

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 2019. 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 2019.

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") which are effective for accounting period beginning on or after 1 January 2019:

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments.
- 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.
- Amendments to MFRSs Classified as "Annual Improvements to MFRS 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; and
 - Amendments to MFRS 123, Borrowing Costs - Borrowing Costs Eligible for Capitalisation.

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

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

A2. Significant accounting policies (cont'd)

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 2020

Amendments to MFRS 3, Business Combination - Definition of a Business.

Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material.

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments :

Recognition and Measurement and MFRS 7 Financial Instruments : Disclosure - Interest Rate Benchmark Reform.

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 101, Presentation of Financial Statements - Classification of Liabilities as Current or Non-current.

Effective for annual periods beginning on or after 1 January 2023

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.

Amendments to MFRS 3, Business Combination - 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, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - 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.

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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

No dividends were paid in the current quarter.

A9. Segment information

		Group			
		Cumulative Quarter			
		30.06.2020	30.06.2019	Variance	
		RM '000	RM '000	RM '000	%
Revenue					
- Malaysia	: Plantation				
	- Company	10,807	8,205	2,602	32
	- Subsidiaries	5,154	3,820	1,334	35
		<u>15,961</u>	<u>12,025</u>	<u>3,936</u>	<u>33</u>
- Australia	: Real Estate	417	548	(131)	(24)
		<u>16,378</u>	<u>12,573</u>	<u>3,805</u>	<u>30</u>
Profit before taxation					
- Malaysia	: Plantation				
	- Company	4,160	622	3,538	569
	- Subsidiaries	1,644	(424)	2,068	-
		<u>5,804</u>	<u>198</u>	<u>5,606</u>	<u>2,831</u>
- Australia	: Real Estate	(242)	90	(332)	-
		<u>5,562</u>	<u>288</u>	<u>5,274</u>	<u>1,831</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 30 June 2020.

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	10	
Bearer plants	274	
	284	
Disposals	RM '000	AUD '000
Investment properties		
- Book Value	2,227	785
- Proceeds from disposal	2,033	737
	2,033	737

(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.

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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	
	30.06.2020	30.06.2019	RM '000	%
	RM '000	RM '000		
Revenue				
- Malaysia : Plantation				
- Company	10,806	8,205	2,602	32
- Subsidiaries	5,155	3,820	1,334	35
	<u>15,961</u>	<u>12,025</u>	<u>3,936</u>	<u>33</u>
- Australia : Real Estate	417	548	(131)	(24)
	<u>16,378</u>	<u>12,573</u>	<u>3,805</u>	<u>30</u>
Profit before taxation				
- Malaysia : Plantation				
- Company	4,159	622	3,538	569
- Subsidiaries	1,644	(424)	2,068	-
	<u>5,803</u>	<u>198</u>	<u>5,606</u>	<u>2,831</u>
- Australia : Real Estate	(241)	90	(332)	-
	<u>5,562</u>	<u>288</u>	<u>5,274</u>	<u>1,831</u>
	RM	RM	RM	%
Average FFB price per MT	499	397	102	26
FFB cost per MT	241	281	40	14
	Metric Ton	Metric Ton	Metric Ton	%
Production	31,997	30,221	1,776	6
Yield per hectare	12.90	12.18	0.72	6

The Group registered revenue of RM16.38 million in the current period, an increase of 30% compared to the preceding year corresponding period. The increase in revenue is primarily due to an increase in the average selling price and production of fresh fruit bunches of palm oil ("FFB") by 6% respectively.

The Group also recorded a pre-tax profit in the current period of RM5.56 million against pre-tax profit of RM0.29 million compared to the preceding year corresponding period, an increase of RM5.27 million or by 1,831%.

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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	
	30.06.20 RM '000	31.03.20 RM '000	RM '000	%
Revenue				
- Malaysia : Plantation				
- Company	6,135	4,671	1,464	31
- Subsidiaries	2,399	2,756	(357)	(13)
	<u>8,534</u>	<u>7,427</u>	<u>1,107</u>	<u>15</u>
- Australia : Real Estate	197	220	(23)	(10)
	<u>8,731</u>	<u>7,647</u>	<u>1,084</u>	<u>14</u>
Profit before taxation				
- Malaysia : Plantation				
- Company	2,683	1,476	1,207	82
- Subsidiaries	968	676	292	43
	<u>3,651</u>	<u>2,152</u>	<u>1,499</u>	<u>70</u>
- Australia : Real Estate	(195)	(46)	(149)	(324)
	<u>3,456</u>	<u>2,106</u>	<u>1,350</u>	<u>64</u>
	RM	RM	RM	
Average FFB price per MT	460	553	(93)	(17)
FFB cost per MT	215	278	63	23
	Metric Ton	Metric Ton	Metric Ton	
Production	18,558	13,439	5,119	38
Yield per hectare	7.48	5.42	2.06	38

The current quarter's recorded pre-tax profit of RM3.46 million on revenue of RM8.73 million as compared to pre-tax profit of RM2.11 million on revenue of RM7.65 million posted in the immediate preceding quarter.

The increase in revenue and pre-tax profit is mainly due to the increase in production of FFB.

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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)

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.

On 11 March 2020, the World Health Organisation declared COVID 19 a global pandemic. To contain the spread and flatten the curve, the Malaysian Government imposed a Movement Control Order ("MCO") from 18 March 2020. The MCO necessitated that closure of non-essential business, the palm oil industry was deemed as essential and allowed to operate subject to state restrictions. The restriction in movement has not materially affected the Group's operations, in addition, the Group has implemented Standard Operating Procedures ("SOP") which has been in practice since then.

The COVID 19 pandemic may result in a change in the supply and demand of vegetable oils. The Group has considered the impact of COVID 19 and the MCO on its operations and financials and is of the opinion that the operating results are expected to remain satisfactory and that the cash flow position is adequate to meet the Group's requirements.

Management will continue to monitor developments and take the required remedial actions where necessary. The Group will continue its operations taking into cognisance the health and safety of its employees and stakeholders.

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.

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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)

B5. Tax expense

	6 months ended	
	30.06.20	30.06.19
	RM'000	RM'000
Taxation		
- Income tax	2,065	704
- Deferred tax	(191)	-
	<u>1,874</u>	<u>704</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 30 June 2020.

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.

B10. Dividends

No dividend have been paid or declared.

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 RM3.67 million and the weighted average number of ordinary shares in issue during the current quarter of 64,850,448 shares.

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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 2019 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 13 August 2020.