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 FGV Holdings Berhad
(Formerly known as Felda Global Ventures Holdings Berhad) ("FGV" or "the Company")

11th Annual General Meeting	Date	Time	Venue
	25 June 2019 (Tuesday)	**11.00 a.m.**	**TM Convention Centre Jalan Pantai Baharu 50672 Kuala Lumpur Malaysia**

1. ENTITLEMENTS TO ATTEND, SPEAK AND VOTE

Only a depositor (Shareholder) whose name appears on the General Meeting Record of Depositors as at 14 June 2019 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 Boardroom Share Registrars Sdn. Bhd. (formerly known as 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 Monday, 24 June 2019 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 Monday, 24 June 2019 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 valid 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.

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. FGV provides **limited parking** at LG4 Menara TM and Imej Parking's open carpark. Please follow the directions and instructions given by the security and traffic controller(s).

Please bring this Administrative Details to gain parking entry

b. Shareholders are **highly encouraged** to use the Light Rail Transit (LRT) – Kelana Jaya Line, and disembark at Kerinchi Station, which is about five (5) minutes walking distance to the venue of the AGM. FGV **will not reimburse** the LRT tickets or other public transportation expenses as well as the usage of e-hailing ride services.

9. ANNUAL INTEGRATED REPORT 2018

a. The Annual Integrated Report 2018 is available on FGV's website.

b. You may request for copies of the printed Annual Integrated Report 2018 by filling up the Request Form.

c. Printed copies are also available for collection on a first come first served basis, from the Annual Integrated Report Counter at the AGM venue on 25 June 2019 latest by 12.00 noon.

d. Please consider the environment before you decide to print or request for the printed Annual Integrated Report 2018.

10. ENQUIRIES FOR AGM

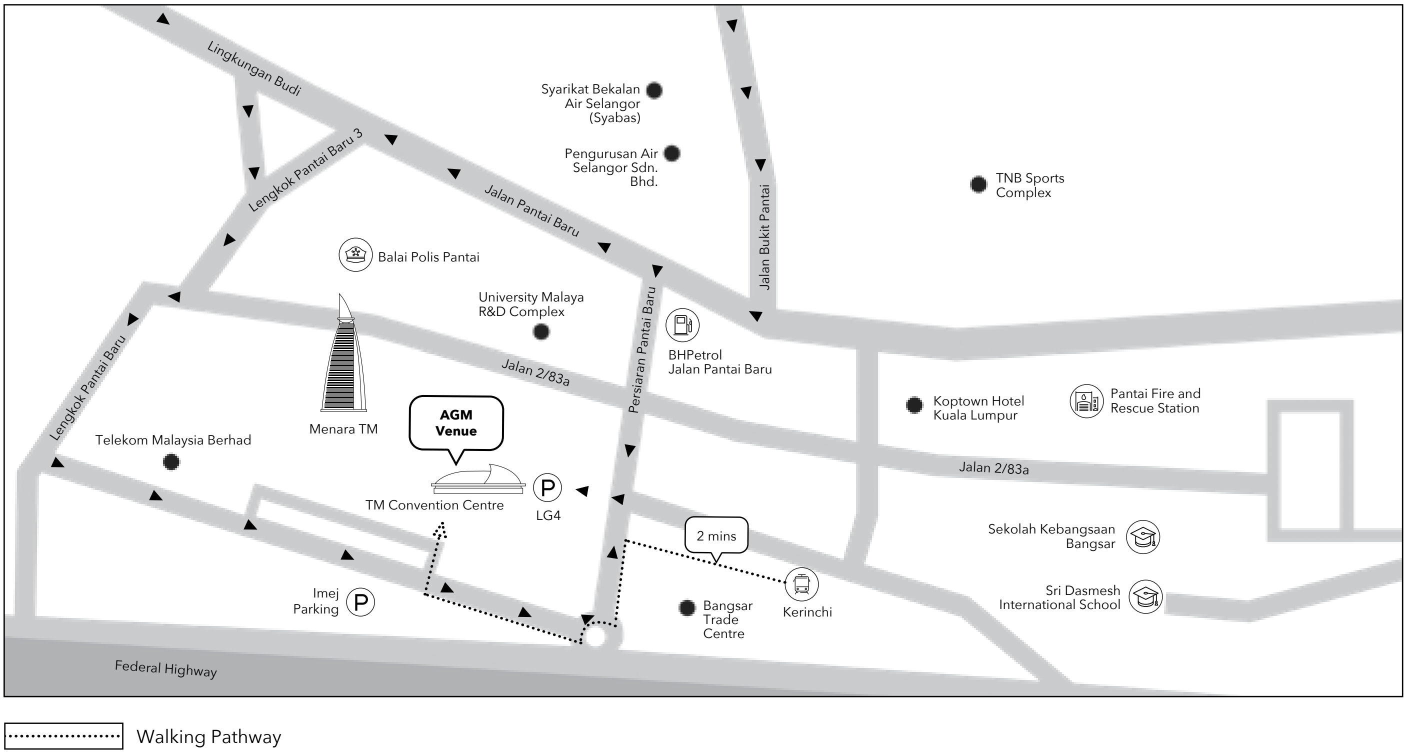
a. If you have any enquiry relating to the administrative details of the AGM, please contact our **Investor Relations** or **Corporate Communications** during office hours:

Tel	: +603 2789 0000
Fax	: +603 2789 0001
E-mail	: fgv.investors@fgvholdings.com

b. If you have any enquiry relating to the registration and Proxy Form, please contact the **Share Registrar of the Company** during office hours:

Tel (Help Desk)	: +603 7849 0777
Fax	: +603 7841 8151/8152
E-mail	: bsr.helpdesk@boardroomlimited.com

11. LOCATION OF AGM VENUE



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FGV Holdings Berhad (800165-P)
(Formerly known as Felda Global Ventures Holdings Berhad)

CDS ACCOUNT NO.:	NO. OF SHARES HELD:

PROXY FORM

I/We ____
(Full name of a Member in BLOCK LETTERS as per Identity Card ("MYKAD")/Passport/Certificate of Incorporation)

MYKAD (for Malaysian)/Passport No. (for non-Malaysian)/Company No.: ____________________ of ____________________

____
(Address in full)

Telephone No.: ____________________ being a Member of FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad) ("the Company"), hereby appoint ____________________
(Full name of Proxy in BLOCK LETTERS as per MYKAD/Passport)

MYKAD (for Malaysian)/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 (for Malaysian)/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 Eleventh (11th) Annual General Meeting of the Company to be held at **TM Convention Centre, Jalan Pantai Baharu, 50672 Kuala Lumpur, Malaysia** on **Tuesday, 25 June 2019**, at **11.00 a.m.** and at any adjournment thereof. My/our Proxy/Proxies is to vote as indicated below:

NO.	AGENDA				
1	To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon.				
		RESOLUTION	**FOR**	**AGAINST**	**ABSTAIN**
2	To approve the payment of Directors' fees for the financial year ended 31 December 2018.	1			
3	To approve the payment of a portion of Directors' fees payable from 26 June 2019 until the next Annual General Meeting of the Company to be held in 2020.	2			
4	To approve the payment of benefits payable from 26 June 2019 until the next Annual General Meeting of the Company to be held in 2020.	3			
5(i)	Re-election of Dato' Mohamed Suffian Awang as Director pursuant to Clause 97 of the Company's Constitution.	4			
5(ii)	Re-election of Datuk Wira Azhar Abdul Hamid as Director pursuant to Clause 97 of the Company's Constitution.	5			
6(i)	Re-election of Datin Hoi Lai Ping as Director pursuant to Clause 103 of the Company's Constitution.	6			
6(ii)	Re-election of Dato' Yusli Mohamed Yusoff as Director pursuant to Clause 103 of the Company's Constitution.	7			
6(iii)	Re-election of Mohd Hassan Ahmad as Director pursuant to Clause 103 of the Company's Constitution.	8			
6(iv)	Re-election of Dato' Dr. Othman Haji Omar as Director pursuant to Clause 103 of the Company's Constitution.	9			
7	Re-appointment of Messrs. PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to determine their remuneration.	10			
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 FGV Group.	11			
9	Authority for Directors to allot and issue shares pursuant to Section 75 of the Companies Act, 2016.	12			

(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 __________ 2019.

____
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		
Total		**100%**

Notes:

1. **Proxy**

   (i) 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/her Proxy to attend and vote instead of the Member at the meeting. There shall be no restriction as to the qualification of the Proxy.

   (ii) 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.

   (iii) 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.

   (iv) A Member may appoint up to two (2) Proxies to attend a general meeting of the Company. Where a Member appoints two (2) Proxies, each Proxy appointed shall represent a minimum of one hundred (100) shares and the appointment of such Proxies shall not be valid unless the Member specifies the proportion of his/her shareholding to be represented by each of such Proxy.

   (v) The instrument appointing a Proxy shall be in writing under the hands of the appointor or of his/her 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.

   (vi) 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 Section 25A(1) of SICDA.

   (vii) **The instrument appointing a Proxy shall be deposited at the office of the Share Registrar of the Company at Boardroom Share Registrars Sdn. Bhd. (formerly known as 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 Monday, 24 June 2019 at 1.00 p.m., and in default the instrument of Proxy shall not be treated as valid.**

2. **Members entitled to attend**

   For purposes of determining a Member who shall be entitled to attend the Eleventh (11th) AGM of the Company, the Company shall be requesting from Bursa Malaysia Depository Sdn. Bhd., in accordance with Clause 63 of the Company's Constitution and Section 34(1) of SICDA, to issue a General Meeting Record of Depositors as at 14 June 2019. **Only a depositor whose name appears on the General Meeting Record of Depositors as at 14 June 2019 shall be entitled to attend the said meeting or appoint a Proxy(ies) to attend and/or vote on such depositor's behalf.**

3. **Registration of Members/Proxies**

   Registration of Members/Proxies will start at 8.30 a.m. and will end at a time as directed by the Chairman of the meeting. Members/Proxies are required to produce original MYKAD (for Malaysian) or valid Passport (for non-Malaysian) for registration and requested to be punctual as the registration for attendance will be closed to facilitate the commencement of poll voting.

4. **Voting**

   Pursuant to Paragraph 8.29A(1) of the Listing Requirements, all the resolutions set out in the Notice of the Eleventh (11th) AGM of the Company will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling via e-voting process and to verify the results of the poll.

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FGV

Annual General Meeting
FGV Holdings Berhad
25 June 2019

STAMP

Share Registrar
Boardroom Share Registrars Sdn. Bhd.
(Formerly known as Symphony Share Registrars Sdn. Bhd.)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Fold Here

FGV HOLDINGS BERHAD **(800165-P)**

(FORMERLY KNOWN AS FELDA GLOBAL VENTURES HOLDINGS BERHAD)

Level 21, Wisma FGV, Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia.

t +603 2789 0000 f +603 2789 0001

www.fgvholdings.com

FGV HOLDINGS BERHAD (800165-P)
(Formerly known as Felda Global Ventures Holdings Berhad)

ERRATA TO ANNUAL INTEGRATED REPORT 2018 – FINANCIAL STATEMENTS

To the Shareholders of FGV Holdings Berhad (Formerly known as Felda Global Ventures Holdings Berhad)

Reference is made to the Annual Integrated Report 2018 ("AIR 2018") of FGV Holdings Berhad submitted to Bursa Malaysia Securities Berhad and published on FGV Holdings Berhad's corporate website on 29 April 2019.

We wish to inform that the following parts of AIR 2018 shall be amended by this Errata, corrected and taken to read as highlighted in bold.

1) Statements of Financial Position on page 125, in relation to Equity and Liabilities

	Note	Group		
		31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	39	7,029,889	7,029,889	3,648,152
Share premium	40	-	-	3,371,685
Treasury shares	41	(705)	(1,484)	(1,488)
Foreign exchange reserve	42	103,551	119,077	215,241
Reorganisation reserve	43	**(3,089,497)**	**(3,089,497)**	(3,089,497)
Other reserves	44	(31,003)	(5,453)	14,748
Retained earnings		**462,422**	**1,564,562**	1,658,382
Equity attributable to owners of the Company		4,474,657	5,617,094	5,817,223
Non-controlling interests		2,141,816	2,255,932	2,403,605
Total Equity		6,616,473	7,873,026	8,220,828

FGV HOLDINGS BERHAD (800165-P)
(Formerly known as Felda Global Ventures Holdings Berhad)

2) Note 62(b) of the Notes to the Financial Statements on page 350, in relation to disclosure on First Time Adoption of MFRS Framework

b) Change in accounting policy upon application of MFRS 9 (continued)

	Measurement category		**Carrying Amount**			
	Previous accounting framework (FRS 139)	New accounting framework (MFRS 9)	31.12.2017	Reclassi-fications	Impair-ment	1.1.2018
Group			RM'000	RM'000	RM'000	RM'000
Capital and reserves						
Other reserves:						
- FVOCI reserves			-	(12,811)	-	(12,811)
- AFS reserves			(6,235)	6,235	-	-
Retained earnings			**1,564,562**	6,576	(31,468)	**1,539,670**
Non-controlling interests			2,255,932	-	496	2,256,428

Save for the abovementioned amendments highlighted in bold, which are due to reclassification of RM4,983,000 from Reorganisation reserve to Retained earnings, all other information in the AIR 2018 remains valid and unchanged.

The Board of Directors wishes to express their sincere apologies for the above errata. We regret any inconvenience caused.

By Order of the Board

Koo Shuang Yen
Company Secretary

29 May 2019