

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 2016. 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 2016.

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
FRS, Amendments to FRS and IC Interpretations	
MFRS 9 : Financial Instruments (2014)	1 January 2018
MFRS 15 : Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15 : Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22 : Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 1 : First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
Amendments to MFRS 2 : Share-based Payment – Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4 : Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 128 : Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
Amendments to MFRS 140 : Investment Property – Transfers of Investment Property	1 January 2018
Amendments to MFRS 3 : Business Combinations (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019

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

A2. Significant accounting policies (cont'd)

	Effective for financial periods beginning on or after
FRS, Amendments to FRS and IC Interpretations	
Amendments to MFRS 9 : Financial Instruments - Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11 : Joint Arrangements (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
MFRS 16 : Leases	1 January 2019
Amendments to MFRS 112 : Income Taxes (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
Amendments to MFRS 123 : Borrowing Costs (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
Amendments to MFRS 128 : Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23 : Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 : Insurance Contracts	1 January 2021

FRS 9 : Financial Instruments

FRS 9 replaces the guidance in FRS 139 Financial Instruments: Recognition and Measurement. FRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. FRS 9 retains but simplifies the mixed measurement model in FRS 139 and establishes three primary measurement categories for financial asset: amortised cost, fair value through profit or loss and fair value through other comprehensive income (OCI). For liabilities, the standard retains most of the FRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives.

The Group and the Company are assessing the potential impact on their financial statements resulting from the application of FRS 9.

Malaysian Financial Reporting Standards (MFRS)

The Group is a transitioning entity as defined by the Malaysian Accounting Standards Board and its interim financial report is prepared in accordance with Financial Reporting Standards (“FRS”) framework reported in the previous interim period.

During the current quarter, the Group has decided to early adopt MFRS 141 *Agriculture: Bearer Plants* which is effective for annual periods beginning on or after 1 January 2016.

This has resulted in preparing an opening MFRS statement of financial position as at 1 January 2016 which adjusts for differences between the classification and measurement bases in the existing FRS framework versus that in the new MFRS framework. This would also result in a restatement of the financial performance for the financial year ending 31 December 2016 in accordance with MFRS which would form the MFRS comparatives for the financial year ending 31 December 2017.

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

A2. Significant accounting policies (cont'd)

Comparative information in this interim financial report have been restated to give effect to these changes and the financial impact on transition from FRS in Malaysia to MFRS are disclosed as follows:

i. Bearer Plants

Prior to the adoption of MFRS 141 *Agriculture: Bearer Plants*, replanting expenditure which represents cost incurred in replanting old planted areas, was charged to profit or loss. With the adoption of MFRS 141, replanting expenditure is measured at cost less accumulated depreciation and accumulated impairment losses, if any. The early adoption of MFRS 141 *Agriculture: Bearer Plants* have resulted such in costs, in the current and previous interim periods, being capitalised and amortised

ii. Biological Assets

Prior to the adoption of MFRS 141 *Agriculture: Bearer Plants*, biological assets which comprise bearer plants and agriculture produce were measured at fair value less costs to sell. With the adoption of MFRS 141, bearer plants are now recognised at cost less accumulated depreciation and accumulated impairment losses, if any. Agriculture produce is measured at fair value less costs to sell. The changes in fair value less cost of sales of the agriculture produce is recognised in profit or loss.

iii. Reconciliation

Condensed consolidated statement of financial position : 31 December 2016

	As previously reported	Effects on adoption of MFRS	Restated under MFRS
Assets			
Biological assets	71,688	(71,688)	-
Bearer plants	-	12,873	12,873
Deferred nursery expenditure	738	(738)	-
Agriculture produce	-	5,056	5,056
Liabilities			
Deferred tax liabilities	20,984	(2,424)	18,560

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

A2. Significant accounting policies (cont'd)

Malaysian Financial Reporting Standards (MFRS) (cont'd)

iii. Reconciliation

Condensed consolidated statement of financial position : 31 December 2016

	As previously reported	Effects on adoption of MFRS	Restated under MFRS
Equity			
Reserves	182,216	(65,112)	117,104
Retained earnings	61,748	15,252	77,000
Non-controlling interest	22,087	(2,212)	19,875

Condensed consolidated statement of financial position : 31 December 2016

Preceding year corresponding quarter 3 months ended 31 December 2016

Profit before taxation	2,988	3,402	6,390
Taxation	(694)	(1,010)	(1,704)
Non-controlling interests	(104)	80	(24)

Preceding year corresponding period 12 months ended 31 December 2016

Profit before taxation	10,789	4,183	14,972
Taxation	(2,556)	(1,010)	(3,566)
Non-controlling interests	157	80	237

Condensed consolidated statement of cash flows : 31 December 2016

Profit before taxation	10,789	4,183	14,972
Amortisation	-	601	601
Fair value changes in agriculture produce	-	(3,178)	(3,178)
Deferred nursery expenditure	(93)	93	-
Bearer plant	-	(1,698)	(1,698)

A3. Comparatives

The have been no material changes to the comparative figures other than as stated in note A2.

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			
	31.12.17	31.12.16	RM '000	
	RM '000	RM '000		
Revenue				
- Malaysia : Plantation				
- Company	29,468	19,160	10,308	54
- Subsidiaries	12,626	10,669	1,957	18
	<u>42,094</u>	<u>29,829</u>	<u>12,265</u>	41
- Australia : Real Estate	1,171	1,482	(311)	(21)
	<u>43,265</u>	<u>31,311</u>	<u>11,954</u>	38
Profit before taxation				
- Malaysia : Plantation				
- Company	16,800	10,629	6,171	58
- Subsidiaries	4,464	4,838	(374)	(8)
	<u>21,264</u>	<u>15,467</u>	<u>5,797</u>	37
- Australia : Real Estate	(824)	(495)	(329)	(66)
	<u>20,440</u>	<u>14,972</u>	<u>5,468</u>	37

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 December 2017.

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>591</u>
Disposals	Book Value RM '000	Proceeds RM '000
Marketable securities	<u>778</u>	<u>2,278</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 except for the recognition of revaluation surplus of RM7.84 million arising from the revaluation of estate land in the current quarter.

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			
		31.12.17	31.12.16	Variance	
		RM '000	RM '000	RM '000	%
Revenue					
- Malaysia	: Plantation				
	- Company	29,468	19,160	10,308	54
	- Subsidiaries	12,626	10,669	1,957	18
		<u>42,094</u>	<u>29,829</u>	<u>12,265</u>	<u>41</u>
- Australia	: Real Estate	1,171	1,482	(311)	(21)
		<u>43,265</u>	<u>31,311</u>	<u>11,954</u>	<u>38</u>
Profit before taxation					
- Malaysia	: Plantation				
	- Company	16,800	10,629	6,171	58
	- Subsidiaries	4,464	4,838	(374)	(8)
		<u>21,264</u>	<u>15,467</u>	<u>5,797</u>	<u>37</u>
- Australia	: Real Estate	(824)	(495)	(329)	(66)
		<u>20,440</u>	<u>14,972</u>	<u>5,468</u>	<u>37</u>
		RM	RM	RM	%
Average FFB price per MT		631	619	12	2
Plantation cost per MT		230	271	(41)	(15)
		Metric Ton	Metric Ton	Metric Ton	%
Production		66,732	48,200	18,532	38
Yield per hectare		27.81	21.35	6.46	30

The Group registered revenue of RM43.27 million in the current period, an increase of 38% as compared to the preceding year.

The increase in revenue is due an increase in the average selling price of fruit bunches of palm oil ("FFB"), and an increase in the production of FFB compared to the preceding year.

The Group also recorded a pre-tax profit in the current period of RM20.44 million against pre-tax profit of RM14.97 million compared to the preceding year, an increase of 37%.

The higher pre-tax profit is due to primarily higher revenue, a RM1.5 million gain from the disposal of marketable securities, this was offset by a negative change of RM5.6 million in the fair value of agriculture produce as compared to the preceding year.

The Australian subsidiary is an investment holding real estate company that develops and rents out its properties. All properties owned by this company are substantially tenanted as at 31 December 2017.

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	
	31.12.17 RM '000	30.09.17 RM '000	RM '000	%
Revenue				
- Malaysia : Plantation				
- Company	7,165	7,372	(207)	(3)
- Subsidiaries	2,861	3,313	(452)	(14)
	<u>10,026</u>	<u>10,685</u>	<u>(659)</u>	<u>(6)</u>
- Australia : Real Estate	<u>214</u>	<u>321</u>	<u>(107)</u>	<u>(33)</u>
	<u>10,240</u>	<u>11,006</u>	<u>(766)</u>	<u>(7)</u>
Profit before taxation				
- Malaysia : Plantation				
- Company	2,321	4,081	(1,760)	(43)
- Subsidiaries	(188)	1,495	(1,683)	(113)
	<u>2,133</u>	<u>5,576</u>	<u>(3,443)</u>	<u>(62)</u>
- Australia : Real Estate	<u>(1,136)</u>	<u>105</u>	<u>(1,241)</u>	<u>(1,182)</u>
	<u>997</u>	<u>5,681</u>	<u>(4,684)</u>	<u>(82)</u>
		RM	RM	%
Average FFB price per MT	601	603	(2)	-
Plantation cost per MT	240	230	10	4
	Metric Ton	Metric Ton	Metric Ton	%
Production	16,694	17,713	(1,019)	(6)
Yield per hectare	6.96	7.35	(0.39)	(5)

Plantations

The current quarter's recorded pre-tax profit of RM2.13 million on revenue of RM10.03 million as compared to pre-tax profit of RM5.58 million on revenue of RM10.69 million posted in the immediate preceding quarter.

The decrease in revenue is primarily due to the decrease in the production of FFB. The decrease in the pre-tax profit is primarily due to the decrease in the production of FFB as well the negative change in fair values of agriculture produce and investment properties recognised the current quarter as follows:

	3 Months ended		
	31.12.17 RM '000	30.09.17 RM '000	31.12.16 RM '000
Fair value changes in investment properties	(1,141)	-	(1,102)
Fair value changes in agriculture produce	(2,554)	-	3,178
	<u>(3,695)</u>	<u>-</u>	<u>2,076</u>

Real Estate Investment

The Australian subsidiary is an investment holding real estate company that develops and rents out its properties. All properties owned by this company are substantially tenanted as at 31 December 2017.

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, the Directors are optimistic that this division will be able to maintain its productivity and remain competitive.

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

	12 months ended	
	31.12.17	31.12.16
	RM'000	RM'000
Taxation		
- Income tax	4,963	2,676
- Deferred tax	(916)	890
	<u>4,047</u>	<u>3,566</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 December 2017.

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.

Riverview Rubber Estates, Berhad
(Company No. 820-V)
(Incorporated in Malaysia)

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.

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 RM16.00 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 2016 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 27 February 2018.

Riverview Rubber Estates, Berhad
 (Company No. 820-V)
 (Incorporated in Malaysia)

Part C : Additional disclosure pursuant to Bursa Malaysia Securities Berhad's directive regarding Disclosure of Realised and Unrealised Profits/Losses

C1. Realised and Unrealised Profits/(Losses)

	31.12.2017	31.12.2016
	RM' 000	RM' 000
Retained Earnings of the Company		
Realised	54,098	44,491
Unrealised	(3,447)	(1,947)
	<u>50,651</u>	<u>42,544</u>
Retained Earnings of the Subsidiaries		
Realised	32,524	29,256
Unrealised	4,700	5,200
	<u>37,224</u>	<u>34,456</u>
Retained Earnings of the Group	<u>87,875</u>	<u>77,700</u>