

## **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 2018. 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 2018.

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 applied by the Group and the Company are consistent with those applied in the previous financial year other than the application of the new MFRSs and IC Interpretation and amendments to MFRSs as disclosed below.

During the financial year, the Group and the Company have applied the following new MFRSs and IC Interpretation and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB").

##### **Effective for accounting period beginning on or after 1 January 2018**

MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)

MFRS 15, Revenue from Contracts with Customers

Clarifications to MFRS 15, Revenue from Contracts with Customers

Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts

Amendments to MFRS 140 - Transfers of Investment Property

Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle :

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards

- Amendments to MFRS 128, Investments in Associates and Joint Ventures

IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

The Group and the Company have not early adopted the following new MFRSs and IC Interpretation and amendments to MFRSs that have been issued by the MASB but are not yet effective :

##### ***Effective for annual periods beginning on or after 1 January 2019***

MFRS 16, Leases

Amendments to MFRS 9 - Prepayment Features with Negative Compensation.

Amendments to MFRS 119 - Plan Amendment, Curtailment or Settlement.

Amendments to MFRS 128 - Long-term Interests in Associates and Joint Ventures.

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

**A2. Significant accounting policies (cont'd)**

***Effective for annual periods beginning on or after 1 January 2019 (cont'd)***

Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2015 - 2017 Cycle" :

- Amendments to MFRS 3, Business Combinations and MFRS 11, Joint Arrangements - Previously Held Interest in a Joint Operation
- Amendments to MFRS 112, Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity
- Amendments to MFRS 123, Borrowing Costs - Borrowing Costs Eligible for Capitalisation

IC Interpretation 23, Uncertainty over Income Tax Treatments

***Effective for annual periods beginning on or after 1 January 2020***

Amendments to MFRS 3 - Definition of a Business

Amendments to MFRS 101 and Amendments to MFRS 108 - Definition of Material

***Effective for annual periods beginning on or after 1 January 2021***

MFRS 17, Insurance Contracts

***Effective for annual periods beginning on or after a date to be determined by MASB***

Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company will apply the above new MFRSs and IC Interpretation and amendments to MFRSs that are applicable once they become effective. Their main features and impact on initial application are summarised below.

***MFRS 16, Leases***

MFRS 16 will supersede the existing MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases – Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and it sets out the principles for the recognition, measurement, presentation and disclosures of leases.

Under the existing MFRS 117, lessees and lessors are required to classify their leases as either finance leases or operating leases and account for those two types of leases differently. It requires a lessee to recognise assets and liabilities arising from finance leases but not from operating leases.

The new MFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for the rights and obligations arising from all leases and hence eliminates the distinction between finance leases and operating leases. As a consequence, a lessee recognises right-of-use assets and lease liabilities arising from operating leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in the profit or loss.

For lessors, MFRS 16 retains most of the accounting requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases.

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

**A2. Significant accounting policies (cont'd)**

**Amendments to MFRS 9 - Prepayment Features with Negative Compensation**

The Amendments allow entities to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

**Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2015 - 2017 Cycle"**

The Annual Improvements to MFRS Standards 2015 - 2017 Cycle include amendments to the following MFRSs :

- The amendments to MFRS 3 Business Combinations clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to MFRS 11 Joint Arrangements clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business;
- The amendments to MFRS 112 Income Taxes clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity; and
- The amendments to MFRS 123 Borrowing Costs clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

**IC Interpretation 23, Uncertainty over Income Tax Treatments**

MFRS 112 Income Taxes, includes requirements on recognition and measurement of tax assets and liabilities, but does not specify how to reflect uncertainty. As a result, entities apply diverse reporting methods when the application of tax law is uncertain.

When there is uncertainty over income tax treatments, the Interpretation addresses :-

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

**Amendments to MFRS 3 - Definition of a Business**

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

**A2. Significant accounting policies (cont'd)**

**Amendments to MFRS 101 and Amendments to MFRS 108 - Definition of Material**

The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of an entity's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

**MFRS 17, Insurance Contracts**

MFRS 17 will supersede the existing MFRS 4 Insurance Contracts and related Interpretations. The new Standard introduces consistent accounting for all insurance contracts based on a current measurement model. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at : (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. In addition, MFRS 17 changes the financial statements presentations of insurance service results whereby insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

**Financial impact on initial application**

The initial application of the new MFRSs, IC Interpretation and amendments to MFRSs is not expected to have any significant impact on the Group's and the Company's financial statements.

**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 17<sup>th</sup> December 2018, the Company announced a second Interim Dividend under the Single Tier System of RM0.02 per ordinary share amounting to RM1,297,009.

These dividends were paid on 25<sup>th</sup> January 2019.

**A9. Segment information**

	<b>Group</b>		<b>Variance</b>	
	<b>Cumulative Quarter</b>			
	<b>31.03.19</b>	<b>31.03.18</b>	<b>RM '000</b>	<b>%</b>
	<b>RM '000</b>	<b>RM '000</b>		
<b>Revenue</b>				
- Malaysia : Plantation				
- Company	3,965	5,004	(1,039)	(21%)
- Subsidiaries	2,057	2,047	10	-
	<u>6,022</u>	<u>7,051</u>	<u>(1,029)</u>	<u>(15%)</u>
- Australia : Real Estate	267	273	(6)	(2%)
	<u>6,289</u>	<u>7,324</u>	<u>(1,035)</u>	<u>(14%)</u>
<b>Profit before taxation</b>				
- Malaysia : Plantation				
- Company	633	2,529	(1,896)	(75%)
- Subsidiaries	(63)	309	(372)	(120%)
	570	2,838	(2,268)	(80%)
- Australia : Real Estate	80	81	(1)	(1%)
	<u>650</u>	<u>2,919</u>	<u>(2,269)</u>	<u>(78%)</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 2019.

**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**

	<b>Cost RM '000</b>
Bearer plants	128
Property, plant and equipment	<u>58</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**

	<b>Group</b>		<b>Cumulative Quarter</b>	
	<b>31.03.19</b>	<b>31.03.18</b>	<b>Variance</b>	
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>%</b>
<b>Revenue</b>				
- Malaysia : Plantation				
- Company	3,965	5,004	(1,039)	(21%)
- Subsidiaries	2,057	2,047	10	-
	<u>6,022</u>	<u>7,051</u>	<u>(1,029)</u>	<u>(15%)</u>
- Australia : Real Estate	267	273	(6)	(2%)
	<u>6,289</u>	<u>7,324</u>	<u>(1,035)</u>	<u>(14%)</u>
<b>Profit before taxation</b>				
- Malaysia : Plantation				
- Company	633	2,529	(1,896)	(75%)
- Subsidiaries	(63)	309	(372)	(120%)
	<u>570</u>	<u>2,838</u>	<u>(2,268)</u>	<u>(80%)</u>
- Australia : Real Estate	80	81	(1)	(1%)
	<u>650</u>	<u>2,919</u>	<u>(2,269)</u>	<u>(78%)</u>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>%</b>
Average FFB price per MT	406	546	(140)	(26)
FFB cost per MT	296	347	51	15
	<b>Metric Ton</b>	<b>Metric Ton</b>	<b>Metric Ton</b>	<b>%</b>
Production	14,826	12,925	1,901	15
Yield per hectare	5.98	5.35	0.63	12

The Group registered revenue of RM6.29 million in the current period, a decrease of 14% as compared to the corresponding preceding period. The decrease in revenue is primarily due to a decrease in the average selling price of fresh fruit bunches of palm oil ("FFB") of FFB of 26% this was partially off-set by an increase in production of FFB.

The Group also recorded a pre-tax profit in the current period of RM0.65 million against pre-tax profit of RM2.92 million compared to the corresponding preceding period, a decrease of 78%. This is due to the lower revenue as well as lower fair value change in agricultural produce of RM0.10 million in the current period as compared to RM1.59 million in the corresponding preceding period

The lower FFB cost per MT in the current year as compared to the corresponding preceding period is primarily due to the higher production of FFB.

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 2019.

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**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	
	31.03.19	31.12.18	RM '000	%
	RM '000	RM '000	RM '000	%
<b>Revenue</b>				
- Malaysia : Plantation				
- Company	3,965	4,271	(306)	(7)
- Subsidiaries	2,057	2,236	(179)	(8)
	6,022	6,507	(485)	(7)
- Australia : Real Estate	267	255	12	5
	6,289	6,762	(473)	(7)
<b>Profit before taxation</b>				
- Malaysia : Plantation				
- Company	633	90	543	604
- Subsidiaries	(63)	49	(112)	(229)
	570	139	(431)	311
- Australia : Real Estate	80	(303)	383	(126)
	650	(164)	(814)	(497)
	<b>RM</b>	<b>RM</b>		
Average FFB price per MT	406	398	8	2
FFB cost per MT	296	202	94	47
	<b>Metric Ton</b>	<b>Metric Ton</b>		
Production	14,826	16,335	(1,509)	(9)
Yield per hectare	5.98	6.71	(0.73)	(11)

The current quarter's recorded pre-tax profit of RM0.65 million on revenue of RM6.29 million as compared to pre-tax loss of RM0.16 million on revenue of RM6.76 million posted in the immediate preceding quarter.

The decrease in revenue is primarily due to the decrease in the production of FFB, this decrease was partially off-set by a slight increase in the selling price 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	
	31.03.19	31.12.18
Fair value changes in investment properties	-	(365)
Fair value changes in agriculture produce	102	(1,832)
	102	(2,197)



**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**

	<b>3 months ended</b>	
	<b>31.03.19</b>	<b>31.03.18</b>
	<b>RM'000</b>	<b>RM'000</b>
Taxation		
- Income tax	322	233
- Deferred tax	-	-
	<u>322</u>	<u>233</u>

The effective tax rate of the Group is higher than the statutory rate of taxation primarily due to certain expenses not being deductible 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 2019.

**B8. Derivative financial instruments**

There were no derivative financial instruments with off balance sheet risk 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)**

**B9. Changes in material litigation**

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

**B10. Dividends**

On 17<sup>th</sup> December 2018, the Company announced a second Interim Dividend under the Single Tier System of RM0.02 per ordinary share amounting to RM1,297,009

These dividends were paid on 25<sup>th</sup> January 2019.

**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 RM0.38 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 2018 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 April 2019.