

Riverview Rubber Estates, Berhad

(Company No. 820-V)

(Incorporated in Malaysia)

Part A : Explanatory Notes Pursuant to FRS 134

A1. Basis of preparation

The unaudited interim financial statements have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies and in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

These financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

The financial statements of the Group have been prepared in accordance with Financial Reporting Standards ("FRS"), generally accepted accounting principles and the Companies Act, 2016 in Malaysia.

A2. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as otherwise stated below.

At the date of authorisation of the financial statements, the following new FRSs, Amendments to FRSs and Issues Committee ("IC") Interpretation were issued but not yet effective and have not been applied by the Group and by the Company:

	Effective for financial periods beginning on or after
MFRS, Amendments to MFRS and IC Interpretations	
<i>New MFRS</i>	
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers and Clarifications to MFRS 15	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
<i>Amendments/Improvements to MFRS</i>	
MFRS 1 First-time adoption of Financial Reporting Standards*	1 January 2018
MFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
MFRS 128 Investments in Associates and Joint Ventures*	1 January 2018
MFRS 140 Transfer of Investment Property	1 January 2018
MFRS 3 Business Combinations #	1 January 2019
MFRS 9 Prepayment Features with Negative Compensation	1 January 2019

Part A : Explanatory Notes Pursuant to FRS 134 (Cont'd)

A2. Significant accounting policies (cont'd)

MFRS, Amendments to MFRS and IC Interpretations	Effective for financial periods beginning on or after
MFRS 11 Joint Arrangements #	1 January 2019
MFRS 112 Income Taxes #	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
MFRS 123 Borrowing Costs #	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
MFRS 10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
 <i>New IC Interpretation</i>	
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatment	1 January 2019

* Annual Improvements to MFRS Standards 2014-2016 Cycle

Annual Improvements to MFRS Standards 2015-2017 Cycle

A brief discussion on the significant new MFRSs, amendments/improvements to MFRSs and new IC Interpretations are summarised below. Due to the complexity of these new MFRSs, amendments/improvements to MFRSs and new IC Interpretations, the financial effects of their adoption are currently still being assessed by the Group and Company.

MFRS 9 Financial Instruments

MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statement of financial position.

Part A : Explanatory Notes Pursuant to FRS 134 (Cont'd)

A2. Significant accounting policies (cont'd)

MFRS 9 Financial Instruments (cont'd)

MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more-timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- i. identify the contracts with a customer;
- ii. identify the performance obligation in the contract;
- iii. determine the transaction price;
- iv. allocate the transaction price to the performance obligations in the contract;
- v. recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111 Construction Contracts

MFRS 118 Revenue

IC Interpretation 13 Customer Loyalty Programmes

IC Interpretation 15 Agreements for the Construction of Real Estate

IC Interpretation 18 Transfer of Assets from Customers

IC Interpretation 131 Revenue - Barter Transactions Involving Advertising Services

Part A : Explanatory Notes Pursuant to FRS 134 (Cont'd)

A2. Significant accounting policies (cont'd)

MFRS 16 Leases

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. It shall also reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

A3. Comparatives

The have been no material changes to the comparative figures.

A4. Seasonal or cyclical factors

Turnover is also dependent on price fluctuations of Crude Palm Oil ("CPO") which are not within the Company's control but are determined by the global supply and demand for edible oils.

Production of fresh fruits bunches of oil palms ("FFB") is affected by weather conditions, the age of the palms and seasonal biological stress.

Part A : Explanatory Notes Pursuant to FRS 134 (Cont'd)

A5. Items affecting assets, liabilities, equity, net income or cash flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

A6. Change in estimates

There were no changes in estimates that have a material effect in the current quarter.

A7. Debt and equity securities

There were no issuance, cancellations, repurchase, resale and repayments of debt and equity securities in the current quarter.

A8. Dividend paid

On 8th December 2017, the Company announced the following dividends under the Single Tier System:

- i. Interim Dividend of RM0.08 per ordinary share amounting to RM5,188,036; and
- ii. Special Dividend of RM0.10 per ordinary share amounting to RM6,485,045

These dividends were paid on 19th January 2018.

A9. Segment information

	Group		Variance	%
	Cumulative Quarter			
	31.03.18	31.03.17	RM '000	
	RM '000	RM '000		
Revenue				
- Malaysia : Plantation				
- Company	5,004	7,546	(2,542)	(34)
- Subsidiaries	2,047	3,642	(1,595)	(44)
	<u>7,051</u>	<u>11,188</u>	<u>(4,137)</u>	<u>(37)</u>
- Australia : Real Estate	273	386	(113)	(29)
	<u>7,324</u>	<u>11,574</u>	<u>(4,250)</u>	<u>(37)</u>
Profit before taxation				
- Malaysia : Plantation				
- Company	2,529	5,615	(3,086)	(55)
- Subsidiaries	309	2,012	(1,703)	(85)
	<u>2,838</u>	<u>7,627</u>	<u>(4,789)</u>	<u>(63)</u>
- Australia : Real Estate	81	158	(77)	(49)
	<u>2,919</u>	<u>7,785</u>	<u>(4,866)</u>	<u>(63)</u>

A10. Related party transactions

There were no significant related party transactions of the Company for the current quarter.

Part A : Explanatory Notes Pursuant to FRS 134 (Cont'd)

A11. Changes in composition

There were no changes in the composition of the Company for the current quarter.

A12. Changes in contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at the last annual balance sheet date and the latest practicable date.

A13. Capital commitments

There are no material capital commitments as at 31 March 2018.

A14. Property, plant and equipment

(i) Acquisitions and Disposals

Details of acquisitions and disposals of the Group during the financial period are as follows:

Acquisition

	Cost RM '000
Property, plant and equipment	<u>168</u>

(ii) Impairment of property, plant and equipment

There was no material impairment nor reversal of such impairment during the current three-month financial period.

(iii) Valuations

The valuations of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

A15. Events subsequent to the balance sheet date

There were no material events subsequent to the end of the current quarter that have not been reflected in the interim financial statements under review.

Part B : Explanatory notes pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

B1. Analysis of performance against preceding year corresponding period

	Group Cumulative Quarter		Variance RM '000	%
	31.03.18 RM '000	31.03.17 RM '000		
Revenue				
- Malaysia : Plantation				
- Company	5,004	7,546	(2,542)	(34)
- Subsidiaries	2,047	3,642	(1,595)	(44)
	<u>7,051</u>	<u>11,188</u>	<u>(4,137)</u>	<u>(37)</u>
- Australia : Real Estate	273	386	(113)	(29)
	<u>7,324</u>	<u>11,574</u>	<u>(4,250)</u>	<u>(37)</u>
Profit before taxation				
- Malaysia : Plantation				
- Company	2,529	5,615	(3,086)	(55)
- Subsidiaries	309	2,012	(1,703)	(85)
	<u>2,838</u>	<u>7,627</u>	<u>(4,789)</u>	<u>(63)</u>
- Australia : Real Estate	81	158	(77)	(49)
	<u>2,919</u>	<u>7,785</u>	<u>(4,866)</u>	<u>(63)</u>
	RM	RM	RM	%
Average FFB price per MT	546	731	(185)	(25)
Plantation cost per MT	347	228	(119)	(52)
	Metric Ton	Metric Ton	Metric Ton	%
Production	12,925	15,301	(2,376)	(16)
Yield per hectare	5.35	6.35	(1.00)	(16)

The Group registered revenue of RM7.32 million in the current period, a decrease of 37% as compared to the preceding year corresponding period.

The decrease in revenue is due to a decrease in the average selling price of fresh fruit bunches of palm oil ("FFB"), and in the production of FFB of 25% and 16% respectively compared to the preceding year corresponding period.

The Group also recorded a pre-tax profit in the current period of RM2.92 million against pre-tax profit of RM7.79 million compared to the preceding year corresponding period, a decrease of 63%.

The lower pre-tax profit is due to primarily lower revenue, the timing of the manuring programme of RM1.62 million in the current period compared to RM0.89 million in the preceding year corresponding period; and a gain from disposal of marketable securities of RM1.40 million in the preceding year corresponding period.

The Australian subsidiary is an investment holding real estate company that develops and rents out its properties. The properties owned by this company are substantially tenanted as at 31 March 2018. The lower revenue and profit before tax is primarily due to a weaker Australian Dollar against the Ringgit Malaysia in the current period as compared to the preceding year corresponding period.

Part B : Explanatory notes pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Cont'd)

B2. Variation of results against preceding quarter

	3 Months Ended		Variance	
	31.03.18 RM '000	31.12.17 RM '000	RM '000	%
Revenue				
- Malaysia : Plantation				
- Company	5,004	7,165	(2,161)	(30)
- Subsidiaries	2,047	2,861	(814)	(28)
	7,051	10,026	(2,975)	(30)
- Australia : Real Estate	273	214	59	28
	7,324	10,240	(2,916)	(28)
Profit before taxation				
- Malaysia : Plantation				
- Company	2,529	1,660	869	52
- Subsidiaries	309	(242)	551	-
	2,838	1,418	1,420	100
- Australia : Real Estate	81	(1,136)	1,217	(107)
	2,919	282	(2,637)	935
	RM	RM	RM	%
Average FFB price per MT	546	601	(55)	(9)
Plantation cost per MT	347	236	(111)	(47)
	Metric Ton	Metric Ton	Metric Ton	%
Production	12,925	16,694	(3,769)	(23)
Yield per hectare	5.35	6.96	(1.61)	(23)

Plantations

The current quarter's recorded pre-tax profit of RM2.84 million on revenue of RM7.05 million as compared to pre-tax profit of RM1.42 million on revenue of RM10.03 million posted in the immediate preceding quarter.

The decrease in revenue is primarily due to the decrease in the average price and production of FFB. The higher production cost in the current quarter is due to the timing of the current manuring programme compared to the preceding quarter. The increase in the pre-tax profit is primarily due to a positive change in fair values of agriculture produce and that there was no write down in investment properties as follows:

	3 months ended	
	31.03.18 RM '000	31.12.17 RM '000
Fair value changes in agriculture produce	1,591	(1,141)
Fair value changes in investment properties	-	(3,406)
	1,591	(4,547)

Real Estate Investment

The Australian subsidiary is an investment holding real estate company that develops and rents out its properties. The properties owned by this company are substantially tenanted as at 31 December 2017. The lower profit is due to a negative fair value charge recognised in the preceding quarter.

Part B : Explanatory notes pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Cont'd)

B3. Prospects

The directors expect reasonable performance from the Group for the coming year as indicated in the prospects of the business divisions below:

Plantation

The prospects are very much dependent on weather conditions, the global edible oil and its related markets, global economic conditions and how they impact production of FFB and CPO prices. Based on the current market trend and demand for CPO which augurs a favourable outlook for oil palm plantations.

Real Estate Investment

Barring any unforeseen circumstances, the Directors expect this division to be profitable and its performance for the coming year to be satisfactory.

B4. Profit forecast

Not applicable as no profit forecast was published.

B5. Tax expense

	3 months ended	
	31.03.18	31.03.17
	RM'000	RM'000
Taxation		
- Income tax	233	1,507
- Deferred tax	-	-
	<u>233</u>	<u>1,507</u>

The effective tax rate of the Group is lower than the statutory rate of taxation primarily due to certain income not being taxable for taxation purposes.

B6. Status of corporate proposal announced

There is no corporate proposal as at the latest practicable date.

B7. Borrowing and debt securities

There are no borrowing and debt securities as at 31 March 2018.

B8. Derivative financial instruments

There were no derivative financial instruments with off balance sheet risk as at the latest practicable date.

B9. Changes in material litigation

There was no pending material litigation as at the latest practicable date.

Part B : Explanatory notes pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Cont'd)

B10. Dividends

On 8th December 2017, the Company announced the following dividends under the Single Tier System:

- i. Interim Dividend of RM0.08 per ordinary share amounting to RM5,188,036; and
- ii. Special Dividend of RM0.10 per ordinary share amounting to RM6,485,045

These dividends were paid on 19th January 2018.

On 4th May 2018, the Company announced a single tier interim dividend of RM0.04 per ordinary share amounting to RM2,594,018. The lodgement date is 23rd May 2018 and the payment date is 8th June 2018.

B11. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the financial period is based on the net profit attributable to equity holders of the Company of RM2.72 million and the weighted average number of ordinary shares in issue during the current quarter of 64,850,448 shares.

Diluted earnings per shares

Not applicable.

B12. Auditor's report on preceding annual financial statements

The auditor's report on the audited annual financial statements for the year ended 31 December 2017 was not qualified.

B13. Authorised for Issue

The interim financial statements were authorised for issue by the Board of Directors as resolved at the Board of Directors Meeting held on 24 May 2018.