Southern Acids (M) Berhad

Company No. 64577-K
(Incorporated in Malaysia)

ANNUAL REPORT **2019**

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BOARD OF DIRECTORS

Tan Sri Datuk Seri Panglima Sulong Matjeraie	*Chairman / Independent Non-Executive Director*
Dr. Nick Low (Dr. Low Kok Thye)	*Managing Director*
Lim Kim Long	*Executive Director*
Chung Kin Mun	*Senior Independent Non-Executive Director*
Mohd Hisham Harun	*Non-Independent Non-Executive Director*
Leong So Seh	*Independent Non-Executive Director*
Teo Leng	*Independent Non-Executive Director*

AUDIT COMMITTEE

Chung Kin Mun (Chairman)

Leong So Seh

Teo Leng

NOMINATION & REMUNERATION COMMITTEE

Chung Kin Mun (Chairman)

Leong So Seh

Tan Sri Datuk Seri Panglima Sulong Matjeraie

SENIOR MANAGEMENT TEAM

Key Day-To-Day Management : Corporate

Managing Director	-	**Dr. Nick Low**
Executive Director	-	**Lim Kim Long**
Chief Financial Officer	-	**Cheong Kee Yoong**

Alex Chan Choon Hoong
Chief Strategic Development Officer

Jennifer Low Swee Yim
Integration Director

Tiong Chuu Ling
Chief Operating Officer - Oleochemical Segment

Lee Choo Chai
General Manager - Milling & Estate Segment

Tan Suet Guan
Hospital Director - Healthcare Segment

COMPANY SECRETARIES

Lim Kui Suang (MAICSA 0783327)

Paul Ignatius Stanislaus (MACS 01330)

REGISTERED OFFICE

9, Jalan Bayu Tinggi 2A/KS6
Taipan 2, Batu Unjur
41200 Klang
Selangor Darul Ehsan
Malaysia

Tel : 03-3323 1916
Fax : 03-3323 3584

HEAD OFFICE / PRINCIPAL PLACE OF BUSINESS

Level 29, Centro Tower
No. 8, Jalan Batu Tiga Lama
41300 Klang
Selangor Darul Ehsan
Malaysia

Tel : 03-3258 3333
Fax : 03-3258 3300
Website : www.southernacids.com

COUNTRY OF INCORPORATION AND DOMICILE

Malaysia

SHARE REGISTRARS

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 : 03-7849 0777 (Helpdesk)
Fax : 03-7841 8151
: 03-7841 8152

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

LEGAL STATUS

Public listed company limited by shares

AUDITORS

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Malaysia

PRINCIPAL BANKERS

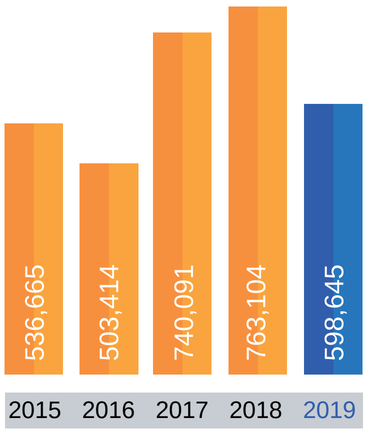
AmFunds Management Berhad
CIMB Bank Berhad
Citibank Berhad
Deutsche Bank (Malaysia) Berhad

FINANCIAL HIGHLIGHTS

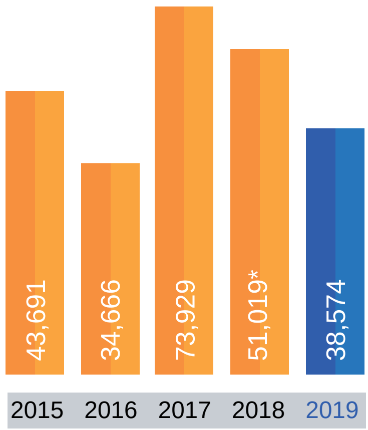
Financial Year	2015	2016	2017	2018	2019
Financial Performance (RM'000)					
Revenue	536,665	503,414	740,091	763,104	598,645
Profit before tax	43,691	34,666	73,929	51,019*	38,574
Profit for the year	34,106	23,714	57,442	37,039*	25,468
Financial Position (RM'000)					
Total assets	604,922	642,052	705,106*	717,050*	731,557
Total liabilities	65,847	67,854	77,444*	79,981*	75,542
Net current assets	211,364	225,424	274,344*	272,275*	280,610
Equity attributable to shareholders of the Company	493,392	512,318	568,758*	586,376*	601,281
Share capital	136,934	136,934	171,255	171,255	171,255
Number of ordinary shares ('000)	136,934	136,934	136,934	136,934	136,934
Key Figures					
Earnings per share (sen)	20.10	17.01	35.58	23.78*	15.69
Dividend per share (net) (sen)	5.00	5.00	5.00	5.00	5.00
Net assets per share attributable to shareholders of the Company (RM)	3.60	3.74	4.15	4.28*	4.39

* Restated

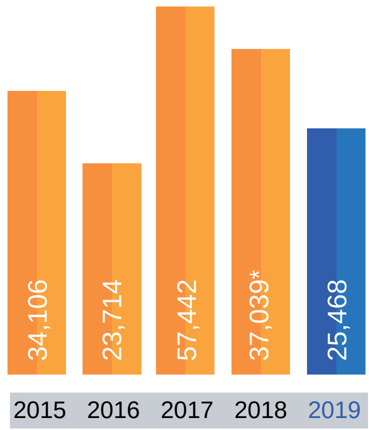
REVENUE
(RM'000)



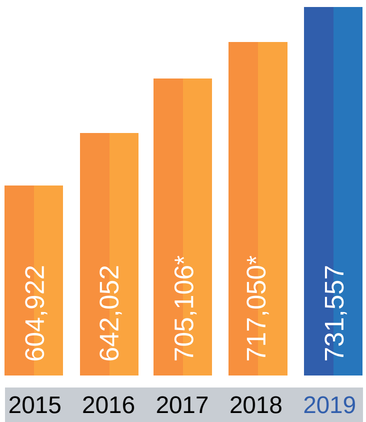
PROFIT BEFORE TAX
(RM'000)



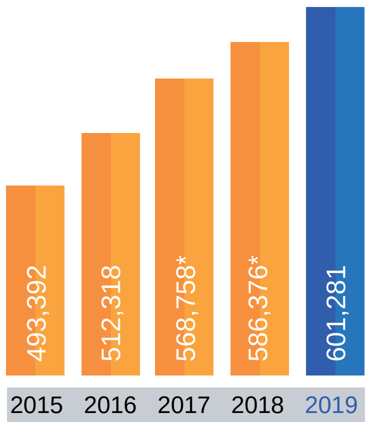
PROFIT FOR THE YEAR
(RM'000)



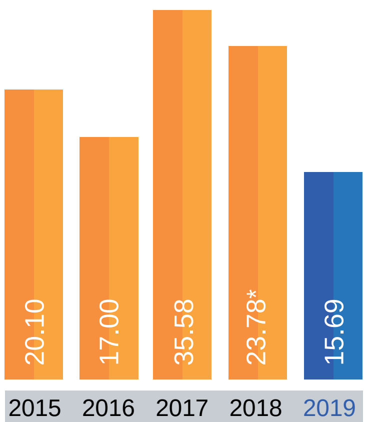
TOTAL ASSETS
(RM'000)



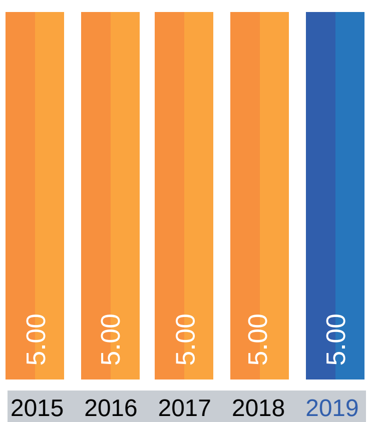
SHAREHOLDERS' EQUITY
(RM'000)



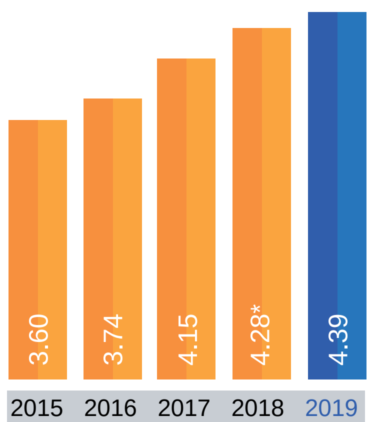
EARNINGS PER SHARE
(Sen)



DIVIDEND PER SHARE (NET)
(Sen)



NET ASSETS PER SHARE
(RM)



CORPORATE STRUCTURE

Southern Acids (M) Berhad (64577-K)

Subsidiaries

- 100.0% Southern Acids Cronos Resource Sdn. Bhd. (65476-P) *(formerly known as Southern Management (M) Sdn. Bhd.)*
- 100.0% Southern Acids Industries Sdn. Bhd. (207048-P)
- 100.0% Southern Medicare Sdn. Bhd. (352799-M)
- 100.0% Noble Interest Sdn. Bhd. (349945-V)
- 100.0% Parson Medithor Medical Sdn. Bhd. (523049-H)
- 100.0% PKE Transport (Malaysia) Sdn. Berhad (161855-T)
- 100.0% Imayos Letting Sdn. Bhd. (931569-W)
- 100.0% SAB Bio-Fuel Sdn. Bhd. (363986-K)
- 100.0% SAB (East Asia) Holdings Limited (476922)
- 100.0% SAB Plantation Sdn. Berhad (470422-X)
- 100.0% SAB Properties Development Co. Sdn. Berhad (324387-H)
- 100.0% Pembinaan Gejati Sdn. Bhd. (320201-W)
- 100.0% Wilstar Sdn. Bhd. (433043-M)
- 90.0% Firstview Development Sdn. Bhd. (433422-W)
  - 70.0% PT. Mustika Agro Sari (040110102386)
    - 83.3% PT. Wanasari Nusantara (040111505014)
  - 11.7% PT. Wanasari Nusantara (040111505014)

Associate

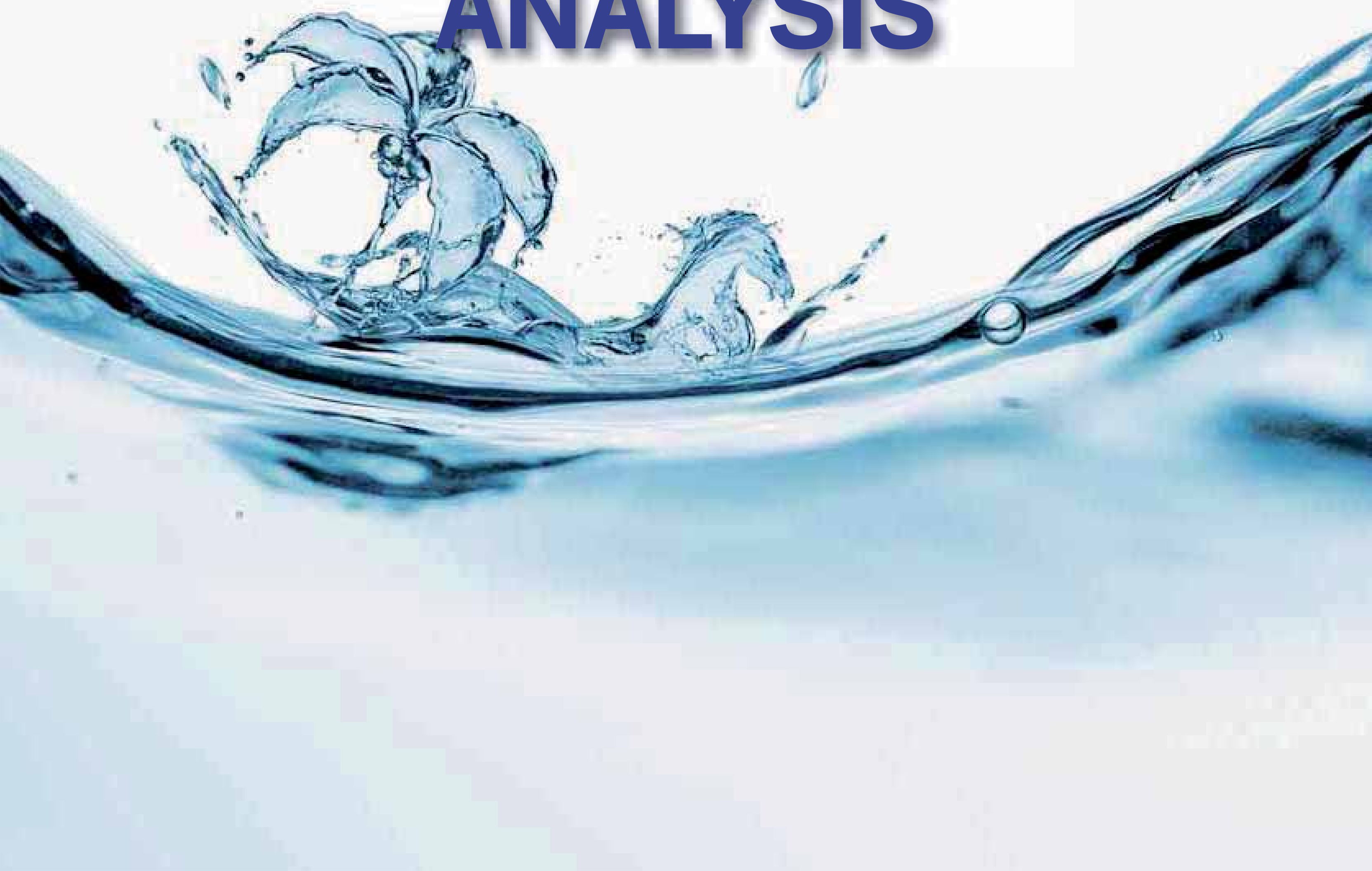
- 38.6% PKE (Malaysia) Sdn. Berhad (56287-D)

Oleochemical Segment

Milling & Estate Segment

Healthcare Segment

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

On behalf of the Board of Directors ("the Board") of Southern Acids (M) Berhad ("SAB" or "the Company"), it is my pleasure to present the Management Discussion and Analysis of SAB and its subsidiaries ("the Group") for the financial year ended 31 March 2019 ("FY2019").

BACKGROUND

SAB was founded in 1980 and commenced manufacturing and marketing of oleochemical products. The Group subsequently undertook a vertical integration exercise by venturing into the upstream oil palm segment. This strategic move was to capitalise on the potential of palm oil as an alternative feedstock to the oleochemical industry which was then still largely based on tallow and coconut oil.

Building on its early success, SAB's core activities have expanded and currently encompasses Oleochemical, Milling & Estate and Healthcare. The Group currently employs 1,622 staff members and has operations in Malaysia and Indonesia.

FY2019 FINANCIAL HIGHLIGHTS

In Calendar Year ("CY") 2018, the Malaysian economy grew 4.7%, albeit at a slower pace than 5.9% achieved in CY2017. The economy was adversely affected by supply-side shocks and post-election policy uncertainty. In addition, the disruption in the commodity-related sectors in third and fourth quarters CY2018.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Against this backdrop, SAB reported a revenue of RM598.6 million and a profit before tax ("PBT") of RM38.6 million for FY2019. Revenue decreased 21.6% from RM763.1 million achieved in the preceding financial year ("FY2018") as PBT declined by 24.4% from RM51.0 million.

The Group's weakened performance was largely due to prolonged industry wide headwinds adversely affecting the Oleochemical and Milling & Estate Segments that resulted in significant declines in sales volumes and prices of fatty acids, crude palm oil ("CPO") and palm kernel ("PK") respectively. These segments accounted for 82.9% of Group revenue during the financial year.

On a more positive note, the Healthcare Segment remained stable in FY2019. Segment profit grew as the nature of its operating environment rendered it impervious to fluctuations in commodity prices.

During the financial year, the Group undertook capital expenditure amounting to approximately RM39.0 million. Topping the list is the Healthcare Segment at RM18.8 million followed by Milling & Estate Segment at RM10.9 million and Oleochemical Segment at RM5.3 million.

Out of the capital expenditure for the Healthcare Segment, approximately RM16.1 million was for purchasing various types of new medical equipment while the balance was for the upgrading of facilities. The Milling & Estate Segment incurred approximately RM6.7 million for upgrading and/or parts replacement of the palm oil mills ("POM"). As for the Oleochemical Segment, RM4.8 million was incurred for the upgrading of the plant and commissioning of new machinery. All capital expenditure except for motor vehicles was funded via internally generated funds.

As at 31 March 2019, SAB's balance sheet remained ungeared; sporting a net cash position of RM199.9 million. The Group's current ratio stood at 5.6 times. Total assets amounted to RM731.6 million as shareholders' funds increased to RM601.3 million.

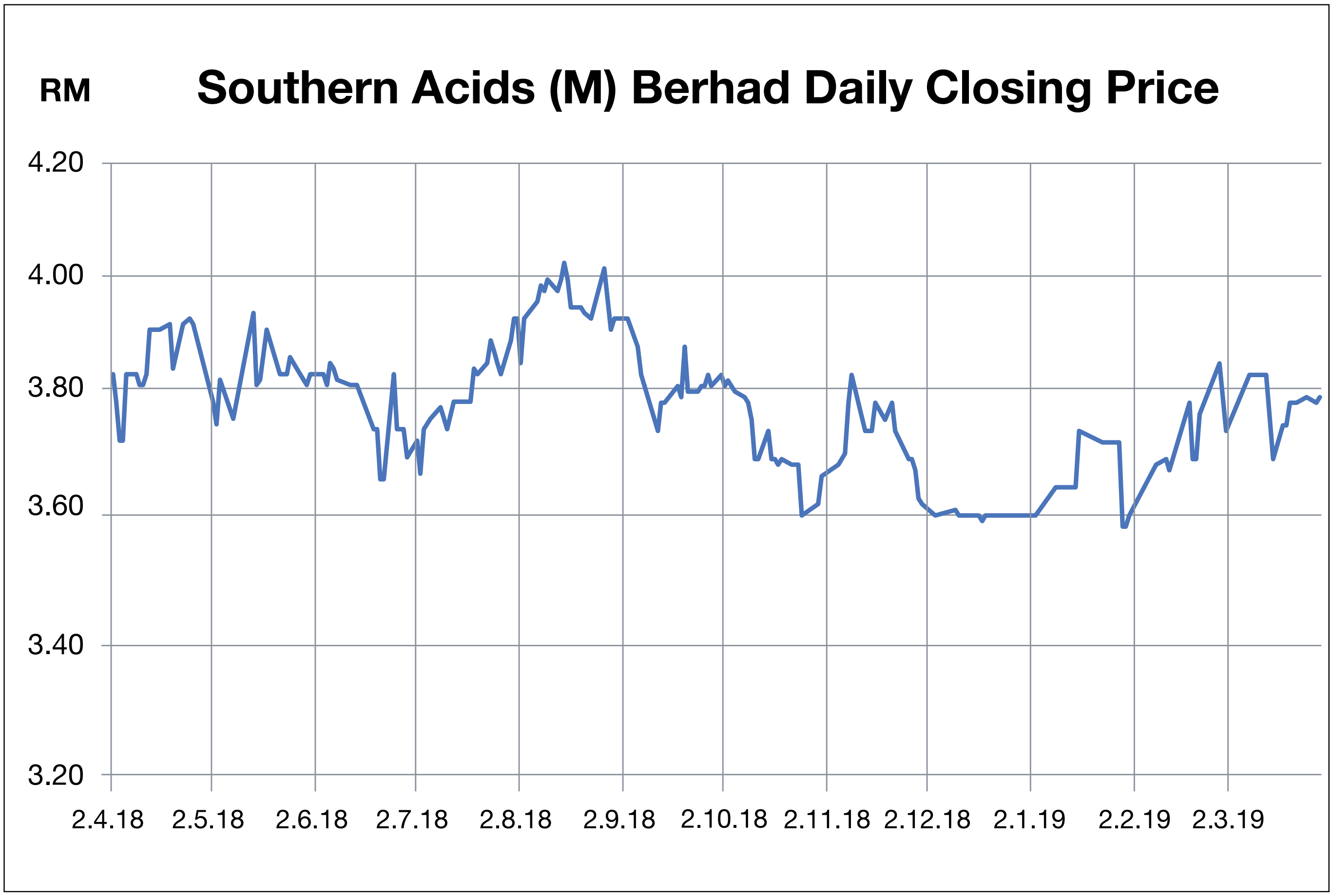
SAB GROUP FIVE YEAR FINANCIAL HIGHLIGHTS

	FY2015 RM'000	FY2016 RM'000	FY2017 RM'000	FY2018 RM'000	FY2019 RM'000
Revenue	536,665	503,414	740,091	763,104	598,645
Profit before tax and interest	43,691	34,735	74,010	51,075*	38,611
Finance costs	-	69	81	56	37
Net income	34,106	23,714	57,442	37,039*	25,468
Shareholders' equity	493,392	512,318	568,758*	586,376*	601,281
Total assets	604,922	642,052	705,106*	717,050*	731,557
Borrowings	-	808	605	340	399
Earnings per share (sen)	20.10	17.01	35.58	23.78*	15.69
Net assets per share (RM)	3.60	3.74	4.15	4.28*	4.39
Dividend per share (sen)	5.00	5.00	5.00	5.00	5.00

* Restated

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

SAB SHARE PRICE PERFORMANCE



		FY2019	FY2018
1	High	RM4.05	RM5.03
2	Low	RM3.58	RM3.75
3	Close	RM3.81	RM3.85
4	Average Daily Trading volume (shares)	9,959	23,584
5	Market Capitalisation at year end	RM521.7million	RM527.2million
6	Earnings Per Share (sen)	15.69	23.78*
7	Price Earnings Ratio (time)	24.3	16.2*

* Restated

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Oleochemical Segment

The Oleochemical Segment is involved in the manufacturing and marketing of fatty acids and glycerine with a production mix ratio of approximately 90:10 between fatty acids and glycerine.

The manufacturing plant is located in Kapar, Klang and was commissioned in the 1980s. It has an annual manufacturing capacity of approximately 100,000 metric tons ("MT"). This plant has been awarded with the following accreditations and certifications: -

- ISO 22000 (Food Safety Management);
- ISO 9001 (Quality Management Systems);
- GMP - Good Manufacturing Practice;
- HACCP - Hazard Analysis Critical Control Point;
- RSPO - Roundtable on Sustainable Palm Oil;
- Kosher (Products); and
- Halal (Manufacturing).

This segment's product offerings are used in diverse end-use applications including personal care, cleaning agents and food products. Approximately 77.0% of segment revenue is derived from exports whilst the balance is from domestic sales.

The current plant has been in operation for more than thirty years. Given the age of the plant, our long-term focus remains on upgrading the plant. This will enhance the plant's manufacturing and cost efficiency via modernisation and process automation.

	FY2019	FY2018	Changes
Financial Highlights			
Revenue (RM'000)	290,651	383,869	-24.3%
(Loss)/Profit Before Tax (RM'000)	(2,445)	5,905*	-141.4%
Core (Loss)/Profit Before Tax (RM'000)	(7,099)	9,540*	-174.4%
Non-Financial Highlights			
Production Capacity (MT)	100,000	100,000	-
Production (MT)	82,953	93,901	-11.7%
Production Utilisation (%)	83.0%	93.9%	-11.7%
Overseas Sales (RM'000)	223,672	292,102	-23.4%
Overseas Sales (%)	77.0%	76.1%	1.1%

* Restated

In FY2019, revenue in the Oleochemical Segment decreased 24.3% to RM290.7 million from RM383.9 million achieved in the preceding year. This can be attributed to two (2) main factors; a 12.7% decline in sales volume of fatty acids and glycerine and a 14.1% decline in the price of fatty acids. Production capacity utilisation rate declined to 83.0% from 93.9% achieved in the preceding year due to the decline in sales.

The Oleochemical Segment reported a loss before tax ("LBT") of RM2.4 million in FY2019 due to lower sales volumes and price of fatty acids. The segment's core LBT amounted to RM7.1 million and non-core PBT stood at RM4.7 million. The non-core PBT was mainly due to both realised and unrealised gain from foreign exchange.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Milling & Estate Segment

The Milling & Estate Segment is principally engaged in the processing of Fresh Fruit Bunches ("FFB") into CPO and PK as well as oil palm cultivation.

The Group operates two (2) POMs located in Riau, Indonesia with a combined milling capacity of 105 MT per hour. The first POM was commissioned in June 2002 followed by the second POM that was commissioned in August 2015.

The FFB required by our POMs are supplied by our internal estates as well as from third-party external estates. The FFB production from our 4,395 hectares ("ha") of planted area in Riau yielded 87,064 MT in FY2019, providing approximately 20.4% of the POMs requirements. Out of the 4,395 ha of planted area, 3,354 ha are mature whilst the remaining 1,041 ha are immature. The age profile of our palms is equally spread between the young, prime and old and with a weighted average age of 14 years old.

The Group's PT. Mustika Agro Sari ("PTMAS") assets in Riau is Indonesian Sustainable Palm Oil ("ISPO") compliant, having been awarded the certification in November 2017. The certification is valid for five (5) years until November 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The Group's long-term strategy is to increase production efficiency which will in-turn positively affect our cost structure. We are currently exploring all available options.

	FY2019	FY2018	Changes
Financial Highlights			
Revenue (RM'000)	205,796	275,802	-25.4%
Profit Before Tax (RM'000)	16,628	20,087*	-17.2%
Core Profit Before Tax (RM'000)	11,499	16,231	-29.2%
Non-Financial Highlights			
FFB Production (MT)	87,064	71,569	21.7%
Average CPO Selling Price Per MT (RM)	1,970	2,459	-19.9%
Average PK Selling Price Per MT (RM)	1,430	2,086	-31.4%

* Restated

In FY2019, revenue in the Milling & Estate Segment decreased 25.4% to RM205.8 million from RM275.8 million achieved in the preceding year. The decline stemmed from significantly lower prices of CPO and PK, which declined 19.9% and 31.4% respectively.

FFB production from internal estates increased 21.7% to 87,064 MT as more areas reached maturity; cushioning the negative effects from the significant decline in prices of CPO and PK.

Segment PBT declined by 17.2% to RM16.6 million, negatively impacted by a one-off indirect tax expense arising from prior financial periods. The segment's core PBT stood at RM11.5 million whilst non-core PBT amounted to RM5.1 million. The non-core PBT was mainly derived from interest income and the disposal of PK shells and scraps.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Healthcare Segment

The Healthcare Segment operates Sri Kota Specialist Medical Centre ("Sri Kota"), an award winning 232-bedded private tertiary hospital located in Klang, Selangor. Sri Kota was commissioned in September 1999 and has maintained the status of Klang's leading private tertiary hospital during the past two (2) decades.

During the year, Sri Kota received the Facilities Improvement Initiative of the Year award from Health Asia and the Health and Wellness Brand award from Sin Chew Daily. These awards are further endorsements of Sri Kota's established presence in Klang as the hospital approaches its 20th Anniversary in September 2019.

The following major specialities and sub-specialities are available at our hospital:-

1. Anaesthesiology;
2. Surgical;
3. Medicine;
4. Oncology;
5. Obstetrics and Gynaecology;
6. Radiology; and
7. Paediatrics.

Sri Kota currently has thirty-three resident consultants and forty-three visiting consultants specialising in the above core disciplines. Sri Kota is accredited with the full 4-year prestigious Malaysian Society for Quality in Health ("MSQH") 5th Edition (3rd Cycle) for period of 6 December 2018 to 5 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The Group's long-term strategy is to recruit more full-time doctors and nurses. This will enable us to strategically expand our core disciplines whilst delivering healthcare services with a holistic approach to patient care.

	FY2019	FY2018	Changes
Financial Highlights			
Revenue (RM'000)	84,216	84,716	-0.6%
Profit Before Tax (RM'000)	22,997	21,992*	4.6%
Core Profit Before Tax (RM'000)	20,115	19,552*	2.9%
Non-Financial Highlights			
Number Of Patient			
- Outpatient	81,015	80,031	1.2%
- Inpatient	12,582	12,716	-1.1%
Average Revenue Per Patient ("ARPP") (RM)			
- Outpatient	138	154	-10.4%
- Inpatient	5,543	5,437	1.9%
Number Of Licensed Beds	161	161	-
Bed Occupancy Rate (%)	57.0%	57.9%	-1.6%
Number Of Resident Consultants	33	34	-2.9%
Number Of Visiting Consultants	43	36	19.4%

* Restated

In FY2019, revenue in the Healthcare Segment remained largely unchanged at RM84.2 million from the preceding year.

During the period, the number of registered outpatients increased slightly to 81,015 whereas inpatients decreased marginally to 12,582. The ARPP for outpatients decreased 10.4% to RM138 whilst inpatients increased 1.9% to RM5,543.

Overall bed occupancy rate decreased marginally to 57.0% from 57.9% previously.

Segment PBT rose 4.6% to RM23.0 million in the year under review. This comprised core PBT of RM20.1 million and non-core PBT of RM2.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

KEY RISKS AND MITIGATION

The Group employs a proactive approach to risk identification and management for all the business segments. Our internal risk management framework outlines an internal control mechanism underpinned by an independent review and audit process by the Board.

Oleochemical Segment

The Oleochemical Segment faces competitive risk due to intense price competition, forex risk from exports and a threat of substitutes from petrochemical products. The Group mitigates competition risk by maintaining close relationships with long term customers via a value-added approach that allows product customisation and differentiation. Forex exposure risk is mitigated through the hedging of our USD foreign currency denominated receivables.

Milling & Estate Segment

The Milling & Estate Segment is a net buyer of FFB for feedstock for our milling operations as our internal estates are only able to supply 20.4% of the required volume. In addition, fluctuations in CPO prices is also a key risk as this determines the selling price to our customers. As CPO prices are a function of global supply and demand, the Group focuses on increasing the production of our internal estates. This will render the Group less reliant on buying FFB from external estates, allowing us to be more vertically integrated.

Healthcare Segment

The Healthcare Segment operates in the private healthcare space, which is subject to competition from other healthcare providers and risk of professional misconduct and incompetence. The Group mitigates these risks by continually improving internal processes to ensure that our consultants and nurses discharge their duties in accordance with the highest standards of professional conduct. These measures give customers confidence in our abilities and encourages brand loyalty and retention.

OUTLOOK AND PROSPECTS

Oleochemical Segment

Prospects for the Oleochemical Segment is expected to remain challenging in an increasingly tough operating environment. Competition in the international market continues to intensify, brought on in-part by the uncertainty and decreased trade flows stemming from the US-China trade war. The volatility of the USD/MYR also remains a cause for concern due to the export nature of this segment.

Domestically, this segment is subject to policy risks such as increases in minimum wages, foreign labour policy and rising public utilities' costs. These factors materially affect our cost structure and competitiveness as we may not be able to pass on the incremental costs to our customers.

Taking into account the above, the Group remains focused on increasing production efficiency and cost rationalisation. This will enable the Oleochemical Segment to be more price competitive as the market recovers and trade returns to previous levels.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Milling & Estate Segment

Similarly, the Milling & Estate Segment is expected to be lacklustre as high inventories during the first quarter of the year will likely subdue CPO price increases in the near term despite higher export growth to Pakistan, Bangladesh, India and China.

That being said, CPO prices recovered from a 12-year low of RM1,717 per MT in November 2018, rising to a near term peak of just above RM2,150 in February 2019. Going forward, CPO prices are expected to stabilise during the rest of the year as palm oil production slows after an unexpected bountiful harvest last year. The segment should benefit from a gradual uptick and stabilisation in CPO prices, but we remain cautious overall.

Potential growth drivers will likely be centred on the current US-China trade war as well as US's biofuels policy and Indonesia's biodiesel quota. A more affirmed recovery in CPO prices could stem from a sustained growth momentum in demand and concern over a possible El Nino effect disrupting production flows.

Healthcare Segment

The Healthcare Segment is expected to deliver steady growth underpinned by growing healthcare awareness, rising medical insurance coverage, expanding middle income group and an ageing population. Numerically, key performance drivers are in the growth of inpatients and outpatients, as well as in the average revenue per patient.

In order to cater for growth, the Group frequently undertakes maintenance and expansion expenditure to upgrade and refurbish existing facilities. This strategy enables the Group to improve service levels and customer satisfaction.

The Group is currently embarking on an expansion and facility improvement exercise that will broaden the service scope of the cancer centre. This new and improved cancer centre is expected to come on stream in September 2019.

Operationally, human capital retention remains a challenge. The industry lacks experienced nurses and reputable, highly-skilled and experienced consultants for specific disciplines. The Group endeavours to offer attractive remuneration packages and a positive working environment to attract and retain talent.

BUDGETED CAPITAL EXPENDITURE

For the financial year ending 31 March 2020 ("FY2020"), SAB has budgeted approximately RM46.6 million for capital expenditure requirements. Topping the list is the Healthcare Segment at RM30.6 million followed by the Oleochemical Segment at RM12.0 million and the Milling & Estate Segment at RM4.0 million.

Out of the total budgeted capital expenditure for Healthcare Segment, approximately RM17.0 million is allocated for the upgrading and expansion of the existing cancer centre whilst the balance will be used for purchasing medical equipment and upgrading of other facilities. As for the Oleochemical Segment, an amount of RM9.0 million is budgeted for the commissioning of one (1) biomass boiler and the upgrading of a transport system. The full budgeted amount for Milling & Estate Segment is for the upgrading of existing POMs and estates.

The budgeted capital expenditure will be funded via internal fund and/or combination of internal fund and borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

GENERAL

Despite the potential uncertainty surrounding the Group's core business segments, the Group has a strong balance sheet with no debt and a net cash position of RM199.9 million. This provides the Group with ample debt headroom for any required capital expenditure and strategic acquisitions that may arise.

DIVIDEND

On 25 May 2018, the Board proposed a single-tier final dividend of 5 sen per ordinary share in respect of FY2018. and was duly tabled and approved at the Annual General Meeting ("AGM") held on 30 August 2018. The dividend was subsequently paid to shareholders on 28 September 2018.

On 28 May 2019, the Board proposed a single-tier final dividend of 5 sen per ordinary share for FY2019. The proposal will be tabled for shareholders' approval during the forthcoming AGM.

Historically, SAB has consistently paid a dividend of 5 sen per ordinary share. This translates to a dividend pay-out ratio of between 18.5% and 26.9% of profit after tax for FY2018 and FY2019 respectively.

Future dividend payments will depend on the Group's performance and liquidity position taking into account working capital requirements and budgeted capital expenditure.

APPRECIATION

On behalf of the Board, I would like to express my appreciation to all our valued shareholders and stakeholders for your continued support and trust in the Group. I would also like to thank my fellow Directors, management and staff for your valuable contribution to the Group and look forward to another year of working together.

Dr. Nick Low
Managing Director

SUSTAINABILITY STATEMENT

SUSTAINABILITY STATEMENT

1. INTRODUCTION

"Embedding sustainability principles into corporate thinking and action" continues to be our core focus in order to remain resilient in today's dynamic business landscape. At SAB, we believe that in order to grow our businesses in a sustainable manner, we must balance our commitments to our wide range of stakeholders – our investors, customers, governmental authorities and the communities where we operate, with the goal of our business which is creation of value based on the three (3) key pillars of sustainability - Economic, Environmental and Social ("EES").

We view sustainability as a routine practice essential to remain competitive and keep pace with environmental change and disruption. To future-proof our business and create inclusive economic growth for all stakeholders, we continuously refine our long-term strategic alignment to systematically capture value and drive positive returns.

This year, we further integrate the principles of sustainability across the business and operations of the Group's three (3) core segments - Oleochemical, Milling & Estate, and Healthcare, by delivering value through building resilient businesses focussing on our customers, innovation and operational excellence, being environmentally sensitive, retaining a strong commitment to employee welfare and development, and partnering with the communities we serve and make a positive impact.

We recognise that while corporate growth and continual positive financial performance are pivotal to our business, the pursuit of sustainability impacts in economic growth, environmental protection, and social living standards are fundamental to us as a responsible corporate citizen.

We acknowledge that the journey of sustainability is a long and arduous one. We are prepared and committed to undertake this endeavour by remaining steadfast to our corporate values.

SUSTAINABILITY STATEMENT (CONT'D)

2. REPORTING PERIOD AND SCOPE

We published our inaugural Sustainability Statement in FY2018. For FY2019, we set out to refine and improve our approach towards sustainability reporting. We engaged an external consultant to conduct a Bursa Malaysia Sustainability Workshop for our Sustainability Committee members, and the staff involved in writing this statement to further refine our EES matters. This year, we are pleased to present our second Sustainability Statement and its broader scope and reporting boundaries, stemming from the previous statement. It highlights our economic, environmental and social efforts, progress and commitments to our various stakeholder groups.

A full year's data from 1 April 2018 to 31 March 2019 is included unless otherwise specified. The reporting period aligns with the Group's financial year.

The scope of this statement covers the business and operations of the Group's three (3) core segments - Oleochemical, Milling & Estate, and Healthcare. Unless otherwise specified, all information provided refers to initiatives undertaken by all our business operations and employees in Malaysia and Indonesia which we have direct managerial control over.

This statement has been developed in accordance with Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Main Market Listing Requirements ("MMLR") relating to Sustainability Statements in Annual Reports of Listed Issuers.

We are putting in place the required systems and processes to progressively improve our ability to monitor, collect, analyse and report quantitative data, to enhance the integrity and accuracy of our statements over the years.

We have not sought any external assurance for the current statement. However, we recognise the added value of an independent assessment and will consider such assurance as our reporting matures.

SUSTAINABILITY STATEMENT (CONT'D)

3. SUSTAINABILITY GOVERNANCE

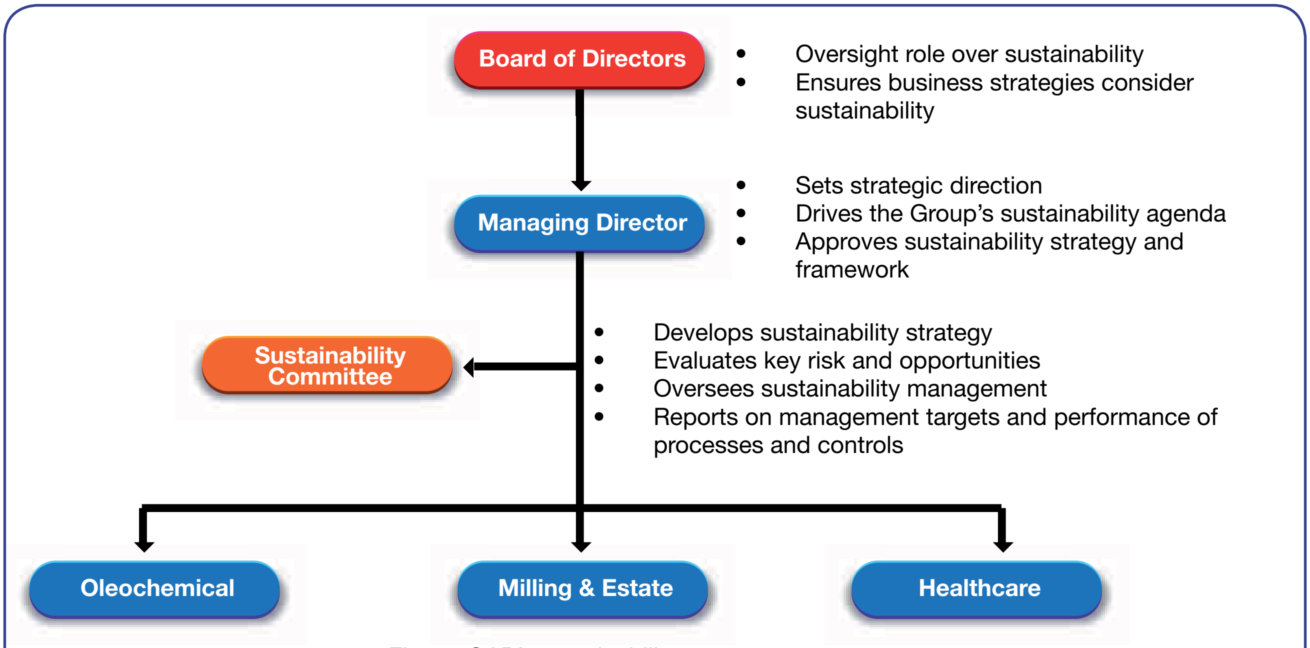


Figure: SAB's sustainability governance structure.

Good governance, accountability and transparency play a fundamental role in the way we operate. Our statement on corporate governance can be found in the Corporate Governance Overview Statement ("CGOS") section of this Annual Report 2019 ("AR 2019").

Our sustainability governance model provides a foundation and a formal structure that ensures our sustainability strategies are implemented and integrated into our business, delivering long-term value to our stakeholders.

The Board is ultimately responsible for the sustainability direction of the Group and ensures that our goals are met through actions taken at the management and operational levels. Our Managing Director ("MD"), mandated by the Board, drives our sustainability agenda and has the overall responsibility over our strategic direction. The Sustainability Committee is responsible for assisting the MD in the implementation of sustainability strategy by ensuring that processes and controls are in place, and reports on performance and management targets.

The Sustainability Committee, represented by heads of core business segments and Group function, is tasked to drive governance and delivery of the Group's sustainability agenda. Besides overseeing sustainability management, the Sustainability Committee will champion the incorporation of sustainability into long-term strategic planning and our core business processes. To ensure quality and accuracy of reporting, the Sustainability Committee will also ensure that data integrity is upheld, driving accountability among our teams.

SUSTAINABILITY STATEMENT (CONT'D)

4. STAKEHOLDER ENGAGEMENT

We have a wide range of stakeholders, whom we identify as groups that have a significant impact on, and keen interest in our operations. We seek to develop strong relationships based on trust with each group through engagement on different platforms. The aim is to understand our stakeholders' needs and expectations for us to communicate in a transparent manner.

Stakeholder Group	Engagement Methods	Frequency	Topics of Concern and Interest	Material Matters
Customers	• Surveys • Corporate website • Electronic direct mail • Phone calls	• On-going • On-going • As needed • As needed	• Customer service • Customer experience • Product quality	• Customer Satisfaction • Accreditations and adherence to quality standards • Biodiversity
Employees	• Town hall meetings, workshops, Focus group discussion, Committee meetings, Surveys, Events, Internal circulars and newsletter	• On-going	• Company direction and performance • Career development and training opportunities • Workplace health and safety • Well-being of employees	• Innovation • Employee Management • Health and Safety
Investors	• Annual general meeting • Corporate website	• Annually • On-going	• Operational and financial performance • Shareholder returns	• Innovation • Governance
Local Communities	• Community engagement programmes	• On-going	• Community development and support • Quality, safety, health and environment	• Community Development and Relations • Health and Safety • Effluents and Waste Management • Emissions
Government and Authorities	• Industry workshops • Meeting and consultations • Reporting	• On-going • On-going • On-going	• Regulatory Compliance • Improving efficiency and productivity	• Innovation • Governance • Energy Efficiency • Effluents and Waste Management • Emissions • Water Management • Health and Safety
Suppliers	• Procurement system • Supplier surveys	• On-going • On-going	• Transparency in procurement process • Knowledge sharing and capability building	• Supply Chain Management

SUSTAINABILITY STATEMENT (CONT'D)

5. MATERIALITY ASSESSMENT

Materiality assessment provides the foundation of identifying and assessing a wide range of sustainability matters, determining matters that have significant EES impacts on the Group and those that are important to our stakeholders.

SAB identifies EES impact that has the greatest influence on stakeholder assessment and decisions. Aspects that are material to both SAB's operating environment and business context, as well as its stakeholders, provide the basis for the selection of indicators that we use to measure our performance.

The assessment is subject to an annual review by our Sustainability Committee to ensure that we report on material aspects and measure our performance against the right indicators. Our materiality assessment involved a structured process comprising the four (4) steps below:

1

- **DETERMINE SCOPE AND BOUNDARY**
- We defined our scope of reporting to cover our core business segments. Kindly refer to page 22 for details on our scope and boundaries.

2

- **IDENTIFYING MATERIAL MATTERS**
- A list of potential material matters were identified using a materiality assessment process, which is in compliance with Bursa Malaysia's Sustainability Reporting Guidelines, by peer benchmarking together with input from key stakeholders of the Group, desktop research, best practices, and other internal and external sources.

Stakeholder Engagement

3

- **PRIORITISATION**
- Our stakeholder groups have different requirements. The heads of key core business segments were required to identify the key stakeholders to the Group. Kindly refer to page 24 for more details on our stakeholder engagement. We review these material matters to identify their degree of materiality, both from the busines perspective and with inputs from identified key stakeholders.

4

- **VALIDATION AND APPROVAL**
- The materiality matrix generated was validated by the heads of core business segments, and presented to the Group's MD for endorsement. The Board is updated regularly on our sustainability journey.

SUSTAINABILITY STATEMENT (CONT'D)

6. MATERIALITY MATRIX

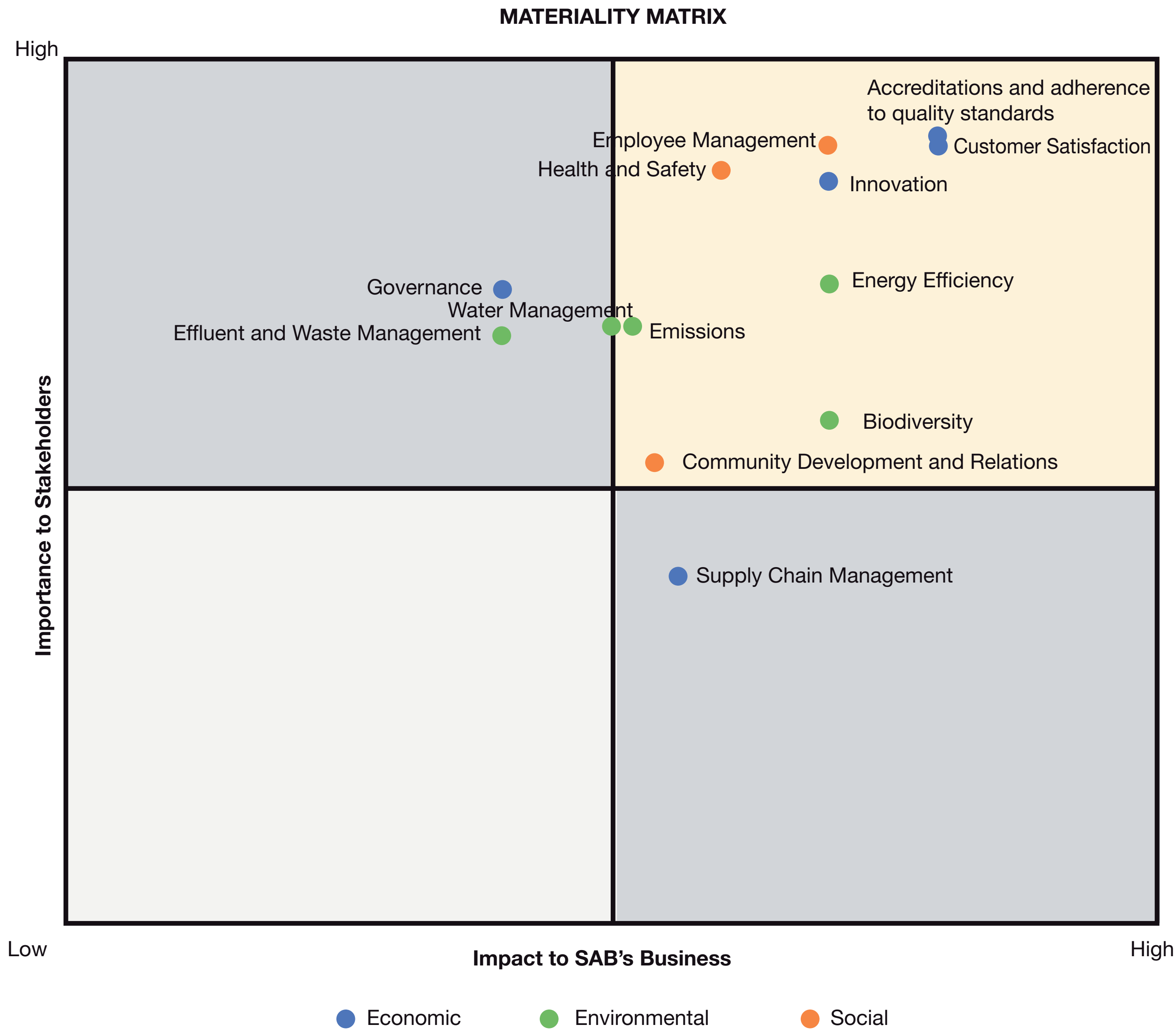


Chart: Materiality Matrix for SAB

The nine (9) high priority material matters indicated in the matrix above (top right quadrant) are seen to be key to our sustainability and form the focus of this year's reporting.

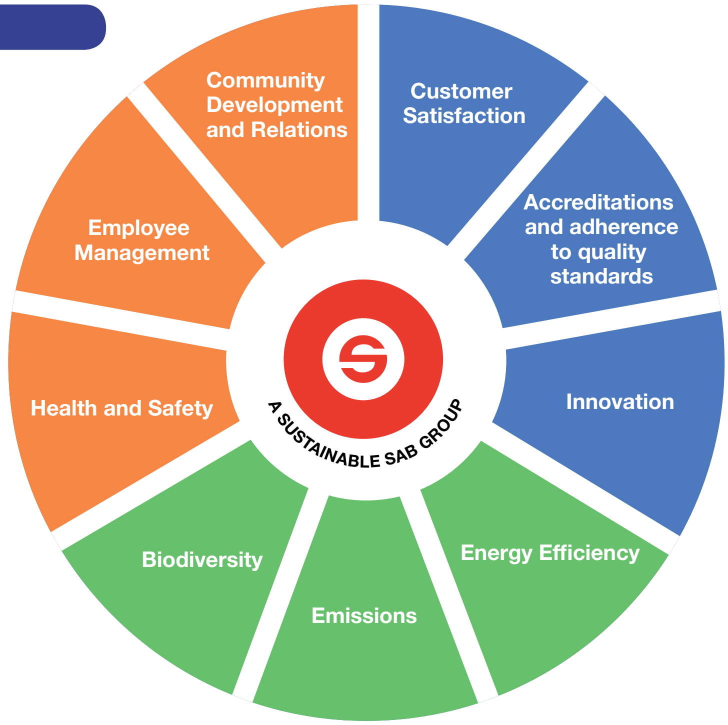
It should be noted that the material issues outside the scope of coverage are no less important considerations to us and disclosure of our progress in addressing these concerns continue to be made through other appropriate channels.

Moving forward, we will enhance our sustainability reporting disclosures to address these material sustainability matters and thereby strengthen the corresponding three (3) key EES pillars that SAB has embedded in the Group's processes and activities.

SUSTAINABILITY STATEMENT (CONT'D)

7. OUR MATERIAL MATTERS

A Sustainable SAB Group



Sustainability Pillars	Material Matters	Definition
Economic	Customer Satisfaction	Measures in place to deliver and meet customer's needs and expectations.
	Accreditations and adherence to quality standards	To ensure the operations are benchmarked to global standards and also serves to provide a reliable source of assurance to stakeholders that the Company's products are produced sustainably, responsibly and ethically, with the necessary safeguards put in place to mitigate risks.
	Innovation	New ideas or improvements to create value which includes new design, technology, services or processes.
Environmental	Energy Efficiency	The efficient use and consumption of electricity as well as energy generated from renewable sources.
	Emissions	Discharge of environmentally hazardous substances (eg. dust, dark smoke), and greenhouse gas (eg. carbon dioxide, methane) to the atmosphere.
	Biodiversity	Identification and assessment of risk associated with biodiversity by reporting on the potential impact on land, fresh water and marine environments that lies within, contains, or is adjacent to areas with high biodiversity value
Social	Health and Safety	Anticipation, recognition, evaluation and control of hazards arising in or from the workplace that could impair the health and well-being of workers.
	Employee Management	Management of employees in terms of fair treatment, training, career development and diversity.
	Community Development and Relations	Contribution to local communities needs and mitigating impact on local communities.

SUSTAINABILITY STATEMENT (CONT'D)

8. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: ECONOMIC

SAB aims to enhance shareholder value by building sustainable, long-term profitability for its shareholders. Profitability is also a basic requirement for sustainable development as a responsible company, for customers to trust us, and for our employees to have a stable income.

8.1. CUSTOMER SATISFACTION

Customer satisfaction is essential to uphold our reputation as a leader in delivering quality products and services, especially in the Healthcare Segment. We regularly seek patient feedback on our services rendered in Sri Kota in order to identify their expectations and areas where we fall short. The satisfaction levels of our patients are measured through the Customer Service Index, which is done by conducting surveys for both Outpatient and Inpatient customers. The results of which are reported to Head of Departments on a monthly basis. In circumstances where a downward performance trend is experienced or foreseen, robust action plans have been executed for continuous improvement and to maintain the performance of the indicators.

The overall Customer Service Index score for these surveys has been improving. We are proud to achieve a Customer Service Index score of 3.35 (out of 4.00) in FY2019, which is the highest in three (3) years. The below chart provides information on Sri Kota's performance with regards to customer satisfaction from FY2017 to FY2019.

The customer satisfaction survey also showed that the main reason for respondents returning to Sri Kota is due to their previous experience there. Almost all of the survey respondents (98%) in FY2019 and (96%) in FY2018 replied that they will recommend Sri Kota to their family and friends.

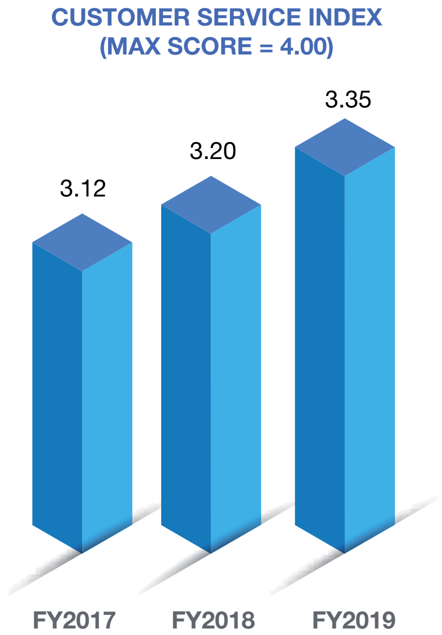


Chart: Customer Service Index for Sri Kota for FY2017 to FY2019.

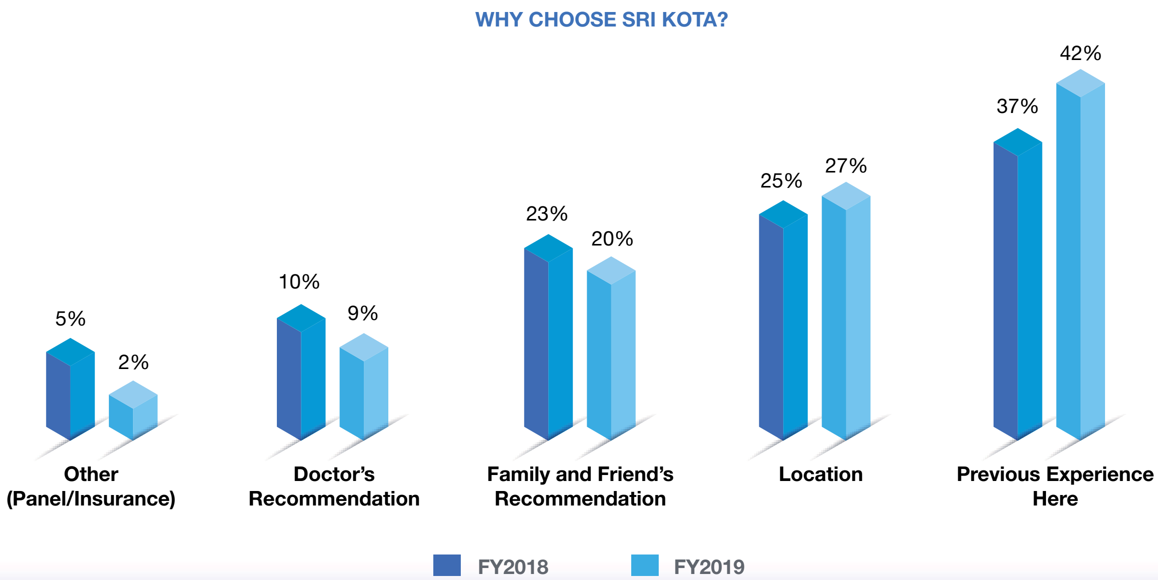


Chart: Reasons for patients returning to Sri Kota for FY2018 and FY2019.

SUSTAINABILITY STATEMENT (CONT'D)

8. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: ECONOMIC (CONT'D)

8.1. CUSTOMER SATISFACTION (CONT'D)

Figure: Delivering smiles at Sri Kota.

SAB is committed to maintain and improve our customer satisfaction. Several policies are in place like Patients and Family Right, and Grievance Mechanism. We have a Service Standard Manual which includes a standard communication script and telephone etiquette to guide our people to deliver a consistent and quality service experience. More than 40 customer satisfaction related trainings were conducted for our staffs annually.

Structured programs are in place to reward patients who have invested their trust in us to nurture their health and wellbeing. The Senior Citizen Program is a loyalty program by Sri Kota to all our elderly patients who are at the age of 60 and above. This program offers discounts on selected hospital services. More than 5,200 patients have signed up for this program since its inception in the year 2015. A program for our junior patients, Sri Kota Kids Club are awarded to children born at Sri Kota. This program was launched in December 2018 and it offers discounts to the members who seek medical treatment in Sri Kota.

SEGMENT	KEY PERFORMANCE INDICATOR	FY2019 TARGET
Healthcare	• Customer Service Index	• Score of at least 3.00 out of 4.00

SUSTAINABILITY STATEMENT (CONT'D)

8. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: ECONOMIC (CONT'D)

8.2. ACCREDITATIONS AND ADHERENCE TO QUALITY STANDARDS

8.2.1. CERTIFICATIONS AND ACCREDITATIONS IN THE OLEOCHEMICAL SEGMENT

MANAGEMENT AND QUALITY STANDARDS

- ISO 9001:2015
- ISO 22000:2005
- FOOD GMP MS 1514:2009

SUSTAINABLE SUPPLY CHAIN

- RSPO SCCS-CERTIFIED

PRODUCT QUALITY AND SAFETY STANDARD

- HAZARD ANALYSIS CRITICAL CONTROL POINTS (HACCP MS 1514:2009)
- HALAL
- KOSHER

A wide and diverse spectrum of oleochemicals and derivatives are available in RSPO-certified grades for customers, who further process these products along the value chain. A difference can be made by extending sustainability credibility to the next customer through sustainable products. SAB's Oleochemical Segment offers various RSPO-certified products. We offer RSPO-certified materials since the attainment of the RSPO Supply Chain Certification System ("SCCS") certification for the plants in Kapar, Selangor in 2014. The products are offered as RSPO certified Mass Balance ("MB") or Segregated Grades ("SG").

SEGMENT	KEY PERFORMANCE INDICATOR	FY2019 TARGET
Oleochemical	• Management and Quality Standards	• To retain renewal of all certifications

SUSTAINABILITY STATEMENT (CONT'D)

8. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: ECONOMIC (CONT'D)

8.2. ACCREDITATIONS AND ADHERENCE TO QUALITY STANDARDS (CONT'D)

8.2.2. CERTIFICATIONS AND ACCREDITATIONS IN THE MILLING & ESTATE SEGMENT

ISPO CERTIFICATION
• 1 MILL CERTIFIED • 1 ESTATE CERTIFIED

The ISPO system is a policy adopted by the Ministry of Agriculture on behalf of the Indonesian Government. The aim is to improve the competitiveness of the Indonesian Palm Oil in the global market and to reduce greenhouse gases emissions and draw attention to environmental issues.

In order to ensure that our Milling & Estate operations are benchmarked to sustainable standards, the Group has started its ISPO certification efforts for its mills and estates in Riau, Indonesia since year 2016. We are committed to fulfil and maintain the ISPO principles and criteria to ensure that the operations are environmentally and socially responsible. All our business units in Indonesia have committed to achieve full ISPO certification by year 2019.

SEGMENT	KEY PERFORMANCE INDICATOR	FY2019 TARGET
Milling & Estate	• Number of ISPO-certified estates	• Currently 1 estate (PTMAS) is certified, year 2017. To achieve ISPO-certification for PT Wanasari Nusantara's ("PTWan") estate by end 2019.
	• Number of ISPO-certified mills	• Currently 1 mill (PTMAS) is certified, year 2017. To achieve ISPO-certification for PTWan's mill by end 2019.

8.2.3. CERTIFICATIONS AND ACCREDITATIONS IN THE HEALTHCARE SEGMENT

MANAGEMENT AND QUALITY STANDARDS
• MSQH ACCREDITATION • HOSPITAL LICENSING INSPECTION FROM MOH (MINISTRY OF HEALTH)

SAFETY STANDARD
• BOMBA LICENSING INSPECTION

WINNING PRESTIGIOUS AWARDS
• HEALTHCARE ASIA AWARDS 2019 • MALAYSIA HEALTH & WELLNESS BRAND AWARDS 2018 (PRIVATE HOSPITAL CATEGORY)

SUSTAINABILITY STATEMENT (CONT'D)

8. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: ECONOMIC (CONT'D)

8.2. ACCREDITATIONS AND ADHERENCE TO QUALITY STANDARDS (CONT'D)

MSQH is recognised by the Ministry of Malaysia as the national accreditation body for healthcare facilities and services and is internationally accepted as being on par with those in other countries such as Australia, the United Kingdom and Canada. MSQH audits take place every four (4) years with a mid-cycle (second year) inspection. Our Sri Kota had its MSQH status renewed in December 2018. Sri Kota was the first tertiary hospital in Klang to be MSQH certified since year 2012.

Figure: MSQH Accreditation renewal Dec 2018

Figure: Sri Kota was awarded the Healthcare Asia Awards 2019 – Facilities Improvement Initiatives of the Year

Figure: Sri Kota was awarded the Malaysia Health & Wellness Brand Awards 2018 (Private Hospital Category)

SEGMENT	KEY PERFORMANCE INDICATOR	FY2019 TARGET
Healthcare	• Accreditations and Certifications	• To attain MSQH renewal

SUSTAINABILITY STATEMENT (CONT'D)

8. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: ECONOMIC (CONT'D)

8.3. INNOVATION

The group is cognisant of the need to embrace innovation in light of current shifts in the business landscape. Our focus on innovation gives us a competitive advantage in delivering quality products, and services. Innovation provides opportunities for our businesses to continuously differentiate ourselves and keep us ahead of the curve. It is this mind-set that drives our business to adopt new technologies and solutions.

8.3.1. INFORMATION TECHNOLOGY AND MEDICAL FACILITY

In our efforts to strengthen our healthcare presence and to widen the scope of our business, we have invested considerably in developing information technology and upgrading of medical facilities to facilitate demand for specialised healthcare services in the years to come.

For FY2019, we have invested close to RM6 million in Sri Kota's medical facilities and equipment like a new 3D Mammography system, Picture Archiving and Communication system ("PACS"), Laboratory Information System, and Operating Theatre ("OT") facilities. A further RM30.6 million is to be invested in the upgrading of Sri Kota's Cancer Centre, purchasing of medical equipment and other infrastructures in FY2020 as part of our commitment to continuously deliver high quality healthcare services to our patients.

Figure: 3D Mammography System which started operations in February 2019, the first of its kind in Klang.

Figure: Picture Archiving and Communication system for the Radiology Department went live in February 2019.

8.3.2. ENGAGING HEALTHCARE EXPERTS

As a healthcare services provider, we regularly build networks with healthcare professionals to improve understanding of new data and healthcare experiences. We regularly organise forums for exchange of experience and knowledge between global specialists and professors with our in-house consultants. For FY2019, we organised two (2) such forums of exchange - a Cardiologist from Japan in September 2018 and an Associate Professor in Cardiology from China in January 2019. We believe that these scientific dialogue and engagement with experts is in the interest of all those working to develop and improve healthcare practice and care for patients.

SEGMENT	KEY PERFORMANCE INDICATOR	FY2019 TARGET
Healthcare	• Improvement of medical system and facility	• To continuously invest in targeted medical equipment and facility upgrades
	• Forum of exchange with healthcare experts	• To have at least one (1) forum of exchange

SUSTAINABILITY STATEMENT (CONT'D)

9. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: ENVIRONMENTAL

9.1. ENERGY EFFICIENCY

At SAB, energy consumption is of high importance as it impacts the Group's environmental and carbon footprint. SAB places high emphasis on monitoring and managing energy consumption in order to reduce operational costs and minimise the negative impact to the environment. The major source of energy used at Sri Kota is electricity, which is essential for the hospital's daily operations.

Sri Kota implements various measures to save energy. Electricity-saving equipment such as LED lighting are used to increase the energy efficiency in the hospital. For FY2019, we have fully converted the high-energy consuming air-conditioning appliances to hybrid chiller system as a major energy efficiency initiative. The conversion started in year 2017, and upon completion in year 2018, the operation for air-conditioning has been more efficient and resulted in significant monthly electricity cost savings of up to 15.3%.

SRI KOTA'S AVERAGE MONTHLY YEAR-ON-YEAR ELECTRICITY COST REDUCTIONS (%) COMPARED TO CY2016

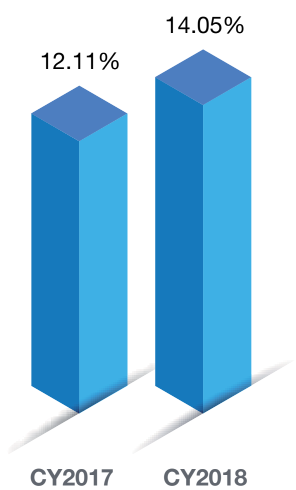


Chart: Average monthly year-on-year electricity cost savings compared to CY2016 for Sri Kota

Figure: Hybrid Chiller System installed in Sri Kota

SEGMENT	KEY PERFORMANCE INDICATOR	FY2019 TARGET
Healthcare	• Electricity Cost Reduction	• To achieve 10% electricity cost reduction with the hybrid chiller system project

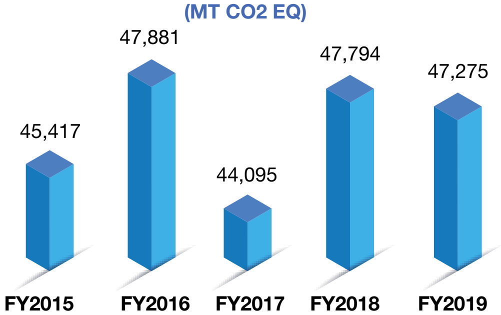
SUSTAINABILITY STATEMENT (CONT'D)

9. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: ENVIRONMENTAL (CONT'D)

9.2. EMISSIONS

The Group has begun plans to monitor and track GHG (Greenhouse Gas) emissions from our Oleochemical operations since the year 2014. Our biggest source of emissions come from burning of fuels to produce steam for both process and heating usages. We strive to reduce GHG emissions to lower the negative environmental impact. It is a delicate balance between increasing the efficiency of our industrial processes and attempting to reduce the use of non-renewable resources and fossil fuel.

SAI ANNUAL CALCULATED GHG EMISSION FROM NON-RENEWABLE ("NON-RE") FUELS AND ELECTRICITY USAGE (MT CO2 EQ)



GHG Emission Intensity (Non-RE and Electricity)	MT CO2 eq/ MT Production
FY2015	0.45
FY2016	0.55
FY2017	0.47
FY2018	0.51
FY2019	0.57

Chart: SAI calculated GHG emission and GHG emission intensity from electricity usage and non-renewable fuels.

About 68% of our energy usage comes from renewable biomass sources. We aim to continue optimising the usage of biomass energy while addressing energy efficiency matters. To comply with the latest air emission regulations, Southern Acids Industries Sdn. Bhd. ("SAI") will be upgrading the biomass boiler Air Pollution Control system.

CALCULATED GHG EMISSION CONTRIBUTION PROPORTION (%) FROM BIOMASS VS NON-RENEWABLE FUELS AND ELECTRICITY

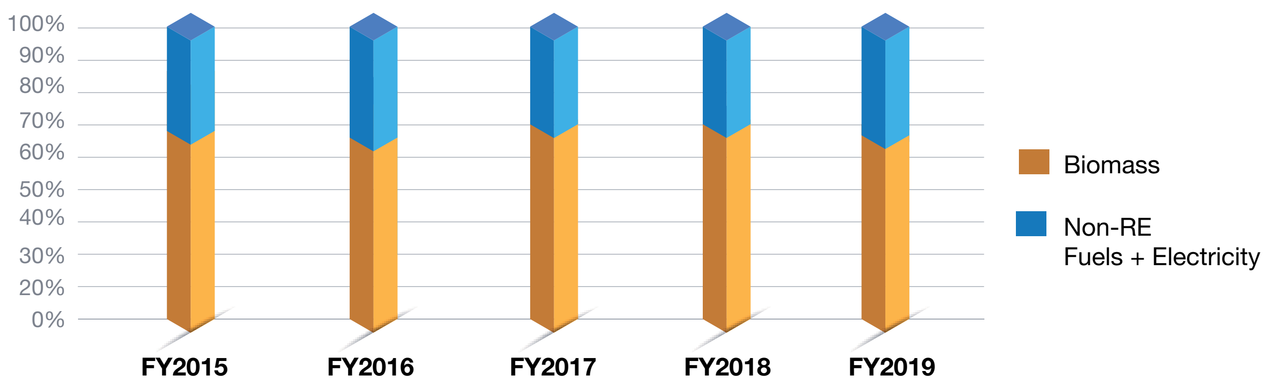


Chart: SAI's calculated GHG emission contribution proportion from biomass vs non-renewable fuels and electricity

SEGMENT	KEY PERFORMANCE INDICATOR	FY2019 TARGET
Oleochemical	• GHG Emission Intensity	• To achieve below 0.60 MT CO2 eq/MT End Product
	• GHG Emission from Biomass	• To maintain GHG emission from biomass sources above 60%

SUSTAINABILITY STATEMENT (CONT'D)

9. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: ENVIRONMENTAL (CONT'D)

9.3. BIODIVERSITY

SAB applies the High Conservation Values ("HCV") approach. It manages five (5) areas of land with high biodiversity value, located across Riau, Indonesia. Three (3) areas are in PTMAS's estate site (along Sungei Sako, Sungei Pohkahan and Anak Sungei Pohkahan), and another two (2) are located in PTWan's estate site (Sungei Kuning and Anak Sungei Jake). SAB has put in place several practices to mitigate our impact from our Milling & Estate operations on the surrounding environment's biodiversity.

A monitoring and management procedure is established and this procedure has been evaluated by an external third-party assessment. HCV areas are mapped out to ensure proper management and monitoring plans. HCV assessment for every estate is reviewed and updated annually to track changes in requirement, law and regulations. These include annual wildlife population assessments, soil conservation treatments, growing beneficial plants and monitoring HCV areas.

To reduce pesticide and chemical use, we have implemented an integrated pest management programme that uses biological control method like using barn owls to effectively control rat populations and planting beneficial plants to attract natural predators for control of leaf eating pests.

Figure: Biodiversity and conservation in PTMAS

Figure: Signage for information of restricted areas

SUSTAINABILITY STATEMENT (CONT'D)

9. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: ENVIRONMENTAL (CONT'D)

9.3. BIODIVERSITY (CONT'D)

Figure: Monitoring wildlife

Figure: Monitoring condition of conservation and buffer areas. (Picture showing Sungei Kuning HCV area)

SEGMENT	KEY PERFORMANCE INDICATOR	FY2019 TARGET
Milling & Estate	• Monitor and Maintain HCV area	• To conduct third-party assessment of HCV area

10. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: SOCIAL

10.1. HEALTH AND SAFETY

As a responsible employer, SAB aims to address and mitigate the variety of health and safety risks that employees are exposed to, wherever possible. Health and safety hazards can arise over the use of unsafe equipment, machinery, processes and practices. They can also arise with the use of dangerous substances, such as chemical, physical and biological agents. Therefore, we place health and safety as a top priority in our operations.

SAB constantly monitors the working conditions of its employees to ensure that they comply with national standards issued by government agencies or associations such as DOSH (Department of Occupational Safety and Health), and MSQH. The management of SAB is committed to comply with the local occupational safety and health and all other relevant regulations. SAB undertakes all measures and practices to ensure the safety, health and welfare of all its employees and people in the community who may be affected by its operations.

Process safety is top consideration for SAB's Oleochemical Segment. We are committed to maintain a safe and healthy workforce. Personal protection equipment ("PPE") and Standard Operation Procedures ("SOP") are always enforced on site. External and internal training are provided annually. We aim to take appropriate steps to reduce the number of accidents, workday lost and severity rate.

SUSTAINABILITY STATEMENT (CONT'D)

10. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: SOCIAL (CONT'D)

10.1. HEALTH AND SAFETY (CONT'D)

CALENDAR YEAR	SAI SAFETY PERFORMANCE No of Accident	Work Day Lost	Severity Rate
2014	8	96	87.0
2015	2	54	49.8
2016	4	38	35.7
2017	3	64	58.4
2018	2	25	22.0

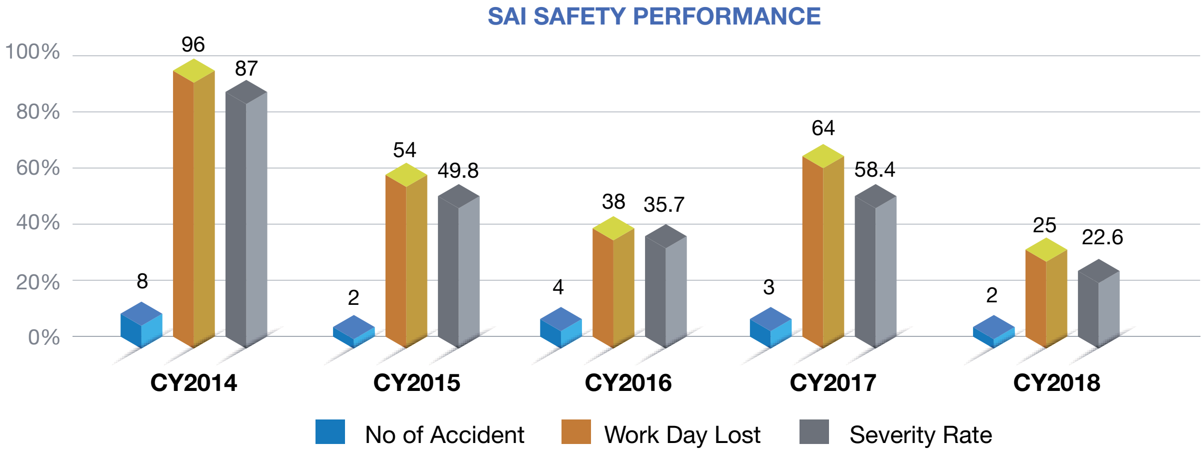


Chart: *The table and chart above shows SAI safety performance from CY2014 to CY2018.*
The calculation for severity rate = (lost time injury in hours x 1,000,000)/(total man hours worked)

Healthcare workers are exposed to various diseases, which may even be fatal. To protect staff, SAB aims to reduce exposure of its employees in the Healthcare Segment to these hazards through an Occupational Health and Safety system. Policies and procedures are in place and reviewed by management. All staff are required to undertake health screening before they commence employment at Sri Kota. An emergency response team is well trained to assist staff, visitors and patients during emergency situations. Fire and disaster drills are conducted annually to train staff on emergency procedures.

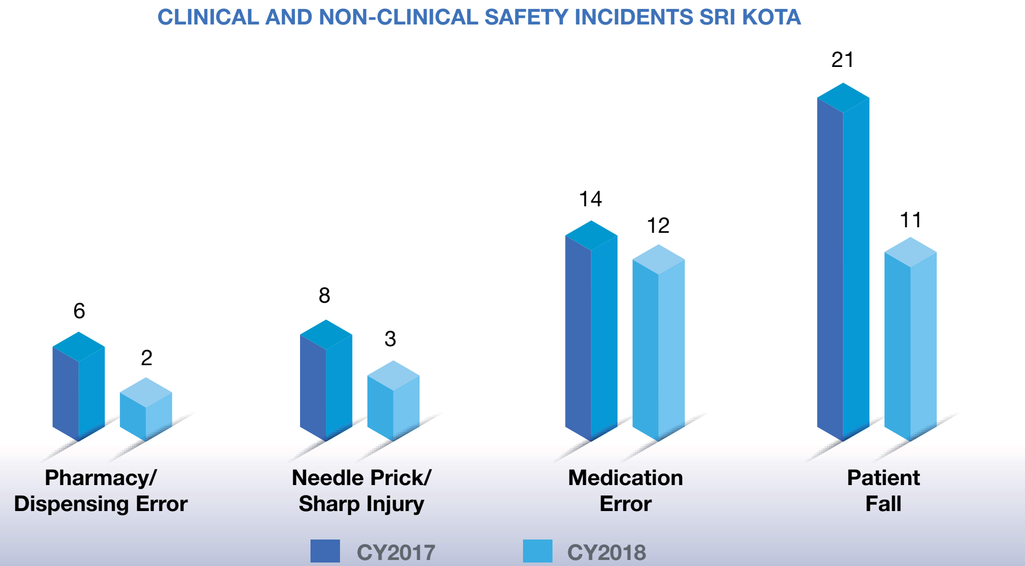


Chart: Clinical and Non-Clinical Safety Incidents reported in Sri Kota for CY2017 and CY2018.

SUSTAINABILITY STATEMENT (CONT'D)

10. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: SOCIAL (CONT'D)

10.1. HEALTH AND SAFETY (CONT'D)

Figure: Fire evacuation drill in Sri Kota.

Figure: Disaster drill in Sri Kota.

We have established a system to monitor clinical and non-clinical incident reporting. The aim is to identify activities of high risk and formulate mitigation methods to reduce the incidents. Management has taken appropriate steps to reduce the number of incidents for all categories as seen in the improvements in year 2018 compared to year 2017. Percentage of staff who attended mandatory Environment, Safety and Health training are 95% in year 2017, and 99% in year 2018. We aim to achieve full attendance.

SEGMENT	KEY PERFORMANCE INDICATOR	FY2019 TARGET
Oleochemical	• Severity Rate	• To reduce severity rate from the previous year
Healthcare	• Clinical and Non-Clinical Safety incidents	• To reduce incidents from the previous year
	• Staff attendance for Environment, Safety and Health training	• To achieve full 100% attendance

10.2. EMPLOYEE MANAGEMENT

It is our strong belief that our people are our most important assets as their level of engagement and productivity are key to the Group's overall performance in delivering quality work and innovative solutions. While charting steady growth across our business segments, the Group remains committed to not only attracting the right talent, but also nurturing and retaining them as we grow. All of our staff are exposed to learning and development opportunities, while the management team ensures that each individual is given the appropriate training to handle their daily tasks.

We ensure that our employee's welfare, benefits and career development are taken care of and aim to continue to maintain competitive compensation and benefits framework based on market benchmark. For the Healthcare Segment, we have a succession framework in place where we identify second liners for key positions to ensure business continuity. We support this framework by providing all the required training opportunities (On-The-Job, and various internal and external trainings).

SAB's employee engagement initiatives are aimed at strengthening our connection with our employees and collectively identifying mechanisms to set up the right working environment for them to work to the best of their ability each day.

SUSTAINABILITY STATEMENT (CONT'D)

10. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: SOCIAL (CONT'D)

10.2. EMPLOYEE MANAGEMENT (CONT'D)

These initiatives strengthen the commitment of our employees and their motivation to achieve their personal career development goals while meeting SAB's overall business goals and targets. They also create an avenue for employees to provide feedback and innovative ideas that are taken into consideration when making decisions for the Group.

Townhalls, Operational meetings, employee wellness programs, cultural celebration events and educational programs are some of the employee engagement activities undertaken across SAB's business segments.

Figure: Employee development and engagement initiatives by Sri Kota for FY2019.
Left: Best employee award for year 2018 in Sri Kota, Right: Customer Service Training

Figure: Employee development and engagement initiatives by Sri Kota for FY2019: Staff Recreational Yoga.

Figure: Employee development and engagement initiatives by Sri Kota for FY2019: Christmas Luncheon

SEGMENT	KEY PERFORMANCE INDICATOR	FY2019 TARGET
Healthcare	• Training hours for nursing and non-nursing staffs	• Minimum training hours of 32 hours per year for nursing staffs, and 16 hours per year for non-nursing staffs
	• Total number of employee engagement activities	• To maintain a similar amount of activities as the previous year

SUSTAINABILITY STATEMENT (CONT'D)

10. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: SOCIAL (CONT'D)

10.3. COMMUNITY DEVELOPMENT AND RELATIONS

SAB has a number of community development and engagement programmes to create a social impact in the communities where we operate. We want to enhance the community's living standards through developing infrastructure, and donations to places of worship. The Group also actively promotes and organises initiatives such as health awareness campaigns, provide direct aid to the underprivileged and more.

Segment	Community Outreach and Development Programs	
Milling & Estate	• Developing and maintaining roads and infrastructure for the local community	FY2019
	• Donations to places of worship	FY2019
	• Assisting and managing Plasma Scheme development	
Healthcare	• Hari Raya corporate social responsibility ("CSR") activities to Hospital Tengku Ampuan Rahimah Klang, orphanages and mosque	June 2018
	• Deepavali CSR activities to orphanages	November 2018
	• Contribution of wheelchairs to Hospital Sungai Buloh	January 2019
	• Chinese New Year CSR activities to old folks home	February 2019
	• Scholarship Aids	FY2019
	• Three (3) blood donation drives	FY2019
	• Organising more than 60 health awareness campaigns and health talks for the community	FY2019

Figure: Health Carnival in Centro Mall, Klang.

Figure: Donation of wheelchairs to Hospital Sungai Buloh.

Figure: Public Health Campaign.

SUSTAINABILITY STATEMENT (CONT'D)

10. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: SOCIAL (CONT'D)

10.3. COMMUNITY DEVELOPMENT AND RELATIONS (CONT'D)

Figure: Sponsorship to The Star NIE (Newspaper-In-Education).

Figure: Social Impact Assessment ("SIA") done in year 2018 on PTWan milling and estate operations. The survey and assessment were done for Sungai Buluh Village, and Petai Baru Village in Singingi, Riau, Indonesia. Overall assessment was positive as the community holds PTWan in high regards as a long-standing contributor to job opportunities to the society, infrastructure development, CSR activities and good communication in resolving any conflicts.

SUSTAINABILITY STATEMENT (CONT'D)

10. MONITORING AND MANAGING SUSTAINABILITY MATERIAL MATTERS FOR FY2019: SOCIAL (CONT'D)

10.3. COMMUNITY DEVELOPMENT AND RELATIONS (CONT'D)

Figure: Construction of a new concrete bridge for public use at PTWan's vicinity.

PLASMA SCHEME REPORT (FY2019) - PTMAS	
MEMBERS	500
TOTAL AREA (HA)	500
FFB PRODUCTION (MT/YEAR)	11,482
SUPPLY (%)	5.50

Chart: *Plasma scheme report for PTMAS in FY2019. The plasma scheme is designed to develop small-time oil palm plantation owners or scheme smallholders among the local community in Indonesia. We assist the cooperative scheme smallholders through services and the management of their oil palm properties.*

SEGMENT	KEY PERFORMANCE INDICATOR	FY2019 TARGET
All	• Community engagement and development activities	• To continue with community engagement efforts and activities

BOARD OF DIRECTORS


Tan Sri Datuk Seri Panglima Sulong Matjeraie
Lim Kim Long
Teo Leng

PROFILE OF DIRECTORS

TAN SRI DATUK SERI PANGLIMA SULONG MATJERAIE
Independent Non-Executive Director
Chairman of the Board of Directors
Member of the Nomination & Remuneration Committee
Aged 72, Male, Malaysian

Tan Sri Datuk Seri Panglima Sulong was appointed to the Board on 6 August 2014 and subsequently appointed as Independent Non-Executive Chairman on 15 July 2015. On 27 February 2018 he was appointed as a member of the Nomination & Remuneration Committee.

Other than SAB, he is also an Independent Non-Executive Chairman of Petra Energy Berhad and Ho Hup Construction Company Berhad, and an Independent Non-Executive Director of WTK Holdings Berhad. He is also the Chairman of the Board of Directors of University of Malaysia, Sarawak (UNIMAS).

Tan Sri Datuk Seri Panglima Sulong, who has more than thirty years of legal and judicial experience, was a Federal Court Judge before his retirement in 2013.

He was one (1) of the four (4) eminent persons appointed by the Prime Minister of Malaysia to serve in the Judicial Appointments Commission for a period of two (2) terms. His first term began on 10 February 2013 to 9 February 2015 and his second term was from 10 February 2015 to 9 February 2017.

Tan Sri Datuk Seri Panglima Sulong is a Bencher of the prestigious Honorable Society of Inner Temple, London and his education background is as follow:-

- 1970; obtained his Bachelor of Arts (Honours) Degree from University of Malaya;
- 1971; read Law at the Inns of Court School of Law, London;
- 1974; called to the Bar of England and Wales by the Honorable Society of Inner Temple, London as well as admitted and enrolled as an Advocate to the High Court of Borneo in Kuching;
- 1975; further studied at the University of Southampton, England;
- 1977; conferred with a Master of Law Degree in Mercantile Law by University of Southampton, England; and
- 1978; awarded a Certificate in Advanced Management Programme by Banff School of Advanced Management, Canada.

Tan Sri Datuk Seri Panglima Sulong does not have any family relationship with any other director or major shareholder of SAB, nor any conflict of interest in any business arrangement involving the Company.

Tan Sri Datuk Seri Panglima Sulong has had no convictions for any offence within the past five (5) years.

During the FY2019, Tan Sri Datuk Seri Panglima Sulong attended all of the five (5) Board meetings.

PROFILE OF DIRECTORS (CONT'D)

DR. NICK LOW
Non-Independent Executive Director
Managing Director
Aged 40, Male, Malaysian

Dr. Nick Low was appointed to the Board on 15 July 2015.

He holds a Diploma in Medical Sciences from International Medical University, a MBA from Open University Malaysia and a Bachelor of Medicine & Bachelor of Surgery from The University of Auckland, New Zealand.

From 2012 to 2015, Dr. Nick Low was involved in the strategic management of an oil palm plantation development project with its grounds in the province of Kalimantan Timur, Indonesia. Dr. Nick Low is a director of the oleochemical making and tertiary healthcare hospital operating subsidiaries of SAB. He is also a board member of the two (2) Indonesian incorporated estates and palm oil mill operating subsidiaries of SAB. Additionally, Dr. Nick Low is a director of Kumpulan Klinik Medijaya Sdn Bhd with its small chain of owned and managed primary health care (general practice) clinics.

Dr. Nick Low does not have any family relationship with any other director or major shareholder of SAB.

Dr. Nick Low has had no convictions for any offence within the past five (5) years.

During the FY2019, Dr. Nick Low attended all of the five (5) Board meetings.

LIM KIM LONG
Non-Independent Executive Director
Executive Director
Aged 59, Male, Malaysian

Mr. Lim was appointed to the Board on 10 August 2005.

He pursued his pre-university education at Kolej Tunku Abdul Rahman, Kuala Lumpur. He is actively involved in the corporate affairs and general management of SAB and its subsidiaries, especially in the area of oil palm plantation and employee relations.

Mr. Lim does not have any family relationship with any other director or major shareholder of SAB.

Mr. Lim has had no convictions for any offence within the past five (5) years.

During the FY2019, Mr. Lim attended all of the five (5) Board meetings.

PROFILE OF DIRECTORS (CONT'D)

CHUNG KIN MUN
Senior Independent Non-Executive Director
Chairman of the Audit Committee
Chairman of the Nomination & Remuneration Committee
Aged 52, Male, Malaysian

Mr. Chung was appointed to the Board on 20 March 2012 and subsequently appointed as the Senior Independent Non-Executive Director on 25 July 2013. He was also appointed as the Chairman of the Audit Committee and the Chairman of the Nomination & Remuneration Committee on 19 November 2013 and 26 November 2013 respectively.

He holds a Bachelor of Business (Accounting) from the Phillip Institute of Technology, Australia and is a member of CPA Australia. He has over twenty years of experience in merchant banking, corporate finance, accounting and general management. Prior to the appointment to the Board, Mr. Chung was the Group Chief Financial Officer of Zelan Berhad.

Mr. Chung does not have any family relationship with any other director or major shareholder of SAB, nor any conflict of interest in any business arrangement involving the Company.

Mr. Chung has had no convictions for any offence within the past five (5) years.

During the FY2019, Mr. Chung attended all of the five (5) Board meetings.

MOHD HISHAM HARUN
Non-Independent Non-Executive Director
Aged 51, Male, Malaysian

Encik Mohd Hisham was appointed to the Board on 10 August 2005 and subsequently appointed as the Chairman of Audit Committee on 25 August 2005. He resigned as the Chairman of the Audit Committee on 19 November 2013. He was an Independent Non-Executive Director since his appointment date until he was re-designated to a Non-Independent Non-Executive Director on 6 August 2014.

He is a member of the Chartered Institute of Management Accountants, UK. He started his career with Coopers & Lybrand/PriceWaterhouse Coopers, where he was attached to the Audit Division and the Consultancy Division. He is currently a General Manager at TH Properties Sdn Bhd, a subsidiary of Lembaga Tabung Haji, a major shareholder of SAB.

Encik Mohd Hisham does not have any family relationship with any other director or major shareholder of SAB, nor any conflict of interest in any business arrangement involving the Company.

Encik Mohd Hisham has had no convictions for any offence within the past five (5) years.

During the FY2019, Encik Mohd. Hisham has attended four (4) out of the five (5) Board meetings.

PROFILE OF DIRECTORS (CONT'D)

LEONG SO SEH
Independent Non-Executive Director
Member of the Audit Committee
Member of the Nomination & Remuneration Committee
Aged 67, Female, Malaysian

Madam Leong was appointed to the Board on 8 April 2009 and subsequently appointed as the member of the Audit Committee on 1 May 2010. On 26 November 2013 she was also appointed as the member of the Nomination & Remuneration Committee.

Other than directorship in SAB, she is also an Independent Non-Executive Director of icapital.biz Berhad.

She holds a Bachelor of Economics from University of Malaya and a Master Degree in Economics from Vanderbilt University, USA. Prior to her appointment to the Board, she has held senior positions in the Economic Planning Unit of the Prime Minister Department of Malaysia and the Securities Commission of Malaysia.

Madam Leong does not have any family relationship with any other director or major shareholder of SAB, nor any conflict of interest in any business arrangement involving the Company.

Madam Leong has had no convictions for any offence within the past five (5) years.

During the FY2019, Madam Leong attended all of the five (5) Board meetings.

TEO LENG
Independent Non-Executive Director
Member of the Audit Committee
Aged 67, Male, Malaysian

Mr. Teo was appointed to the Board on 1 December 2010 and subsequently appointed as the member of the Audit Committee on 19 November 2013. Other than directorship in SAB, he is also a Non-Independent Non-Executive Director of United Malacca Berhad.

He holds a Bachelor of Agricultural Science (First Class Honours) from University of Malaya and a Master of Science (Soil Chemistry) from University of Wisconsin @ Madison, USA. He has over thirty years of experience in the palm oil industry, with private companies and public listed corporations and government organizations. This includes implementation of Roundtable on Sustainable Palm Oil (RSPO) certification and development of Mill Integrated Waste Management System.

Mr. Teo does not have any family relationship with any other director or major shareholder of SAB, nor any conflict of interest in any business arrangement involving the Company.

Mr. Teo has had no convictions for any offence within the past five (5) years.

During the FY2019, Mr. Teo attended all of the five (5) Board meetings.

SENIOR MANAGEMENT

Dr. Nick Low

Lim Kim Long

Alex Chan Choon Hoong

Jennifer Low Swee Yim


Tan Suet Guan


Cheong Kee Yoong


Tiong Chuu Ling


Lee Choo Chai

PROFILE OF SENIOR MANAGEMENTS

CHEONG KEE YOONG
Chief Financial Officer
Aged 51, Male, Malaysian

Mr. Cheong was appointed as Chief Financial Officer of the Company on 1 October 2013. He is also the Senior Independent Non-Executive Director of Grand-Flo Berhad.

He graduated from the Association of Certified Chartered Accountants ("ACCA") and a member of the Malaysian Institute of Accountants ("MIA"). He has more than twenty years of working experience particularly full spectrum of financial management, corporate planning, treasury management, risk management, tax planning and investors relation activities in various industries. He was mainly attached to the corporate office of public listed company in his career.

Mr. Cheong does not have any family relationship with any director or major shareholder of SAB, nor any conflict of interest in any business arrangement involving the Company.

Mr. Cheong has had no convictions for any offence within the past five (5) years.

ALEX CHAN CHOON HOONG
Chief Strategic Development Officer
Aged 47, Male, Malaysian

Mr. Alex Chan joined Southern Acids Cronos Resource Sdn. Bhd. *(formerly known as Southern Management (M) Sdn. Berhad)* a subsidiary of SAB on 15 December 2010.

He holds a Degree in Mechanical Engineering (B.ENG) from King's College, University of London. Mr. Alex Chan is currently involved in the strategic development of palm oil and related businesses. In addition, he also oversees the palm kernel expeller overhead conveyor loading services business and management services business. Prior to joining the Group, Mr. Alex Chan was the head of the business development team of an environmental packaging products company.

Mr. Alex Chan does not have any family relationship with any director or major shareholder of SAB, nor any conflict of interest in any business arrangement involving the Company.

Mr. Alex Chan has had no convictions for any offence within the past five (5) years.

JENNIFER LOW SWEE YIM
Integration Director
Aged 39, Female, Malaysian

Ms. Jennifer Low joined Southern Acids Cronos Resource Sdn Bhd *(formerly known as Southern Management (M) Sdn Berhad)*, a subsidiary of SAB on 5th January 2009. She is also a director of some other private companies.

She holds a Bachelor's Degree in Information Technology (B.IT) from Charles Sturt University, Australia and a Master's Degree in Commerce (Majoring in Accounting and Information System) from University of Sydney, Australia. Since January 2015, Ms. Jennifer has been involved in supporting the strategic re-engineering of the Group's palm oil and related businesses' assets with a role on strategic integration. In March 2019, Ms. Jennifer was appointed as Integration Director of SAI.

Prior to joining the Group, Ms. Jennifer Low was a Manager in Business Assurance with PricewaterhouseCoopers Australia, specialising in systems and process reviews for large multi-national companies globally.

Ms. Jennifer Low does not have any family relationship with any director or major shareholder of SAB, nor any conflict of interest in any business arrangement involving the Company.

Ms. Jennifer Low has had no convictions for any offence within the past five (5) years.

PROFILE OF SENIOR MANAGEMENTS (CONT'D)

TIONG CHUU LING
Chief Operating Officer, Oleochemical Segment
Aged 66, Male, Malaysian

Mr. Tiong joined Southern Acids Industries Sdn. Bhd., a subsidiary of SAB on 1 July 1982. He was promoted as the Chief Operating Officer on 18 January 2011.

Mr. Tiong holds a Bachelor of Science from University of Auckland. He has vast experience in oleochemical industry particularly in marketing aspects. He currently oversees the whole operation of SAB's Oleochemical Segment.

Mr. Tiong does not have any family relationship with any director or major shareholder of SAB, nor any conflict of interest in any business arrangement involving the Company.

Mr. Tiong has had no convictions for any offence within the past five (5) years.

LEE CHOO CHAI
General Manager, Milling & Estate Segment
Aged 65, Male, Malaysian

Mr. Lee joined PT. Mustika Agro Sari, an indirect subsidiary of SAB on 15 December 2010.

Mr. Lee holds the Associate Diploma of Incorporated Society of Planters. He has more than thirty years of experience in the oil palm industry especially in oil palm cultivation and plantation management. He is currently in-charge of SAB's Milling & Estate Segment which is based in Riau, Indonesia. He started his career with Kluang Rubber Company (Malaysia) Berhad in 1978. His second job was with EPA Management Sdn Bhd ("EPA"), a subsidiary of Kulim Malaysia Berhad which he joined in 1980 and left in 2007. During the period, he was seconded to Papua New Guinea (from 1996 to 1997) and Kalimantan Barat (from 2006 to 2007). His last position was Senior Plantation Manager. He then joined Kim Loong Resources Berhad in 2007 and subsequently PT. Khaleda Agroprima Malindo in 2010 before joining the Group.

Mr. Lee does not have any family relationship with any director or major shareholder of SAB, nor any conflict of interest in any business arrangement involving the Company.

Mr. Lee has had no convictions for any offence within the past (5) five years.

TAN SUET GUAN
Hospital Director, Healthcare Segment
Aged 61, Female, Malaysian

Madam Tan was appointed as Hospital Director of Southern Medicare Sdn. Bhd., a subsidiary of SAB on 2 September 2014.

She holds a Diploma in Management from University of Malaya. She has more than thirty years of experience in the healthcare industry and involved in the areas of accounting, information technology and management. She is currently in-charge of SAB's Healthcare Segment. Madam Tan began her career with Pantai Hospital ("Pantai") as an Accounts Officer in 1982 and rose to the rank of Chief Executive Officer before she left and joined Sunway Medical Centre ("SMC") in 2013. During her stint with Pantai, Madam Tan introduced the new Paediatric Ward, Satellite Pharmacy, Hearing Centre, Endoscopy Services, Cancer Centre, Breast Care Centre and Spine & Joint Centre. In 2009, she guided Pantai Hospital Kuala Lumpur to achieve the prestigious Joint Commission International ("JCI") Accreditation. During her short tenure with SMC, she steered SMC to become the first hospital in Southeast Asia to achieve the Australia Council on Healthcare Standards ("ACHS") Award in 2014.

Madam Tan does not have any family relationship with any director or major shareholder of SAB, nor any conflict of interest in any business arrangement involving the Company.

Madam Tan has had no convictions for any offence within the past five (5) years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of SAB presents this statement to provide an insight to its shareholders and stakeholders on the Company's commitment to a high standards of corporate governance practices under the leadership of the Board throughout the FY2019 and throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

This statement also provides an overview of the Company's application of the principles and practices set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and Paragraph 15.25 of the Bursa Malaysia MMLR, and is to be read together with the Company Corporate Governance Report 2019 ("CG Report 2019") which is available for viewing on the Company's website at www.southernacids.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board is collectively responsible for the long-term success of the Group and delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, the Board which is guided by its Board Charter sets the strategic direction for the Group, and ensures effective leadership through the oversight of management and robust monitoring of the activities and performance in the Group.

The roles and responsibilities of the Board as set out in the Board Charter are clear and distinct from that of the MD. It also sets out the roles and responsibilities of the individual Directors as well as the Senior Independent Director.

The Board also facilitates its principal responsibilities which include reviewing and adopting a strategic plan, overseeing the conduct of business, risk management, succession planning, reviewing internal controls, developing and implementing investor relations.

More specific disclosures on the activities of the Board in relation to Practice 1.1 to Practice 1.3 to the MCCG 2017 are set out in the CG Report 2019.

The Board members have unrestricted access to the advice and services of two (2) Company Secretaries, particularly on corporate governance issues, compliance with the Company's Constitution, Companies Act 2016 ("CA 2016"), Bursa Malaysia MMLR, the Securities Commission, and etc. Both Company Secretaries have the legal qualifications and are qualified to act under the CA 2016.

More specific disclosures on the activities of the Company Secretary in relation to Practice 1.4 to the MCCG 2017 are set out in the CG Report 2019.

Board Committees ("Committees")

The Board has set up the following Committees and delegated specific responsibilities to the following Committees:-

- Audit Committee ("AC")
- Nomination & Remuneration Committee ("NRC")

Each committee is responsible for reviewing and overseeing activities within its particular Terms of Reference ("TOR"). The respective TORs will be periodically reviewed by the Board. Both TORs are set out at the Company's website at www.southernacids.com.

The Chairman of each committee is required to report to the Board on all their deliberations and recommendations, if any. The ultimate decision making responsibility, however, lies with the Board.

Audit Committee

The details are disclosed under Principle B: Effective Audit and Risk Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

I. Board Responsibilities (cont'd)

Nomination & Remuneration Committee

The Board, through the NRC, is responsible to evaluate the size and composition of the board annually, based on its own established set of clear and appropriate criteria. The NRC of the Company comprises three (3) Independent Non-Executive Directors and is chaired by a Senior Independent Non-Executive Director.

On 25 May 2018, the NRC had carried out its annual review of the following via self and peer assessment:-

- The Board as a whole;
- Audit Committee;
- Nomination & Remuneration Committee;
- Individual Directors; and
- Independence of the Independent Directors.

More specific disclosures on the activities of the board assessment in relation to Practice 5.1 to the MCCG 2017 are set out in the CG Report 2019.

In addition, in the same meeting, the NRC had also reviewed, approved and recommended the following for the Board's approval:-

- Directors due for re-election in the forthcoming AGM

  The Company Secretary recommended the list of directors that are due for re-election in the forthcoming AGM to the NRC. The NRC, after its review and due deliberation, had recommended the same list to the Board for approval.

- New evaluation assessment form for the Company Secretary

  Under the MCCG 2017, the role of the Company Secretary has radically shifted from the usual role to one (1) which encompasses broader corporate governance functions. Based on the new requirements, the NRC had reviewed and approved a new evaluation form for the Company Secretary.

On 27 February 2019, in line with the MCCG 2017, the NRC had reviewed the evaluation forms for the following:-

- Chairman Assessment;
- Board Evaluation;
- Board of Directors' Effectiveness Assessment (Peer Assessment);
- Board Committees' Effectiveness Assessment;
- Audit Committee's Effectiveness Assessment;
- Nomination & Remuneration Committee's Effectiveness Assessment;
- Evaluation of Director Independence; and
- Company Secretary Evaluation

After due deliberation, the NRC had approved all the assessment forms subject to certain amendments.

II. Board Composition

The Board comprises majority Independent Directors with an Independent Non-Executive Chairman. It comprises seven (7) members, four (4) of whom are Independent Non-Executive Directors, one (1) Non-Independent Non-Executive and the remaining two (2) are Non-Independent Executive Directors.

In accordance with the MCCG best practices, Mr. Chung Kin Mun was appointed as Senior Independent Non-Executive Director on 25 July 2013, to whom concerns relating to the affairs of the Group may be directed at. He also serves as the point of contact between the Independent Non-Executive Directors and the Executive Directors on matters that may be deemed sensitive and the designated contact to whom the shareholders may direct their concerns or queries.

The Board recognises the benefits of having a diverse Board composition in establishing a well-functioning leadership team to strengthen its strategy formulation and risk management through adding varying perspectives and insights. This will serve to enhance the overall credibility of the Group. In this context, the Board through its NRC conducts an annual review of its size and composition, to ensure that the Board has the right size and sufficient diversity with independent elements that meet the Company's requirements in achieving its objective and strategic goals.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

II. Board Composition (cont'd)

The following is the current Board matric of the Company as at 31 March 2019:-

1	**Composition**	
	Independent Non-Executive Director	57.1%
	Non-Independent Non-Executive Director	14.3%
	Non-Independent Executive Director	28.6%
2	**Major Experience & Skills**	
	Medical	✓
	Oil Palm Cultivation	✓
	Palm Oil Milling	✓
	Legal	✓
	Finance & Accounting	✓
	Economy	✓
	Human Resources	✓
3	**Tenure**	
	More than 1 year and up to 3 years	-
	More than 3 years and up to 6 years	28.6%
	More than 6 years and up to 9 years	28.6%
	More than 9 years	42.8%
4	**Age**	
	Between 40 to 49	14.3%
	Between 50 to 59	42.8%
	Between 60 to 69	28.6%
	Above 70	14.3%
5	**Gender**	
	Male	85.7%
	Female	14.3%
6	**Race/Ethnicity**	
	Chinese	71.4%
	Malay	28.6%

During the FY2019, the Board size had reduced from eight (8) members as at 1 April 2018 to seven (7) members as at 30 August 2018 when Tan Sri Dato' Low Boon Eng, a Non-Independent Non-Executive Director opted not to seek for re-election in last year's AGM.

More specific disclosures on the activities of the board composition and size in relation to Practice 4.4 and Practice 4.5 to the MCCG 2017 are set out in the CG Report 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

II. Board Composition (cont'd)

Meetings to be held during the financial year are scheduled in advance to allow Board members to plan ahead and ensure that the dates of Board and Committee meetings are blocked in their respective schedules. The Board meets at least four (4) times during a financial year and additional meetings are convened, as and when necessary. Details of the Board composition since the date of the last AR, and their attendance records of the meetings held during the current financial year are as follows:

No	Name of Director	Board	AC	NRC
1.	Tan Sri Datuk Seri Panglima Sulong Matjeraie (Independent Non-Executive Chairman)	5/5	-	2/2
2.	Dr. Nick Low (Managing Director)	5/5	-	-
3.	Lim Kim Long (Executive Director)	5/5	-	-
4.	Chung Kin Mun (Senior Independent Non-Executive Director)	5/5	5/5	2/2
5.	Tan Sri Dato' Low Boon Eng ^ (Non-Independent Non-Executive Director)	2/3	-	-
6.	Mohd Hisham Harun (Non-Independent Non-Executive Director)	4/5	-	-
7.	Leong So Seh (Independent Non-Executive Director)	5/5	5/5	2/2
8.	Teo Leng (Independent Non-Executive Director)	5/5	5/5	-

^ Retired on 30 August 2018

Based on the above attendance record, the Board is satisfied with the time commitment given by all Directors.

More specific disclosures on the activities of the board meeting papers, circulation and board minutes in relation to Practice 1.5 to the MCCG 2017 are set out in the CG Report 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

II. Board Composition (cont'd)

The Board recognises the importance of training and development for the Directors to enhance their skills and knowledge. The Board has no written policy on directors training and has not formally assessed the various directors training needs. However the Board had always encouraged the Directors to attend relevant continuing education programs on a regular basis. The following are the various training programs and seminars attended by the Directors during the FY2019:-

No	Name of Director	Course Title	Date
1	Tan Sri Datuk Seri Panglima Sulong Matjeraie	• Hari Integriti Unimas (HIU) • Innovation Technology Expo • Directors' Training – Overview of MFRS 9,15,16 and 141	2 May 2018 17-18 Jul 2018 12 Mar 2019
2	Dr. Nick Low	• MLSM Medico-Legal Conference 2018 • Sustainability Engagement Series For Directors/Chief Executive Officer 2018 • Hospital Management Asia 2018 Conference • Official Launch Of The Institute Of Corporate Directors Malaysia • Anti-Corruption Summit 2018 • Seminar On Preparation For Corporate Liability On Corruption • Directors' Training – Overview of MFRS 9,15,16 and 141	25-26 Apr 2018 6 Sep 2018 12-14 Sep 2018 1 Oct 2018 30 Oct 2018 30 Jan 2019 12 Mar 2019
3	Lim Kim Long	• Official Launch Of The Institute Of Corporate Directors Malaysia • Anti-Corruption Summit 2018 • Seminar On Preparation For Corporate Liability On Corruption • Certified Sustainable Palm Oil (CSPO) Forum 2018 on Moving Forward with MSPO Time Line 2019 • Directors' Training - Overview of MFRS 9,15,16 and 141	1 Oct 2018 30 Oct 2018 30 Jan 2018 6 Dec 2018 12 Mar 2019
4	Chung Kin Mun	• Bursa Malaysia Corporate Governance: Moving from Aspiration To Actualisation • CPA Australia Evening Talk: IFRS Update – Recent Standards and Future Developments • Green Financing : Funding Green Projects Through The Islamic Capital Market • "Would A Business Judgement Rule Helps Directors Sleep Better At Night?" • Directors' Training – Overview of MFRS 9,15,16 and 141 • Power Talk By Mark Reid On 'Revisiting The Misconception Of Board Remuneration'	5 Jul 2018 10 Oct 2018 17 Oct 2018 17 Dec 2018 12 Mar 2019 13 Mar 2019
5	Mohd Hisham Harun	• Empowering Employees In The New Malaysia • 2019 Economic Outlook • Working Workshop On Performance • Directors' Training – Overview of MFRS 9,15,16 and 141	6 Sep 2018 25 Oct 2018 10 Dec 2018 12 Mar 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

II. Board Composition (cont'd)

No	Name of Director	Course Title	Date
6	Leong So Seh	• Sustainability Engagement Series For Directors/Chief Executive Officer 2018 • Corporate Directors Conference: KING on Governance, Value Creation In The Era Of Seismic Disruption • Powers Of Directors – Extent, Limitations & Restrictions • Introduction To Sustainability Reporting • Sustainability Reporting Workshops For Practitioners • Directors' Training – Overview of MFRS 9,15,16 and 141 • Power Talk By Mark Reid On 'Revisiting The Misconception Of Board Remuneration'	5 Jul 2018 18 Sep 2018 18 Feb 2019 20 Feb 2019 4-5 Mar 2019 12 Mar 2019 13 Mar 2019
7	Teo Leng	• Sustainability Engagement Series For Directors/Chief Executive Officer 2018 • Palm Oil Economic Review & Outlook Seminar 2019 • Palm And Lauric Price Outlook Conference and Exhibition 2019 • Directors' Training – Overview of MFRS 9,15,16 and 141	5 Jul 2018 17 Jan 2019 4-6 Mar 2019 12 Mar 2019

III. Board Remuneration

The Board through the NRC, determines all remuneration matters for the Executive Directors as well as for the Non-Executive Directors. The responsibility of NRC is to formulate policies and procedures for the remuneration of Executive Directors of the Company to ensure the same remain competitive, appropriate, and in alignment with the Company's objectives and long term goals. The annual directors' fees and benefits payable are reviewed each year and are subject to shareholders' approval at the AGM.

As a matter of practice, the Directors concerned would abstain from deliberation and voting on their own remuneration at board meetings.

Due to the increased compliance responsibilities of Directors and the corporate requirements under the new MCCG 2017, the NRC, had on 26 May 2018, reviewed the directors' fees and meeting attendance allowance. After due deliberation, the NRC had recommended the following to the Board for the payment for FY2018 to be approved by shareholders in 2018 AGM:-

- Directors' fees

	Designation of Director	Directors' Fee
1	Board Chairman	RM74,000
2	Audit Committee Chairman	RM74,000
3	Board Members	RM50,000

- Meeting attendance allowance

	Designation of Director	Meeting Attendance Allowance
1	Board Chairman	RM1,600
2	Board Committee Chairman	RM1,600
3	Board Members	RM800 each
4	Board Committee Members	RM800 each

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

III. Board Remuneration (cont'd)

Details of remuneration of the Board members received from the Company and on Group basis for the FY2019 are as follows:

	Company						Subsidiary	Group
	Directors' Fees (RM)	Salaries (RM)	Bonus (RM)	Meeting Allowance (RM)	Benefits -In-kind (RM)	Total (RM)	Directors' Fees (RM)	Total (RM)
Executive Directors								
Dr. Nick Low	66,000	390,000	164,750	9,400	35,200	665,350	34,042	699,392
Lim Kim Long	66,000	270,000	112,250	9,400	20,060	477,710	34,042	511,752
Non-Executive Directors								
Tan Sri Datuk Seri Panglima Sulong Matjeraie	99,000	-	-	9,600	-	108,600	-	108,600
Chung Kin Mun	99,000	-	-	15,200	-	114,200	-	114,200
Tan Sri Dato' Low Boon Eng ^	27,500	-	-	1,600	15,500	44,600	-	44,600
Mohd Hisham Harun	66,000	-	-	3,200	-	69,200	-	69,200
Leong So Seh	66,000	-	-	10,200	-	76,200	-	76,200
Teo Leng	66,000	-	-	8,000	-	74,000	34,042	108,042

^ Retired on 30 August 2018

More specific disclosures on the activities of the NRC on remuneration matters in relation to Practice 6.1, Practice 6.2 and Practice 7.1 to the MCCG 2017 are set out in the CG Report 2019.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The AC comprises three (3) members who are all Independent Non-Executive Directors. The Chairman of the AC is not the Chairman of the Board.

In line with the corporate governance standards as set out in the MCCG 2017, the Board, had on its meeting held on 9 July 2018, reviewed and approved the revised TOR for the AC.

The composition of AC and its performance are subject to the annual review assessment by the NRC and NRC's recommendation will be forwarded to the Board for deliberation and approval. In line with MCCG 2017, the NRC also ensures that only an Independent Non-Executive Director who is financially literate, and has the appropriate level of expertise and experience would be considered for the membership of the AC.

More specific disclosures on the activities of the AC in relation to Practice 8.1 to Practice 8.4 to the MCCG 2017 are set out in the CG Report 2019 as well as the AC Report on pages 64 to 68 of the AR 2019.

II. Risk Management And Internal Control Framework

The Board recognises the importance of a sound system of enterprise risk management ("ERM") and internal controls. This is to safeguard the Company's investments and assets, and enable the Board to continually review the adequacy and effectiveness of the Company's risk management and internal controls.

The Board, via the AC, oversees the risk management function for the Group. The AC will identify, mitigating and monitoring the critical risks highlighted by the management. In assisting the AC to discharge its functions, Tricor Roots Consulting Sdn. Bhd. ("TRC") and Axcelasia Columbus Sdn. Bhd. ("Axcelasia") have been engaged to advise the Company on its ERM framework and to carry the internal audit activities respectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

II. Risk Management And Internal Control Framework (cont'd)

The Company is using TRC's Corporate Risk Scorecard ("CRS") for its ERM framework and the Q-RADAR System, which is used to support the ERM processes whereas Axcelasia is assisting the AC in reviewing, evaluating and monitoring the effectiveness of the Group's risk management and internal control processes.

More specific disclosures on the activities of the risk management and internal controls in relation to Practice 9.1 and Practice 9.2 to the MCCG 2017 are set out in the CG Report 2019 as well as the Statement of Risk Management And Internal Control ("SORMIC") on pages 70 to 71 of the AR 2019.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONS WITH STAKEHOLDERS

I. Communication with Stakeholders

The Company is committed to communicate with shareholders and its various stakeholders in a transparent, effective and timely manner. Internally, the Company has in place a Corporate Disclosure Policy which serves as a guide to enhance awareness amongst the employees on the Company's disclosure obligations and procedures.

The following are the communication channels used in the Company's engagement with the shareholders and its stakeholders:-

a. Announcements via Bursa LINK;
b. The Company's website has included a dedicated section for shareholders and investor relations. Enquiries on investor related matters can be directed to our Chief Financial Officer ("CFO"), Mr. Cheong Kee Yoong at kycheong@southernacids.com;
c. Annual reports;
d. General meetings; and
e. Analysts briefings including sessions with the investment fraternity initiated by external stockbroking and research companies.

II. Conduct of Annual General Meeting

The AGM is the principal forum for shareholders dialogue, and the interaction between the Board and senior management, and its shareholders.

At the AGM, all directors and senior management personnel will be present in person to engage directly with, and to be accountable to the shareholders on their stewardship in managing the Company. The CFO would present on the Group's financial performance, including its prospects and challenges. In addition, written queries raised by the Minority Shareholder Watchdog Group would be presented to the shareholders at the general meetings, together with the Group's responses.

The Chairman would provide ample time for a Questions and Answers session. Questions raised by shareholders will be clarified by the Directors, senior management and/or the external auditors. Suggestions and comments given by the shareholders would also be noted by management for consideration.

In line with Bursa Malaysia MMLR, the Company had implemented poll voting for all the resolutions set out in the notice of the general meetings. The poll voting will be conducted via electronic means and the results of the voting will be instantly displayed on the screen. The Company has appointed an independent external scrutineer to validate all the votes at the said general meetings.

More specific disclosures on the activities of conduct of an AGM in relation to Practice 12.1 to Practice 12.3 to the MCCG 2017 are set out in the CG Report 2019.

This CGOS was approved by the Board of SAB on 10 July 2019.

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT

The Board is pleased to present the AC Report which provides insights into the manner in which the AC has discharged its oversight functions during the FY2019.

COMPOSITION AND MEETINGS

The current composition of the AC and the attendance record of its members at the five (5) meetings held during the FY2019 are set out below:-

No	Name of Director	Designation	Attendance of meetings
1.	Chung Kin Mun (Senior Independent Non-Executive Director)	Chairman	5/5
2.	Leong So Seh (Independent Non-Executive Director)	Member	5/5
3.	Teo Leng (Independent Non-Executive Director)	Member	5/5

The AC Chairman, Mr. Chung Kin Mun, is a member of CPA Australia. Accordingly, the composition of the AC complies with Paragraph 15.09 of the Bursa Malaysia MMLR.

All AC members are provided with the agenda, minutes of the previous meeting and a set of comprehensive reports or write-ups on matters to be discussed, all circulated in advance before a board meeting. This is to ensure that AC members are well informed, and if necessary, provide an opportunity for them to seek additional information and/or clarifications prior to a board meeting.

The AC works closely with the management to provide clarification on audit issues as well as the Group's financial results in carrying out its functions and duties as set out in its TOR. Depending on the subject matters, the following persons will be invited by the AC to attend the meetings and to present their respective reports namely financial results, audit findings and management's responses thereto and other matters for deliberation and approval:-

- Managing Director;
- Executive Director;
- Chief Financial Officer;
- Senior management of the respective segments;
- The outsourced internal auditors ("OIA"); and
- External auditors.

The AC Chairman has the right to require those who are in attendance to leave the room when matters to be discussed do not involve them or when the confidentially of matters needs to be preserved.

The AC Chairman reports to the Board after each AC meeting. Matters of significant concern raised during the AC meetings together with its recommendations will be tabled to the Board for deliberation and approval. Reports presented to the AC will also be circulated to the Board for reference.

The minutes as recorded by the Company Secretary will be tabled for confirmation at the following AC meeting, and subsequently circulated to the Board for notation.

TERMS OF REFERENCE

The scope of responsibilities of the AC is outlined in its TOR which is set out at the Company's website at www.southernacids.com. The TOR was last reviewed and approved by the Board on 9 July 2018.

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF ACTIVITIES

Details of the activities carried out by the AC in discharging its duties and responsibilities during the FY2019 are summarised as follows:-

Overseeing Financial Reporting

a. Quarterly Financial Results

The AC reviewed and discussed with the management, the respective quarterly financial statements and the annual audited financial statements to ensure compliance with the Malaysian Financial Reporting Standards ("MFRSs"), CA 2016, and the applicable provisions of the Bursa Malaysia MMLR.

In every quarterly meeting, the CFO will present the following to the AC for deliberation and approval:-

- Detailed analysis of the unaudited quarterly financial results of the Group and the results of the respective segments;
- Highlights of exceptional items such as any significant transactions, significant adjustments from audit, any changes in accounting policies and changes in regulation, if any and applicable; and
- Reports from external consultants, advising on the new MFRSs, certain tax treatments and their implications to the financial statements.

The four (4) AC meetings held during the FY2019 on quarterly financial results are set out below:-

Date of Meeting	Review of Quarterly Financial Statements
24 May 2018	Unaudited fourth quarter results for the period ended 31 March 2018 and unaudited results for the FY2018
27 August 2018	Unaudited first quarter results for the period ended 30 June 2018
27 November 2018	Unaudited second quarter results for the period ended 30 September 2018
26 February 2019	Unaudited third quarter results for the period ended 31 December 2018

b. Annual Financial Statements

On 9 July 2018, the AC together with the management had deliberated on the annual financial statements for the FY2018. Significant audit findings, adoption of new MFRSs in the audited financial statements and its impact, as well as key audit matters raised by the external auditors were discussed. Thereafter the AC recommended the same for the Board's approval and subsequent tabling at the coming AGM.

c. Accounting Standard and Other Relevant Regulatory Requirements

The AC also reviewed and took note on the changes and amendments to the regulations, accounting standards and other regulatory requirements tabled by the Company Secretary, CFO and the external auditors which may have a material impact on the Company's financial statements.

On 24 May 2018, the AC was briefed by the CFO on the requirement of a sustainability statement to be included in the Company's AR 2018 and the recommended steps to prepare the sustainability statement. In the same meeting, the AC was also briefed by the CFO on the proposed implementations as well as the expected implications of MFRS 9 *Financial Instruments* and MFRS 15 *Revenue from Contracts with Customers* on the Group financial results for the FY2019.

On 26 February 2019, the AC was briefed by the CFO on the new MFRS 16 *Leases* which will affect the Group financial results from next FY2020 onwards.

AUDIT COMMITTEE REPORT (CONT'D)

External Audit

During the FY2019, the AC met with Deloitte PLT to review its audit planning and deliberated the results of their examination and their reports in relation to the audit and accounting issues arising during the course of audit.

Date of Meeting	Key Highlights & Briefing by Deloitte PLT
24 May 2018	• Audit Summary Memorandum for the FY2018 where the materiality level, the significant risks and the areas of audit focus were briefed; • The audit progress which was substantially completed, and the remaining outstanding matters; • Reviewed and deliberated on the identified key audit matter, that being the Impairment of Property, Plant and Equipment related to Oleochemical Segment; • Identified other key audit focus areas.
26 February 2019	• Audit Planning Memorandum for the FY2019 where the materiality level, the significant risks and the areas of audit focus were briefed; • Reviewed and deliberated on the identified key audit matter, that being the Impairment of Property, Plant and Equipment related to Oleochemical Segment; • Briefing on the MFRS 16 *Leases* which was effective from 1 Jan 2019.

The AC, together with the management, evaluated and deliberated on the performance of the external auditors. Based on the AC's own observation and management's feedback on the engagement team's quality of service, its ability to provide technical advice, its adequate team size and time spent during the audit, the AC was satisfied with the external auditors' professionalism and recommended to the Board for their re-appointment together with the proposed audit fees.

Internal Audit

The AC reviewed and assessed the performance and effectiveness of Axcelasia. The AC was satisfied with Axcelasia's competency based on their observation and management's feedback on the engagement team's quality of service, the corrective actions recommended on the identified areas, its adequate team size and time spent during the audit. The re-appointment of Axcelasia as the OIA as well as the proposed internal audit fees for FY2019 was approved by the AC at the meeting held on 24 May 2018.

During the FY2019, the AC met with Axcelasia to discuss on the IA Reports on the following dates:-

Date of Meeting	Key Highlights & Briefing by Axcelasia
27 August 2018	• Presentation of IA Report on the Oleochemical Segment • The IA focus areas were set out as below:- - Production/Operations - Closing Stock Valuation - Sales & Marketing Management - Financial Management • Out of four (4) observations, only one (1) was deemed high priority.
27 November 2018	• Presentation of IA Report on the Milling & Estate Segment • The IA focus areas were set out as below:- - Estate Management - Mill Management - Validity of Payroll Costs - Other Income Management - Bank and Petty Cash Management • Out of ten (10) observations, seven (7) were deemed high priority.

AUDIT COMMITTEE REPORT (CONT'D)

Date of Meeting	Key Highlights & Briefing by Axcelasia
26 February 2019	• Presentation of IA Report on Healthcare Segment • The IA focus areas were set out below:- - Strategic Management - Financial Management - Medical Management - Human Resource Management • Out of six (6) observations, only two (2) were deemed high priority.

The AC also reviewed the status of the implementation of the agreed corrective actions that were taken by the management, to ensure that all observations by Axcelasia were attended to on a timely basis.

Related Party Transactions ("RPT")

In every quarterly meeting, the AC also reviewed and monitored the unaudited quarterly financial statements pursuant to RPT entered into by the Group, including the review and monitoring of all RPT of a revenue or trading in nature. This is to ensure that all RPT are carried out on normal commercial terms and were not prejudicial to the interest of the Company, and that they are in compliance with the Bursa Malaysia MMLR and other relevant rules and regulations as well as the shareholders' mandate.

On 9 July 2018, the AC reviewed and approved the Circular to Shareholders in respect of the proposed renewal of shareholders' mandate for recurrent related party transactions ("RRPT") as well as the statements by the AC in respect of the proposed shareholders' mandate for RRPT.

On 26 February 2019, the AC reviewed and approved a proposed land acquisition in Indonesia by the Company's subsidiary in Indonesia from a director as well as a shareholder of the same Indonesian subsidiary.

Others

The implementation of ERM for the Healthcare Segment was initiated in January 2018. Kick start meeting was held in January 2018, followed by a risk awareness program training in February 2018. The whole implementation process took about four (4) months and the ERM final report was ready in June 2018. All relevant staff of the Healthcare Segment underwent the Q-RADAR System training in July 2018. The Q-RADAR System features the CRS, a core risk management module that captures all risk information with the intention to empower the users and provide for a control-self assessment ("CSA") environment. Consequently, the Healthcare Segment ERM has been put in place since then. To date, the Healthcare Segment is the only segment within the Group that has successfully implemented the ERM.

On 24 May 2018, the AC reviewed the internal control system as reported by Deloitte PLT in the course of their statutory audit of the financial statements for the FY2018. At the meeting, Deloitte PLT reported that they did not identify any significant deficiencies in internal controls in the FY2018's audit save some highlights.

On 9 July 2018, the AC reviewed and approved an updated TOR as well as reviewed and recommended the AC Report and SORMIC for the Board's approval for inclusion into the Company's AR 2018.

AUDIT COMMITTEE REPORT (CONT'D)

INTERNAL AUDIT FUNCTION

Internal Audit Function

The internal audit function is an integral part of the assurance framework and it is outsourced to Axcelasia, an integrated professional services group. The OIA supports the AC in the discharge of its duties and responsibilities by independently evaluating the system of internal controls as established by the management of the SAB Group, using a risk-based internal audit approach. Thereafter the OIA would provide recommendations for improving the organisation's internal controls for the selected operating processes. The OIA reports functionally to the AC.

The internal audit was performed in accordance with generally acceptable internal auditing practices. The internal audit methodology used is a 4-step approach as set out below:-

1. Identification of Auditee Activities

   - Understanding organisation structure and operations
   - Analyse organisation's performance
   - Interview with management team and directors
   - Enterprise Risk Level Model development
   - Prepare risk-based internal audit strategy

2. High Level Risk

   - Perform business process analysis and risk assessment on selected auditable activities
   - General control assessment
   - Prepare annual internal audit plan
   - Prepare audit programs
   - Propose timeline

3. Internal Control Assessment

   - Carry out detailed internal audit assessment and assess the effectiveness of the internal controls systems used to manage the key risks based on the approved internal audit plan
   - Follow up on the implementation status of prior internal audit recommendations

4. Communication & Reporting

   - Finalise the internal audit and follow-up reports, and communicate the recommendations to the management
   - Present the critical findings and recommendations to the AC

A total of three (3) IA reports covering all segments were prepared and presented by Axcelasia and the total cost incurred was RM150,611 for the FY2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to present the SORMIC, pursuant to Chapter 15, Paragraph 15.26(b) of the Bursa Malaysia MMLR, Principle B of the MCCG 2017 as well as guidance from the Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Board Responsibility

The Board affirms its commitment and responsibility towards a sound system of risk management framework and internal control system. Periodic review will be carried out on its adequacy and integrity in safeguarding shareholders' investments and assets of the Group.

Notwithstanding, this system is designed to mitigate rather than eliminate, risks or events with significant adverse impact of achieving the Group's business objectives. As such, it only provides reasonable but not absolute assurance against material financial misstatement, operational failures, financial losses or fraudulent activities.

The AC is delegated by the Board to oversee the Group's risk management and internal control.

Risk Management

The Group's ERM process is based on TRC's ERM framework and its Q-RADAR System as the tool in facilitating the ERM program. The Q-RADAR System featuring the CRS which is the core risk management module and captures all risk information with the intention to empower the users and providing for CSA environment. CSA is a technique that allows managers and work teams directly involved in their respective divisions, functions or processes to participate in assessing the organisation's risk management and control processes.

Our Healthcare Segment has successfully implemented its ERM program in July 2018, the first segment within the Group to do so. Since then, Healthcare Segment ERM has been regularly updated and reported to the AC on a quarterly basis.

Pending the full roll-out of TRC's ERM framework and the use of Q-RADAR System, CSA is being used as part of the Group's ERM framework. On risks relating to the Group's strategic objectives are assessed at the Group level.

The full roll-out of TRC's ERM and its Q-RADAR System for the Group will take some time and will be implemented by staggered basis are reported to the AC in its quarterly meetings.

Main Features of Internal Control System

The following is the summary of the key elements of the Group's internal control system:

1. <u>Organisation Structure</u>
   The Group has defined lines of responsibility, delegation of authority, segregation of duties and accountability for operation performance.

2. <u>Centralised Key Functions</u>
   The centralised functions involved finance, investment, treasury, corporate affairs, compliances, tender committee, purchasing and human resources (for key positions) to ensure consistency and efficiency.

3. <u>Operational Controls</u>
   The following operational controls are in place:-
   - level of authority for each level of management staff;
   - approval processes for capital expenditure and operational expenditure; and
   - business planning and annual budgeting process for business units with periodical monitoring of performance.

4. <u>Financial Reporting Controls</u>
   Financial reports are generated on a monthly basis and deliberated at appropriate management meetings respectively whereas the Group's financial statements will be reviewed and deliberated by the AC and Board on a quarterly basis.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

5. **Internal Audit**
   The OIA which functionally reports to the AC will assess the adequacy and integrity of the system of internal control, and the effectiveness of the processes. Under the mandate given by the AC, the OIA will cover one (1) cycle of internal audit for each of the segments in every financial year. The OIA will carry out an exit meeting with the auditee management before finalisation of the IA report.

6. **External Audit**
   Deloitte PLT performs an evaluation of the design and implementation of the internal controls that are relevant to their annual audit and may report and make recommendation to the AC and management any identified procedures, controls and other aspects that needs improvement which may come to their attention.

7. **Whistleblower Policy**
   The policy provides an avenue for employees and stakeholders to raise matters of serious concerns which could have an impact on the Group. Under the policy, a whistleblower is assured of confidentiality of matter reported and protection against retaliation.

   The Whistleblower Policy and a summary of the Principles of Business Conduct are available for viewing on the Company's website.

For the FY2019 under review, some weaknesses in internal controls were identified but were deemed immaterial to be mentioned in this SORMIC as none of the weaknesses had materially impacted the business or operations of the Group. Nevertheless, measures have been or are being taken to address these weaknesses.

Please refer to the AC Report pages 64 to 68 of the AR 2019 on the risk management and internal control activities undertaken during the FY2019.

Review of the SORMIC by External Auditors

As required by paragraph 15.23 of the Bursa Malaysia MMLR, the external auditors have reviewed this SORMIC. Their limited assurance review was performed in accordance with Audit & Assurance Practice Guide 3 ("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 the risk and internal control systems of the Group. Based on the review, the external auditors have reported to the Board that nothing has come their attention that causes them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control system within the Group.

CONCLUSION

The Board is pleased to report that the Group's risk management and internal control framework is in place and able to meet the Group's objective to ensure good corporate governance. There was no potential, present failure or weakness identified that would have material adverse effect on the Group's financial statements for the year under review.

The Board has been given assurance by the MD and CFO that the Group's risk management and internal control framework is operating adequately and effectively in all material aspects. In addition, all heads of segments whom are responsible for their respective implementing and monitoring the effectiveness of internal control system and processes have also given their assurance on their commitments by signing the 'Annual Statement on Continuous Commitment to an Effective ERM Framework'.

This SORMIC has excluded its insignificant associate company's state of risk management and internal control.

This SORMIC is made in accordance with a resolution of the Board dated 10 July 2019.

ADDITIONAL COMPLIANCE INFORMATION

In compliance with Para 9.25 of the Bursa Malaysia MMLR, the following additional information is provided:

Utilisation of Proceeds Raised From Corporate Proposals

There were no proceeds raised from corporate proposals during the financial year.

Material Contracts

There were no material contracts other than in the ordinary course of business entered into by the Company and/or its subsidiaries involving Directors' and/or major shareholders interests either subsisting at the end of the FY2019 or entered into since the previous financial year.

Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred and payable to the external auditors and its affiliates by the Group for the FY2019 are as follows:

	Company (RM)	**Group (RM)**
Audit services rendered	82,750	464,373
Non-audit services rendered		
• Review of the Statement on Risk Management and Internal Control	7,000	7,000
• Provision of accounting review services with respect to MFRS 9 *Financial Instruments,* MFRS 15 *Revenue from Contracts with Customers* and MFRS 141 *Agriculture*	10,741	161,120

Recurrent Related Party Transactions of a Revenue or Trading Nature

The details of the RRPT are disclosed in Note 25 of the Financial Statements on pages 138 to 143 of the AR 2019.

STATEMENT OF DIRECTORS' RESPONSIBILITY
FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the CA 2016 to prepare the financial statements for each financial year which have been made out in accordance with the applicable MFRSs, the requirements of the CA 2016 in Malaysia and Bursa Malaysia MMLR.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements for the FY2019, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the CA 2016.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

OUR FINANCIAL PERFORMANCE

DIRECTORS' REPORT

The directors of SOUTHERN ACIDS (M) BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and the provision of management services to the subsidiary companies.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the Company in the subsidiaries are disclosed in Note 16 to the Financial Statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM'000	The Company RM'000
Profit before tax	38,574	7,012
Income tax expense	(13,106)	-
Profit for the year	25,468	7,012
Attributable to:		
Equity holders of the Company	21,484	7,012
Non-controlling interests	3,984	-
	25,468	7,012

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Final dividend of 5 sen per share, single tier, amounting to RM6,846,707, proposed in the previous financial year and dealt with in the previous directors' report was paid on 28 September 2018.

In respect of the current financial year, the directors have proposed a final dividend of 5 sen per share, single tier, amounting to RM6,846,707.

The proposed dividends are subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as liability in the financial statements. Upon approval by the shareholders, the dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 March 2020.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

DIRECTORS' REPORT (CONT'D)

SHARE OPTIONS

No options have been granted by the Company to any party during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

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 value 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 amount 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 would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company in the financial year in which this report is made.

DIRECTORS' REPORT (CONT'D)

DIRECTORS

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

Tan Sri Datuk Seri Panglima Sulong Matjeraie
Dr. Low Kok Thye
Lim Kim Long
Chung Kin Mun
Tan Sri Dato' Low Boon Eng (Retired on 30.8.2018)
Mohd Hisham Harun
Leong So Seh
Teo Leng

The directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are:

Dr. Low Kok Thye
Lim Kim Long
Mohd Hisham Harun
Leong So Seh
Teo Leng
Chan Choon Hoong
Cheong Kee Yoong
Dr. Sadasivam A/L Kandiah
Herry Amin
Herry Mukiat
Lou Ai Choo
Tan Sri Dato' Low Boon Eng
Tiong Chuu Ling

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, are as follows:

		Number of ordinary shares		
	As at 1.4.2018	**Bought**	**Sold**	**As at 31.3.2019**
Shares in the Company				
Registered in name of directors				
Direct interest				
Dr. Low Kok Thye	30,416	-	-	**30,416**
Lim Kim Long	49,276	-	-	**49,276**
Deemed interest				
Dr. Low Kok Thye*	65,689,824	3,000	-	**65,692,824**
Lim Kim Long**	69,032,267	-	-	**69,032,267**

DIRECTORS' REPORT (CONT'D)

Notes:

* By virtue of his interest in Southern Cocoa Products (M) Sdn. Berhad, Banting Hock Hin Estate Company Sdn. Bhd., Southern Realty (Malaya) Sdn. Berhad, Southern Hockjoo Plantation Sdn. Berhad, Naga Wira Sdn. Berhad, Bekalan Utama Sdn. Berhad, Southern Edible Oil Industries (M) Sdn. Berhad, Southern Palm Industries Sdn. Bhd., Eng Leong Holdings Sdn. Bhd. and family members.

** By virtue of his interest in Southern Cocoa Products (M) Sdn. Berhad, Banting Hock Hin Estate Company Sdn. Bhd., Southern Realty (Malaya) Sdn. Berhad, Southern Hockjoo Plantation Sdn. Berhad, Naga Wira Sdn. Berhad, Bekalan Utama Sdn. Berhad, Southern Edible Oil Industries (M) Sdn. Berhad, Southern Palm Industries Sdn. Bhd., Lim Thye Peng Realty Sdn. Bhd. and family members.

By virtue of their interest in the shares of the Company, the above directors are also deemed to have an interest in the shares of the subsidiary companies to the extent that the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year held shares or had any beneficial interest in shares of the Company or its related companies during or at the beginning and end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive a benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 7 to the Financial Statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the balances and transactions with companies in which certain directors of the Company are also directors and/or have substantial financial interests as disclosed in Note 25 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains directors' and officers' liability insurance for purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance cover for the directors and officers of the Company and its group of companies. The amount of insurance cover paid during the year amounted to RM11,224.

There were no indemnity given to or insurance effected for the auditors of the Company.

AUDITORS' REMUNERATION

The amount paid as remuneration of the auditors for the financial year ended 31 March 2019 is as disclosed in Note 8 to the Financial Statements.

DIRECTORS' REPORT (CONT'D)

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the directors,

DR. LOW KOK THYE

LIM KIM LONG

Klang
10 July 2019

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SOUTHERN ACIDS (M) BERHAD (INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SOUTHERN ACIDS (M) BERHAD, which comprise the statements of financial position of the Group and of the Company as at 31 March 2019 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 84 to 165.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

Key Audit Matters	How the scope of our audit responded to the key audit matter
<u>Impairment Assessment of Property, Plant and Equipment</u> At 31 March 2019, included in property, plant and equipment are factory building and oleochemical plant ("assets") of a subsidiary with carrying value of RM31,465,530. These assets are located on land owned by a major shareholder of the Company, Southern Realty (Malaya) Sdn. Berhad ("SRM"). SRM has agreed to extend the lease agreement to 31 March 2020 which is significantly shorter than the remaining useful lives of the assets located on the land which range from 12 to 26 years. The Company intends to apply for a renewal of the lease agreement with SRM prior to its expiry on 31 March 2020. Management judgement is involved in assessing the likelihood of renewal of the lease agreement for the near future. In the event that the lease agreement is not renewed, management may have to assess if the assets are impaired. The accounting policy for impairment of property, plant and equipment and the critical judgements involved in assessing the likelihood of renewal of the lease agreement which may have an impact on the carrying value of the property, plant and equipment are set out in Note 3 and Note 4(i)(a) to the Financial Statements respectively. The details of the property, plant and equipment have been disclosed in Note 13 to the Financial Statements.	We held discussions with the directors of the Company to gain an understanding of the future plans of the subsidiary and likelihood of renewal of the lease agreement. We examined the latest lease agreement and read all relevant correspondence between the Company and SRM to identify matters, if any, that would adversely affect the future likelihood of renewal of the lease. We evaluated management's assessment of the renewal which include the historical trend of the lease agreement being renewed. We have also assessed the adequacy and appropriateness of the disclosures made in Note 3 and Note 4(i)(a) to the Financial Statements.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our audit report.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF SOUTHERN ACIDS (M) BERHAD (INCORPORATED IN MALAYSIA)

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 information included in the annual 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.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of 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 judgement and maintain professional scepticism throughout the audit. We also:

- 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.

- 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF SOUTHERN ACIDS (M) BERHAD (INCORPORATED IN MALAYSIA)

- 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.

- 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 this matter 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, we also report that in the case of consolidated financial statements, the names of the subsidiaries, of which we have not acted as auditors, are indicated in Note 16 to the Financial Statements.

Other Matters

(a) As stated in Note 2 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 April 2018 with a transition date of 1 April 2017. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 31 March 2018 and 1 April 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 March 2018 and related disclosures. We were not engaged to report on these comparative information which are now presented in accordance with Malaysian Financial Reporting Standards and hence, 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 March 2019 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 April 2018 do not contain misstatements that materially affect the financial position as at 31 March 2019 and the financial performance and cash flows for the year then ended.

(b) 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.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

MURALI A/L SAMY
Partner - 03377/06/2020 J
Chartered Accountant

Kuala Lumpur
10 July 2019

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Note(s)	The Group 2019 RM'000	The Group 2018 RM'000 (Restated)	The Company 2019 RM'000	The Company 2018 RM'000
Revenue	5	**598,645**	763,104	**13,058**	7,346
Investment revenue	6	**5,205**	4,115	**209**	282
Other operating income		**9,833**	6,045	**58**	29
Changes in inventories of finished goods and work-in-progress		**(3,191)**	(3,249)	**-**	-
Raw materials and consumables used		**(405,265)**	(564,175)	**-**	-
Depreciation of property, plant and equipment	13	**(15,764)**	(15,676)	**(436)**	(424)
Directors' remuneration	7	**(3,543)**	(3,765)	**(1,559)**	(1,393)
Employee benefits expenses	8	**(51,902)**	(52,405)	**(3,665)**	(2,480)
Other operating expenses		**(95,500)**	(83,231)	**(653)**	(832)
Finance cost	9	**(37)**	(56)	**-**	-
Share of results of an associate	17	**93**	312	**-**	-
Profit before tax	8	**38,574**	51,019	**7,012**	2,528
Income tax expense	10	**(13,106)**	(13,980)	**-**	-
Profit for the year		**25,468**	37,039	**7,012**	2,528
Attributable to:					
Equity holders of the Company		**21,484**	32,562	**7,012**	2,528
Non-controlling interests	16	**3,984**	4,477	**-**	-
		25,468	37,039	**7,012**	2,528
Earnings per share (sen) attributable to equity holders of the Company					
Basic and diluted	11	**15.69**	23.78		

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2019

	The Group		The Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Profit for the year	**25,468**	37,039	**7,012**	2,528
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Gain arising from revaluation of other investments	**(1,897)**	5,742	**(1,897)**	5,742
Exchange differences on translating foreign operations	**2,899**	(24,701)	**-**	-
Item that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligations	**619**	1,546	**-**	285
	1,621	(17,413)	**(1,897)**	6,027
Total comprehensive income for the year, net of tax	**27,089**	19,626	**5,115**	8,555
Total comprehensive income attributable to:				
Equity holders of the Company	**21,752**	24,465	**5,115**	8,555
Non-controlling interests	**5,337**	(4,839)	**-**	-
	27,089	19,626	**5,115**	8,555

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2019

The Group	Note(s)	31.3.2019 RM'000	31.3.2018 RM'000 (Restated)	1.4.2017 RM'000 (Restated)
ASSETS				
Non-Current Assets				
Land held for property development	12	**139,868**	141,926	141,944
Property, plant and equipment	13	**195,682**	171,470	166,568
Investment property	14	**3,318**	3,318	3,318
Investment in an associate company	17	**2,612**	2,519	2,207
Other investments	18	**47,152**	48,895	42,991
Advances for KKPA program	19	**491**	7,381	6,731
Deferred tax assets	20	**1,261**	1,893	2,339
Total Non-Current Assets		**390,384**	377,402	366,098
Current Assets				
Biological assets	15	**1,143**	974	1,160
Inventories	21	**64,853**	70,866	80,253
Derivative financial assets	22	**257**	866	580
Trade receivables	23 & 25	**34,846**	45,172	53,125
Other receivables, deposits and prepaid expenses	24 & 25	**12,944**	18,298	18,232
Amount owing by an associate company	26	**1,079**	630	373
Tax recoverable		**26,140**	28,461	21,060
Cash and cash equivalents	27	**199,911**	174,381	164,225
Total Current Assets		**341,173**	339,648	339,008
TOTAL ASSETS		**731,557**	717,050	705,106

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 MARCH 2019

The Group	Note(s)	31.3.2019 RM'000	31.3.2018 RM'000 (Restated)	1.4.2017 RM'000 (Restated)
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	28	**171,255**	171,255	171,255
Reserves	29	**430,026**	415,121	397,503
Equity attributable to equity holders of the Company		**601,281**	586,376	568,758
Non-controlling interests	16	**54,734**	50,693	58,904
Total Equity		**656,015**	637,069	627,662
Non-Current and Deferred Liabilities				
Hire purchase payables	30	**212**	123	197
Provision for retirement benefits	31	**10,852**	10,312	10,957
Deferred tax liabilities	20	**3,915**	2,173	1,626
Total Non-Current and Deferred Liabilities		**14,979**	12,608	12,780
Current Liabilities				
Trade payables	25 & 32	**21,875**	36,688	32,137
Other payables and accrued expenses	25 & 32	**36,550**	28,996	30,038
Contract liabilities		**1,001**	526	920
Derivative financial liabilities	22	**-**	268	1,040
Hire purchase payables	30	**187**	217	408
Tax liabilities		**829**	557	-
Dividend payable		**121**	121	121
Total Current Liabilities		**60,563**	67,373	64,664
Total Liabilities		**75,542**	79,981	77,444
TOTAL EQUITY AND LIABILITIES		**731,557**	717,050	705,106

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 MARCH 2019

The Company	Note(s)	31.3.2019 RM'000	31.3.2018 RM'000 (Restated)	1.4.2017 RM'000 (Restated)
Non-Current Assets				
Property, plant and equipment	13	**3,699**	4,107	4,342
Investment in subsidiary companies	16	**245,489**	244,789	244,789
Investment in an associate company	17	**917**	917	917
Other investments	18	**47,152**	48,895	42,991
Total Non-Current Assets		**297,257**	298,708	293,039
Current Assets				
Other receivables, deposits and prepaid expenses	24 & 25	**154**	161	271
Amount owing by subsidiary companies	25	**1,203**	1,330	1,035
Amount owing by an associate company	26	**111**	93	94
Cash and cash equivalents	27	**6,585**	6,557	11,648
Total Current Assets		**8,053**	8,141	13,048
TOTAL ASSETS		**305,310**	306,849	306,087
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	28	**171,255**	171,255	171,255
Reserves	29	**131,557**	133,288	131,580
Total Equity		**302,812**	304,543	302,835
Non-Current Liability				
Provision for retirement benefits	31	**1,022**	897	1,684
Current Liabilities				
Other payables and accrued expenses	25 & 32	**1,233**	1,158	1,307
Amount owing to a subsidiary company	25	**122**	130	140
Dividend payable		**121**	121	121
Total Current Liabilities		**1,476**	1,409	1,568
Total Liabilities		**2,498**	2,306	3,252
TOTAL EQUITY AND LIABILITIES		**305,310**	306,849	306,087

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

The Group	Note	Share capital RM'000	Foreign exchange reserve RM'000 (Non-distributable reserves)	Other reserve RM'000 (Non-distributable reserves)	Fair value reserve RM'000 (Non-distributable reserves)	Distributable reserve - Retained earnings RM'000	Equity attributable to equity holders of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 April 2017									
As previously reported		171,255	743	(322)	18,244	378,539	568,459	58,662	627,121
Adoption of MFRSs	40	-	-	-	-	299	299	242	541
As restated		171,255	743	(322)	18,244	378,838	568,758	58,904	627,662
Profit for the year		-	-	-	-	32,562	32,562	4,477	37,039
Other comprehensive loss		-	(15,385)	-	5,742	1,546	(8,097)	(9,316)	(17,413)
Total comprehensive income for the year		-	(15,385)	-	5,742	34,108	24,465	(4,839)	19,626
Dividends paid	34	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Dividends paid to non-controlling interests		-	-	-	-	-	-	(3,372)	(3,372)
As at 31 March 2018		171,255	(14,642)	(322)	23,986	406,099	586,376	50,693	637,069
As at 1 April 2018									
As previously reported		171,255	(14,553)	(322)	23,986	406,175	586,541	50,481	637,022
Adoption of MFRSs	40	-	(89)	-	-	(76)	(165)	212	47
As restated		171,255	(14,642)	(322)	23,986	406,099	586,376	50,693	637,069
Profit for the year		-	-	-	-	21,484	21,484	3,984	25,468
Other comprehensive income		-	1,884	-	(1,897)	281	268	1,353	1,621
Total comprehensive income for the year		-	1,884	-	(1,897)	21,765	21,752	5,337	27,089
Dividends paid	34	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Dividends paid to non-controlling interests		-	-	-	-	-	-	(1,296)	(1,296)
As at 31 March 2019		**171,255**	**(12,758)**	**(322)**	**22,089**	**421,017**	**601,281**	**54,734**	**656,015**

STATEMENTS OF CHANGES IN EQUITY (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2019

The Company	Note	Non-distributable reserve Share capital RM'000	Non-distributable reserve Fair value reserve RM'000	Distributable reserve - Retained earnings RM'000	Total equity RM'000
As at 1 April 2017		171,255	18,244	113,336	302,835
Profit for the year		-	-	2,528	2,528
Other comprehensive income		-	5,742	285	6,027
Total comprehensive income for the year		-	5,742	2,813	8,555
Dividends paid	34	-	-	(6,847)	(6,847)
As at 31 March 2018		171,255	23,986	109,302	304,543
As at 1 April 2018		171,255	23,986	109,302	304,543
Profit for the year		-	-	7,012	7,012
Other comprehensive loss		-	(1,897)	-	(1,897)
Total comprehensive income for the year		-	(1,897)	7,012	5,115
Dividends paid	34	-	-	(6,846)	(6,846)
As at 31 March 2019		**171,255**	**22,089**	**109,468**	**302,812**

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	The Group 2019 RM'000	The Group 2018 RM'000 (Restated)	The Company 2019 RM'000	The Company 2018 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	**38,574**	51,019	**7,012**	2,528
Adjustments for:				
Depreciation of property, plant and equipment	**15,764**	15,676	**436**	424
Unrealised (gain)/loss on foreign exchange	**(4,204)**	5,955	**(48)**	3
Provision for retirement benefits	**1,585**	1,818	**125**	370
Net fair value change in biological assets	**(136)**	(78)	**-**	-
Loss on disposal of property, plant and equipment	**123**	210	**-**	1
(Allowance no longer required) /Allowance for doubtful debts for trade receivables	**(191)**	453	**-**	-
Inventories written off	**64**	70	**-**	-
Finance cost	**37**	56	**-**	-
Development cost written off	**-**	18	**-**	-
Reduction of land cost for land held for development	**2,058**	-	**-**	-
Property, plant and equipment written off	**54**	15	**-**	1
Bad debts written off	**-**	12	**-**	-
Share of results of an associate	**(93)**	(312)	**-**	-
Net revaluation loss/(gain) on derivatives	**341**	(1,058)	**-**	-
Provision no longer required for incremental rental charges	**-**	(1,791)	**-**	-
Dividend income	**(1,977)**	(3,391)	**(8,906)**	(3,391)
Investment revenue	**(5,205)**	(4,115)	**(209)**	(282)
Operating Profit/(Loss) Before Working Capital Changes	**46,794**	64,557	**(1,590)**	(346)
(Increase)/Decrease in:				
Inventories	**5,984**	9,422	**-**	-
Trade receivables	**17,381**	4,850	**-**	-
Other receivables, deposits and prepaid expenses	**2,691**	(3,362)	**7**	110
Amount owing by an associate company	**(488)**	(257)	**(18)**	1
Amount owing by subsidiary companies	**-**	-	**127**	(1,167)
Increase/(Decrease) in:				
Trade payables	**3,739**	2,160	**-**	-
Amount owing to a subsidiary company	**-**	-	**(8)**	(10)
Other payables and accrued expenses	**(3,685)**	(10,211)	**123**	(152)
Contract liabilities	**475**	(394)	**-**	-
Cash Generated From/(Used In) Operations	**72,891**	66,765	**(1,359)**	(1,564)
Income tax refunded	**3**	1,880	**-**	-
Retirement benefits paid	**(307)**	(150)	**-**	-
Income tax paid	**(6,899)**	(12,241)	**-**	-
Net Cash From/(Used In) Operating Activities	**65,688**	56,254	**(1,359)**	(1,564)

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2019

	The Group		The Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Interest income received	**5,205**	4,115	**209**	282
Dividends received	**1,977**	3,391	**8,906**	3,391
Proceeds from disposal of property, plant and equipment	**47**	161	**1**	3
Additions to other investments	**(154)**	(162)	**(154)**	(162)
Additions to property, plant and equipment	**(38,963)**	(34,453)	**(28)**	(194)
Addition to investment in subsidiary companies	**-**	-	**(700)**	-
Additions for KKPA program	**(1,947)**	(1,927)	**-**	-
Net Cash (Used In)/From Investing Activities	**(33,835)**	(28,875)	**8,234**	3,320
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
Repayment of hire purchase payables	**(260)**	(265)	**-**	-
Dividend paid by:				
Subsidiary companies to non-controlling interests	**(1,296)**	(3,372)	**-**	-
The Company	**(6,847)**	(6,847)	**(6,847)**	(6,847)
Finance cost paid	**(37)**	(56)	**-**	-
Net Cash Used In Financing Activities	**(8,440)**	(10,540)	**(6,847)**	(6,847)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	**23,413**	16,839	**28**	(5,091)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**174,381**	164,225	**6,557**	11,648
EFFECT OF TRANSLATION DIFFERENCES	**2,117**	(6,683)	**-**	-
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 27)	**199,911**	174,381	**6,585**	6,557

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad.

The principal activities of the Company are that of investment holding and the provision of management services to the subsidiary companies.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the Company in the subsidiaries are disclosed in Note 16.

The registered office of the Company is located at 9, Jalan Bayu Tinggi 2A/KS6, Taipan 2, Batu Unjur, 41200 Klang, Selangor Darul Ehsan, Malaysia.

The principal place of business of the Company is located at Level 29, Centro Tower, No. 8, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company have been approved by the Board of Directors and were authorised for issuance on 10 July 2019.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

The financial statements are presented in Ringgit Malaysia (“RM”) which represents the functional currency of the Company and all financial information presented in RM are rounded to the nearest thousand (“RM’000”), unless otherwise stated.

Adoption of Malaysian Financial Reporting Standards

The Group’s and the Company’s financial statements for the financial year ended 31 March 2019 have been prepared in accordance with MFRSs for the first time. In the previous years, the financial statements were prepared in accordance with Financial Reporting Standards (“FRSs”).

The transition to MFRSs is accounted for in accordance with MFRS 1 *First-time Adoption of Malaysian Fianncial Reporting Standards*, with 1 April 2017 as the date of transition. The changes in accounting policies as a consequence of the transition to MFRSs and the reconciliation of the effects of the transition to MFRSs are presented in Note 40.

The adoption of MFRSs did not result in significant changes in the accounting policies of the Group and of the Company and has no significant effect on the financial performance or position of the Group and of the Company except as disclosed below:

MFRS 9 Financial Instruments

In the current year, the Group and the Company have applied MFRS 9 *Financial Instruments* (“MFRS 9”) (as revised in July 2014) and the related consequential amendments to other MFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

The adoption of MFRS 9 resulted in changes of accounting policies which are set out in Note 3. The transition provisions of MFRS 9 allow an entity not to restate comparatives. However, the Group has elected to restate comparatives in respect of the classification and measurement of the financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

MFRS 9 Financial Instruments (Cont'd)

The initial application of MFRS 9 has had the following impact on the Group's and the Company's financial assets:

(a) Classification and measurement of financial assets

- financial assets classified as loans and receivables under MFRS 139 that were measured at amortised cost continue to be measured at amortised cost under MFRS 9 as they are held within a business model whose objective is to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding;

- the Group's investment in equity instruments that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under MFRS 139 have been designated as FVTOCI. The change in fair value on these equity instruments continues to be accumulated in the investment revaluation reserve.

(b) Impairment of financial assets

MFRS 9 requires the Group and the Company to record expected credit losses on all trade and other receivables either on a 12-month or lifetime basis. The Group and the Company have applied the simplified approach and record lifetime expected losses on all receivables.

The application of MFRS 9 has had no impact on the classification and measurement of the Group's and of the Company's financial liabilities.

MFRS 15 Revenue from Contracts with Customers

In the current year, the Group applied MFRS 15 *Revenue from Contracts with Customers*. MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise 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. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of MFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

MFRS 141 Agriculture and Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants

MFRS 141 prescribes the accounting treatment, financial statements presentation and disclosures related to agricultural activity. It requires measurement of fair value less costs to sell, from initial recognition of biological assets up to the point of harvest.

The amendments to MFRS 141 on 2 September 2014 introduces a new category for biological asset, i.e. the bearer plants. A bearer plant is accounted for in the same way as self-constructed items of property, plant and equipment. Bearer plants are measured either at cost or revalued amounts, less accumulated depreciation and impairment losses in accordance with MFRS 116 - *Property, Plant and Equipment*. Agricultural produce growing on bearer plants continue to be measured at fair value less costs to sell in accordance with MFRS 141, with fair value changes recognised in profit or loss as the produce grows.

The Group currently adopts the capitalisation and amortisation model on its bearer plants (previously termed as biological assets) whereby the land cleaning, planting and replanting and upkeep of trees to maturity are intially recorded at cost. Immature plantations are not amortised. Upon maturity of corps, the biological assets are amortised over 20 years, representing the economic useful lives of the corps.

Upon the adoption of the MFRS, bearer plants (both new planting and replanting) will be accounted for in the same way as self-constructed items of property, plant and equipment. Expenditure on new planting and replanting of bearer plants are capitalised at cost and depreciated on a straight-line basis over the economic useful lives of 20 years for its oil palm trees. The bearer plants will be classified as property, plant and equipment. The bearer plants will be assessed for indicator of impairment, and if indication exists, an impairment test will be performed in accordance with MFRS 136 - *Impairment of Assets*.

The biological assets of the Group comprise of fresh fruit bunches ("FFB") prior to harvest. The valuation model to be adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB.

To arrive at the fair value of FFB, the management considered the oil content of the unripe FFB and derived the assumption that the net cash flow to be generated from FFB prior to more than 15 days to harvest to be negligible, therefore quantity of unripe FFB on bearer plant of up to 15 days prior to harvest was used for valuation purpose. Costs to sell, which include harvesting and transport cost,are deducted in arriving at the net cash flow to be generated.

The adoption of MFRS 141 has been applied retrospectively and comparatives were restated. The adoption has resulted in additional depreciation charges to profit or loss in the current and previous financial years. The corresponding tax impacts have been accounted for. The effects of the transition to MFRSs are presented in Note 40.

New and Revised Standards, Issues Committee ("IC") Interpretation and Amendments in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards, IC Intepretation and Amendments which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards[2]
MFRS 16	Leases[1]
MFRS 17	Insurance contracts[3]
Amendments to MFRS 3	Definition of a Business[2]
Amendments to MFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement[1]
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures[1]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to MFRS 101 and MFRS 108	Definition of Material[2]
IC Interpretation 23	Uncertainty over Income Tax Payments[1]
Annual Improvements to MFRS 2015 - 2017 Cycle[1]	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

New and Revised Standards, Issues Committee ("IC") Interpretation and Amendments in issue but not yet effective (Cont'd)

[1] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
[4] Effective date deferred to a date to be determined and announced.

The Directors anticipate that the abovementioned MFRSs, amendments to MFRSs and IC Interpretations will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these MFRSs, amendments to MFRSs and IC Interpretations will have no material impact on the financial statements of the Group and of the Company in the period of initial application, except as disclosed below:

MFRS 16 Leases

MFRS 16 specifies how a MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The directors do not anticipate that the application of the amendment to have a material impact on the amount reported and disclosures made in these financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Group and the Company complete a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its return.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary company begins when the Company obtains control over the subsidiary company and ceases when the Company loses control of the subsidiary company. Specifically, income and expenses of a subsidiary company acquired or disposed of during the year are included in profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary companies is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiary companies that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary companies. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture. Investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment in Subsidiary Companies

Investment in unquoted shares of subsidiary companies, which is eliminated on consolidation, is stated at cost less any impairment losses in the Company's separate financial statements.

Business Combinations

Acquisitions of subsidiary companies and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another MFRSs.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measured period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised at that date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue

Revenue of the Company consists of dividend income and management fees through provision of group services.

Revenue of the Group consists mainly of sales less returns and discounts, medical charges for services rendered in connection with hospital operations, income from plantation, income from administrative services, provision of warehousing and port cargo handling services, dividend income and rental income.

The Group determines whether it is acting as a principal or an agent, and concluded that it is acting as an agent in its revenue arrangement for consultation charges for services rendered in connection with hospital operations.

Revenue is recognised on the following basis:

Gross invoiced value of sales less returns and discounts - upon delivery of products and customer acceptance and when the risks and rewards of ownership have passed to the buyer.

Services rendered in connection with management fees through provision of group services, hospital operations, administrative services and port cargo handling services - when services are rendered.

Services rendered in provision of warehousing - on a time basis, based on the days of storage and applicable rate of rental.

Dividend income - when the shareholder's right to receive payment is established.

Rental income - over the tenure of the rental period of properties.

Interest income - on an accrual basis, by reference to the principal outstanding and at the effective interest rate.

Foreign Currencies

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in RM, which is the functional currency of the Company and the presentation currency for the financial statements of the Group.

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences (if any) arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting financial statements of the Group, the assets and liabilities of the Group's foreign operations are expressed in RM using exchange rates prevailing on that date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and recognised in the Group's foreign currency translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee Benefits

(i) Short-term employee benefits

Wages, salaries, bonuses, annual leave and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group and of the Company.

(ii) Post-employment benefits

(a) Defined contribution plan

The Group and the Company contribute to Employees Provident Fund ("EPF"), the national defined contribution plan. The contributions are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations. The contributions to EPF are included under employee benefits expense in Note 8.

(b) Defined benefit plans

(i) Malaysia

The Company and its subsidiary companies operate an unfunded defined retirement benefit scheme for its eligible employees. An actuarial valuation carried out by a qualified actuary using the "Projected Unit Credit" method was undertaken on 31 March 2017, and the valuation covers the financial year ended 31 March 2017 to 31 March 2020.

(ii) Indonesia

The Group's subsidiary companies in Indonesia provide for employee benefit liabilities in accordance with the Labour Law No. 13 Year 2003 ("Law No. 13/2003"), which was enacted on 25 March 2003. Provision for retirement benefits is made based on an actuarial valuation carried out by a qualified actuary using the "Projected Unit Credit" method. The latest actuarial valuation was undertaken on 31 March 2019.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur.

Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

(i) Service cost (including current service cost, past service cost, as well as (i)gains and losses on curtailments and settlements);

(ii) Net interest expense or income; and

(iii) Remeasurement

The Group and the Company present the first two components of defined benefit costs in profit or loss in staff costs.

The retirement benefit obligation recognised in the statements of financial position represents the actual deficit or surplus in the Group's and the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds and reductions in future contributions to the plan.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Borrowing Costs

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for recognition.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of profit or loss and comprehensive income because items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's and the Company's liability for the current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is recognised in other comprehensive income or directly in equity respectively.

Land Held for Property Development

Land held for property development is stated at cost less impairment losses, if any. Land held for property development consists of land where no development activities have been undertaken or where development activities are not expected to be completed within the normal operating cycle.

Costs include cost of land, professional fees and other direct development expenditure and related overheads. Land held for property development is reclassified as property development costs at the point when development works have been undertaken and where it can be demonstrated that the development activities are expected to be completed within the normal operating cycle.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation of property, plant and equipment, other than freehold land and construction-in-progress which are not depreciated, is computed on the straight-line method at rates based on their estimated useful lives. The principal annual rates used are as follows:

Leasehold land	Over the lease period of 91 years
Freehold office	2%
Factory buildings	2%
Palm oil mills	3.33%
Hospital building	2%
Medical equipment	10%
Plant, machinery, equipment and electrical installation	7.5% - 25%
Motor vehicles	10% - 25%
Office equipment, furniture and fittings	5% - 25%
Staff quarter cum office block	5% - 10%
Land improvements	5%
Renovation	10%
Bearer plants	5%

At the end of each reporting period, the residual values, useful lives and depreciation method of the property, plant and equipment are reviewed, and the effects of any change in estimates are recognised prospectively.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Bearer plants are living plants that are used in the production or supply of agricultural produce, which are 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.

Bearer plants (oil palm trees) include mature plantations (fresh fruit bunches), immature plantations and nursery that are established or acquired by the Company.

Mature plantations are stated at cost, less accumulated depreciation and any impairment losses where the recoverable amount of the asset is estimated to be lower than its carrying amount. Depreciation is charged so as to write off the cost of mature plantations, using the straight-line method, over the estimated useful lives of 20 years.

Costs incurred in the preparation of the nursery, purchase of seedlings and their maintenance are stated at cost. The accumulated costs will be transferred to immature plantations account at the time of planting.

Immature plantations are stated at cost. The costs of immature plantations consist mainly of the accumulated cost of planting, fertilising and maintaining the plantation, including borrowing costs on such borrowings and other indirect overhead costs up to the time the trees are harvestable and to the extent appropriate. An oil palm plantation is considered mature when such plantation starts to produce at the beginning of the fourth year.

Bearer plants are derecognised upon disposal or when no future economic benefits are expected from its use or disposed. Any gains or losses on disposal of bearer plants are recognised in the income statement in the year of disposal.

The residual values and useful lives of bearer plants are reviewed, and adjusted as appropriate, at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment under Hire Purchase Arrangements

Property, plant and equipment acquired under hire purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to profit or loss to give a constant periodic rate of interest on the remaining hire purchase liabilities.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see above). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread evenly over the lease term.

Investment Property

Investment property is a property which is held either to earn rental income or for capital appreciation or for both. Investment property, which consists of freehold land, is stated at cost less impairment losses, if any.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or disposal.

Biological Assets

Biological assets comprise of produce growing on bearer plants. Produce growing on bearer plants are accounted for as biological assets until the point of harvest. Biological assets are measured on initial recognition and at the end of each reporting period at its fair value less costs to sell.

Changes in fair value of growing produce on bearer plants are recognised in profit or loss. Fair value is determined based on the present value of expected net cash flows from the biological assets. The expected cash flows are estimated using the expected output method and the estimated market price of the biological assets.

Biological assets are classified as current assets for bearer plants that are expected to be harvested on a date not more than 12 months after the reporting date, and the balance are classified as non-current.

At the time of harvest, produces are measured at fair value less costs to sell and transferred to inventories.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment in an Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with MFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of MFRS 136 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with MFRS 136 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with MFRS 136.

The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of the Group's interest in the associate or joint venture that is not related to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Non-Financial Assets

The carrying amounts of assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is written down to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Advances for KKPA Program

Advances for Kredit Koperasi Primer untuk Anggotanya ("KKPA") program in respect of another subsidiary company in Indonesia, as further explained in Note 19, represent the accumulated costs to develop plasma plantations measuring 500 hectares out of total land required to be developed of 500 hectares of land which are self-financed by the said subsidiary company. Upon the Cooperative obtaining KKPA financing from the creditor bank, the said advances will be recovered from it.

An estimate is made at the end of each reporting period for losses on recovery of KKPA program based on a review of the recoverable development costs, and anticipated losses are provided for in full. In the event the planting development costs incurred exceeds the estimated agreed price during harvest time, an allowance for losses on conversion will be made on the advances extended and will be charged to profit or loss.

Inventories

Inventories are stated at the lower of cost (determined on the weighted average method) and net realisable value.

The costs of raw materials, medical and surgical supplies, spare parts and other supplies comprise the original purchase price plus the costs in bringing these inventories to their present location and condition. The costs of produce stocks, finished goods and work-in-progress include the cost of raw materials, direct labour and an appropriate allocation of direct manufacturing overheads.

The cost of fresh fruit bunches (FFB) transferred from biological assets is its fair value less costs to sell at the date of harvest.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are classified as subsequently measured at amortised costs, FVTPL or FVTOCI. The classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

(i) Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

(i) Financial assets at amortised cost (Cont'd)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income from financial assets is recognised on an effective interest method for debt instruments other than those financial assets classified as FVTPL.

(ii) Financial assets at FVTPL

Financial assets that do not meet the amortised cost criteria or the FVTOCI criteria are measured at FVTPL. In addition, financial assets that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not to be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets

Prior to 1 January 2018, the impairment of financial assets other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

From 1 January 2018, the Group and the Company have applied the following accounting policies retrospectively, but has elected not to restate the comparatives.

The Group and the Company recognise a loss allowance for expected credit losses ("ECL") on all trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company recognise lifetime ECL for trade receivables and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets (Cont'd)

For all other financial instruments, the Group and the Company recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group and the Company measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

Financial Liabilities and Equity Instruments

<u>Classification as debt or equity</u>

Financial liabilities and equity instruments issued by the Group and the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

<u>Equity instruments</u>

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of direct attributable transactions costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

<u>Financial liabilities</u>

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

<u>Financial liabilities at FVTPL</u>

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statements of comprehensive income/profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Liabilities and Equity Instruments (Cont'd)

Other financial liabilities

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as FVPTL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance to MFRS 12; and
- The amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derivative Financial Instruments

The Group and the Company enter into derivatives, namely foreign currency forward contracts and commodity future contracts, to manage foreign currency exposures and adverse price movements in commodities as a result of receipts in foreign currency and purchase of commodities.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of recognition in profit and loss depends on nature of the hedge relationship.

Derivatives with a positive fair value are recognised as a financial asset; and derivatives with a negative fair value are recognised as a financial liability.

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements except as disclosed below:

Impairment of property, plant and equipment

As referred to in Note 13:

(a) The lease agreement for rental by a subsidiary company, Southern Acids Industries Sdn. Bhd. ("SAI"), of a parcel of land belonging to Southern Realty (Malaya) Sdn. Berhad ("SRM") where the factory building and oleochemical plant of SAI are located is expiring on 31 March 2020, which is significantly shorter than the useful lives of the property, plant and equipment on the land. Pursuant to the said lease agreement, SAI intends to apply for a renewal of the lease agreement with SRM upon its expiry. Based on past experience of successful renewal of the lease agreement and since SRM is a major shareholder of the Company, the directors of the subsidiary company are confident that the said lease agreement will be successfully renewed upon its expiry on 31 March 2020 and accordingly, no impairment loss needs to be considered for the factory building and oleochemical plant with net book value of RM31,465,530 (2018: RM32,145,506).

(b) On 31 October 1995, Noble Interest Sdn. Bhd. ("NISB"), a subsidiary company, entered into a Sale and Purchase Agreement with SRM to purchase several parcels of freehold land at a total purchase consideration of RM4,950,000 where the hospital building is constructed. The said purchase consideration has been fully settled since 4 November 2000. In view of the delay in transferring the land title by SRM, NISB had in year 2010, lodged a caveat to protect its interest on the land. The directors of NISB are confident that the land title will eventually be transferred as NISB has fully satisfied all the conditions as stipulated in the said agreement. Accordingly, the directors of NISB believe that no impairment loss needs to be considered for the private hospital building with net book value of RM19,135,089 (2018: RM19,722,475), which is constructed on the said land.

(ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except as disclosed below:

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(ii) Key sources of estimation uncertainty (Cont'd)

(a) Allowance for doubtful debts

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss ("ECLs"). The ECLs on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

As at the end of the reporting period, allowance for doubtful debts on receivables provided by the Group is as follows:

	The Group	
	2019 RM'000	**2018 RM'000 (Restated)**
Trade receivables	**1,074**	1,373
Other receivables	**142**	142
	1,216	1,515

(b) Allowance for loss on conversion of Advances for KKPA Program

The Group measures the allowance for loss on conversion of advances for KKPA program an amount equal to lifetime expected credit loss ("ECLs"). The ECLs on advances for KKPA program are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off an advances when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the advances are over two years past due, whichever occurs earlier.

As at the end of the reporting period, allowance for loss on conversion of advances provided by the Group is as follows:

	The Group	
	2019 RM'000	**2018 RM'000**
Advances for KKPA program	**400**	400

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(ii) Key sources of estimation uncertainty (Cont'd)

(c) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies.

As at the end of the reporting period, the total carrying amount of deferred tax assets recognised by the Group is as follows:

	The Group	
	2019 RM'000	2018 RM'000
Deferred tax assets	**1,261**	1,893

(d) Impairment of assets

Determining whether assets are impaired requires an estimation of the recoverable amount of the assets. Management exercises its judgement in estimating the recoverable amounts of these assets. As at 31 March 2019, the Company has recognised impairment loss in respect of the following asset:

	The Company	
	2019 RM'000	2018 RM'000
Impairment loss on investment in subsidiary companies	**7,202**	7,202

(e) Provision for retirement benefits

The Group makes contribution to a defined benefit plans that provide pension for eligible employees of the Group. The amount is determined based on the years of service and salaries of the employees at the time of pension. Due to the long term nature of the defined benefit plan, such estimates are subject to significant uncertainty. The amount of defined benefit asset recognised in the statements of financial position is limited to the present value of economic benefits in the form of refunds or reductions in future contributions to the fund. The levels of future contributions to the plan which are used to assess this limit is subject to some uncertainty due to other assumptions which requires the director's best estimate.

The carrying amount of provision for retirement benefits is disclosed in Note 31.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers:				
Sale of plantation products and produces	**496,447**	659,671	**-**	-
Healthcare services	**84,216**	84,716	**-**	-
Warehousing and bulk conveyor operations	**9,027**	9,393	**-**	-
	589,690	753,780	**-**	-
Revenue from other sources:				
Adminstrative services fees	**6,184**	5,683	**-**	-
Dividend income	**1,977**	3,391	**8,906**	3,391
Management fees	**794**	250	**4,152**	3,955
	598,645	763,104	**13,058**	7,346

The timing of revenue from contract with customers is at a point in time.

6. INVESTMENT REVENUE

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income on fixed deposits and short-term placements	**5,205**	4,115	**209**	282

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. DIRECTORS' REMUNERATION

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Company				
Executive directors:				
Fees	**132**	100	**132**	100
Other emoluments	**956**	883	**956**	883
	1,088	983	**1,088**	983
Non-executive directors:				
Fees	**423**	368	**423**	368
Other emoluments	**48**	42	**48**	42
	471	410	**471**	410
	1,559	1,393	**1,559**	1,393
Directors of the subsidiaries				
Fees	**238**	610	**-**	-
Other emoluments	**1,746**	1,762	**-**	-
	1,984	2,372	**-**	-
Total	**3,543**	3,765	**1,559**	1,393

Contributions to EPF for the directors of the Group and of the Company during the current financial year amounted to RM253,951 and RM112,440 (2018: RM227,906 and RM104,160) respectively.

The estimated monetary value of benefits-in-kind received by the directors otherwise than in cash from the Group and the Company amounted to RM139,160 and RM70,760 (2018: RM89,604 and RM62,940) respectively.

8. PROFIT BEFORE TAX

Profit before tax is arrived at after crediting/(charging) the following:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Provision no longer required for incremental rental charges	**-**	1,791	**-**	-
Share of common expense	**941**	1,286	**-**	-
Net revaluation (loss)/gain on derivatives	**(341)**	1,058	**-**	-
Rental income	**1,045**	1,045	**-**	-
(Loss)/Gain on foreign exchange (net):				
Unrealised	**4,204**	(5,955)	**48**	(3)
Realised	**(1,148)**	(2,444)	**5**	(20)
Provision for retirement benefits	**(1,585)**	(1,818)	**(125)**	(370)
Rental of:				
Land	**(339)**	(339)	**-**	-
Land paid/payable to a related party (Note 25)	**(882)**	(140)	**-**	-
Premises paid/payable to a related party (Note 25)	**(76)**	(76)	**-**	-
Staff quarters paid/ payable to a related party (Note 25)	**(107)**	(107)	**-**	-
Equipment paid/ payable to a related party (Note 25)	**(9)**	(9)	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. PROFIT BEFORE TAX (CONT'D)

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Plant and machinery	**(513)**	(605)	**-**	-
Office equipment	**(13)**	(13)	**-**	-
Fees paid/payable to external auditors:				
Statutory audit:				
Auditors of the Company	**(256)**	(245)	**(81)**	(75)
Member firm of the auditors of the Company	**(193)**	(206)	**-**	-
Other auditors	**(30)**	(7)	**-**	-
Non-audit services:				
Auditors of the Company:				
Current year	**(22)**	(22)	**(7)**	(7)
Underprovision in prior year	**-**	(1)	**(3)**	(1)
Other auditors	**(98)**	(133)	**(12)**	(8)
Loss on disposal of property, plant and equipment	**(123)**	(210)	**-**	(1)
Employee benefits expenses	**(51,902)**	(52,405)	**(3,665)**	(2,480)
Allowance no longer required/ (Allowance) for doubtful debts for trade receivables	**191**	(453)	**-**	-
Net fair value change in biological assets	**136**	78	**-**	-
Inventories written off (Note 21)	**(64)**	(70)	**-**	-
Development cost written off	**-**	(18)	**-**	-
Property, plant and equipment written off	**(54)**	(15)	**-**	(1)
Bad debts written off	**-**	(12)	**-**	-

Employee benefits expense includes salaries, bonus, contributions to EPF and all other related expenses. Post-employment benefits for the staff during the current financial year for the Group and for the Company amounted to RM4,575,939 and RM407,110 (2018: RM4,575,939 and RM407,110) respectively.

9. FINANCE COST

	The Group	
	2019 RM'000	2018 RM'000
Interest expense on hire purchase payables	**37**	56

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. INCOME TAX EXPENSE

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Estimated tax payable:				
Current year	**11,064**	12,458	**-**	-
(Over)/Underprovision in prior years	**(155)**	805	**-**	-
	10,909	13,263	**-**	-
Deferred tax (Note 20):				
Current year	**2,252**	478	**-**	-
(Over)/Underprovision in prior years	**(55)**	239	**-**	-
	2,197	717	**-**	-
	13,106	13,980	**-**	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated taxable profit for the year. Taxation of other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

A reconciliation of income tax expense at the applicable statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Profit before tax	**38,574**	51,019	**7,012**	2,528
Tax at the Malaysian statutory income tax rate of 24% (2018: 24%)	**9,258**	12,245	**1,683**	607
Different tax rate in other jurisdiction	**161**	199	**-**	-
Tax effects of:				
Non-deductible expenses	**6,518**	4,025	**98**	120
Non-taxable income	**(2,954)**	(3,728)	**(2,020)**	(906)
Realisation of deferred tax assets previously not recognised	**(74)**	(55)	**-**	-
Deferred tax assets not recognised	**407**	250	**239**	179
Under/(Over)provision in prior years:				
Current	**(155)**	805	**-**	-
Deferred tax	**(55)**	239	**-**	-
Income tax expense	**13,106**	13,980	**-**	-

The Company has tax-exempt income accounts arising from tax-exempt dividend income received and tax-exempt income under Paragraph 28, Schedule 6 of the Income Tax Act, 1967 totalling RM7,616,000 (2018: RM7,543,000) which, subject to agreement of the Inland Revenue Board, is available for distribution of its retained earnings as tax-exempt dividends.

A subsidiary company has tax-exempt accounts amounting to approximately RM171,823,000 (2018: RM170,291,000) arising from tax-exempt income earned during the pioneer period under the Promotion of Investments Act, 1986. The exempt income accounts are available for distribution of its retained earnings as tax-exempt dividends to the shareholder of the said subsidiary company and is subject to approval by the tax authorities.

A subsidiary company has tax-exempt income under the Income Tax (Amendment) Act, 1999 amounting to approximately RM715,000 (2018: RM715,000). This amount, which arose from tax waiver on the chargeable income earned in 1999, is available for distribution of its retained earnings as tax-exempt dividends.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the number of ordinary shares in issue during the financial year.

	The Group	
	2019	**2018 (Restated)**
Profit for the year attributable to ordinary equity holders of the Company (RM'000)	**21,484**	32,562
Number of ordinary shares in issue	**136,934,132**	136,934,132
Basic earnings per share (sen)	**15.69**	23.78

The basic and diluted earnings per share are equal as the Company has no dilutive potential ordinary shares.

12. LAND HELD FOR PROPERTY DEVELOPMENT

	The Group	
	2019 RM'000	**2018 RM'000 (Restated)**
Freehold land at cost	**134,285**	136,343
Development costs	**5,583**	5,583
	139,868	141,926

Land held for property development comprises a land bank which is being held for future development.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. PROPERTY, PLANT AND EQUIPMENT

The Group Cost	As of 1 April 2018 RM'000	Additions RM'000	Disposals RM'000	Write offs RM'000	Reclassifications RM'000	Effects of foreign exchange translation RM'000	As of 31 March 2019 RM'000
Leasehold land	2,342	-	-	-	-	44	**2,386**
Freehold land	5,115	-	-	-	-	3	**5,118**
Freehold office	8,545	-	-	-	-	-	**8,545**
Factory buildings	11,159	1,719	-	-	-	-	**12,878**
Palm oil mills	63,524	1,888	-	-	-	1,412	**66,824**
Hospital building	29,369	-	-	-	-	-	**29,369**
Medical equipment	41,154	4,431	(3)	(2,066)	-	-	**43,516**
Plant, machinery, equipment and electrical installation	155,431	5,395	(168)	(10)	-	242	**160,890**
Motor vehicles	7,084	794	(209)	-	-	66	**7,735**
Office equipment, furniture and fittings	26,509	3,002	(5)	(51)	105	(12)	**29,548**
Staff quarter cum office block	5,941	317	-	-	-	124	**6,382**
Land improvements	6,428	710	-	-	-	156	**7,294**
Construction in-progress:							
Plant and machinery	10,104	4,777	-	-	-	-	**14,881**
Building	212	84	-	-	(105)	2	**193**
Medical equipment	-	11,660	-	-	-	-	**11,660**
Renovation	1,065	-	-	-	-	-	**1,065**
Bearer plants	27,848	4,186	-	-	-	554	**32,588**
Total	401,830	38,963	(385)	(2,127)	-	2,591	**440,872**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group Cost	As of 1 April 2017 RM'000	Additions RM'000	Disposals RM'000	Write offs RM'000	Reclassifications RM'000	Effects of foreign exchange translation RM'000	As of 31 March 2018 RM'000
Leasehold land	2,437	-	-	-	-	(95)	2,342
Freehold land	5,145	-	-	-	-	(30)	5,115
Freehold office	3,593	4,952	-	-	-	-	8,545
Factory buildings	10,662	497	-	-	-	-	
11,159							
Palm oil mills	74,622	145	-	-	-	(11,243)	63,524
Hospital building	29,506	-	(137)	-	-	-	29,369
Medical equipment	45,684	1,401	(3,694)	(2,237)	-	-	41,154
Plant, machinery, equipment and electrical installation	145,555	6,032	(984)	-	7,157	(2,329)	155,431
Motor vehicles	7,684	373	(440)	-	-	(533)	7,084
Office equipment, furniture and fittings	21,303	3,158	(161)	(4)	2,317	(104)	26,509
Staff quarter cum office block	6,942	58	-	-	-	(1,059)	5,941
Land improvements	7,394	188	-	-	-	(1,154)	6,428
Construction in-progress:							
Plant and machinery	3,767	13,494	-	-	(7,157)	-	10,104
Building	2,316	235	-	-	(2,317)	(22)	212
Renovation	1,050	15	-	-	-	-	1,065
Bearer plants	28,829	3,905	-	-	-	(4,886)	27,848
Total	396,489	34,453	(5,416)	(2,241)	-	(21,455)	401,830

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group Accumulated Depreciation	As of 1 April 2018 RM'000	Charge for the year RM'000	Disposals RM'000	Write offs RM'000	Reclassifications RM'000	Effects of foreign exchange translation RM'000	As of 31 March 2019 RM'000
Leasehold land	1,381	60	-	-	-	27	**1,468**
Freehold land	-	-	-	-	-	-	**-**
Freehold office	646	171	-	-	-	-	**817**
Factory buildings	3,835	262	-	-	-	-	**4,097**
Palm oil mills	22,553	3,918	-	-	-	784	**27,255**
Hospital building	9,647	587	-	-	-	-	**10,234**
Medical equipment	33,427	1,717	(2)	(2,025)	-	-	**33,117**
Plant, machinery, equipment and electrical installation	123,897	5,170	-	(7)	-	289	**129,349**
Motor vehicles	4,767	606	(209)	-	-	25	**5,189**
Office equipment, furniture and fittings	17,034	1,501	(4)	(41)	-	(47)	**18,443**
Staff quarter cum office block	3,263	482	-	-	-	78	**3,823**
Land improvements	3,558	365	-	-	-	80	**4,003**
Construction in- progress:							
Plant and machinery	-	-	-	-	-	-	**-**
Building							
Medical equipment	-	-	-	-	-	-	**-**
Renovation	795	106	-	-	-	-	**901**
Bearer plants	5,557	819	-	-	-	118	**6,494**
Total	230,360	15,764	(215)	(2,073)	-	1,354	**245,190**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group Accumulated Depreciation	As of 1 April 2017 RM'000	Charge for the year RM'000	Disposals RM'000	Write offs RM'000	Reclassifications RM'000	Effects of foreign exchange translation RM'000	As of 31 March 2018 RM'000
Leasehold land	1,535	65	-	-	-	(219)	1,381
Freehold land	-	-	-	-	-	-	-
Freehold office	492	154	-	-	-	-	646
Factory buildings	3,605	230	-	-	-	-	3,835
Palm oil mills	22,382	4,061	-	-	-	(3,890)	22,553
Hospital building	9,069	587	(9)	-	-	-	9,647
Medical equipment	37,451	1,886	(3,687)	(2,223)	-	-	33,427
Plant, machinery, equipment and electrical installation	121,278	4,772	(946)	-	-	(1,207)	123,897
Motor vehicles	4,808	553	(312)	-	-	(282)	4,767
Office equipment, furniture and fittings	15,901	1,310	(91)	(3)	-	(83)	17,034
Staff quarter cum office block	3,279	528	-	-	-	(544)	3,263
Land improvements	3,782	392	-	-	-	(616)	3,558
Construction in-progress:							
Plant and machinery	-	-	-	-	-	-	-
Building	-	-	-	-	-	-	-
Renovation	689	106	-	-	-	-	795
Bearer plants	5,650	1,032	-	-	-	(1,125)	5,557
Total	229,921	15,676	(5,045)	(2,226)	-	(7,966)	230,360

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Net Book Value 2019 RM'000	2018 RM'000
Leasehold land	**918**	961
Freehold land	**5,118**	5,115
Freehold office	**7,728**	7,899
Factory buildings	**8,781**	7,324
Palm oil mills	**39,569**	40,971
Hospital building	**19,135**	19,722
Medical equipment	**10,399**	7,727
Plant, machinery, equipment and electrical installation	**31,541**	31,534
Motor vehicles	**2,546**	2,317
Office equipment, furniture and fittings	**11,105**	9,475
Staff quarter cum office block	**2,559**	2,678
Land improvements	**3,291**	2,870
Construction in-progress:		
Plant and machinery	**14,881**	10,104
Building	**193**	212
Medical equipment	**11,660**	-
Renovation	**164**	270
Bearer plants	**26,094**	22,291
Total	**195,682**	171,470

The Company	Freehold office RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Renovation RM'000	Total RM'000
Cost					
As at 1 April 2017	3,593	1,404	1,350	1,049	7,396
Additions	-	118	60	16	194
Disposals	-	-	(32)	-	(32)
Write-off	-	-	(2)	-	(2)
As at 31 March 2018/1 April 2018	3,593	1,522	1,376	1,065	7,556
Additions	-	-	28	-	28
As at 31 March 2019	**3,593**	**1,522**	**1,404**	**1,065**	**7,584**
Accumulated Depreciation					
As at 1 April 2017	491	889	986	688	3,054
Charge for the year	72	130	115	107	424
Disposals	-	-	(27)	-	(27)
Write-off	-	-	(2)	-	(2)
As at 31 March 2018/1 April 2018	563	1,019	1,072	795	3,449
Charge for the year	72	134	124	106	436
As at 31 March 2019	**635**	**1,153**	**1,196**	**901**	**3,885**
Net Book Value					
As at 31 March 2019	**2,958**	**369**	**208**	**164**	**3,699**
As at 31 March 2018	3,030	503	304	270	4,107

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(i) On 31 October 1995, NISB, a subsidiary company, entered into a Sale and Purchase Agreement ("SPA") with SRM, a major shareholder of the Company, to purchase several parcels of freehold land, where the hospital building is constructed, at a total purchase consideration of RM4,950,000. The said purchase consideration had been fully settled since 4 November 2000. In view of the delay in transferring the land title by SRM, NISB had in year 2010, lodged a caveat to protect its interest on the land. The directors of NISB are confident that the land title will eventually be transferred as NISB had fully satisfied all the conditions as stipulated in the said agreement. Accordingly, the directors of NISB believe that no impairment loss needs to be considered on the private hospital building with net book value of RM19,135,089 (2018: RM19,722,475), which is constructed on the said land.

(ii) As at 31 March 2019, the strata titles in respect of freehold office with net book value of RM7,727,939 (2018: RM7,898,822) and RM2,957,833 (2018: RM3,029,683) belonging to the Group and the Company respectively have not yet been issued.

(iii) A factory building and oleochemical plant of a subsidiary company, SAI was constructed on a parcel of land belonging to SRM. Accordingly, SRM charged SAI rental for the use of the said land. The existing lease agreement between SRM and SAI is expiring on 31 March 2020, which is significantly shorter than the remaining useful life of the property, plant and equipment on the land. SAI intends to apply for a renewal of the lease agreement with SRM upon its expiry on 31 March 2020 and accordingly, no impairment loss needs to be considered for the factory building and oleochemical plant with net book value of RM31,465,530 (2018: RM32,145,506).

(iv) Included in property, plant and equipment of the Group are fully depreciated assets with cost amounting to RM153,381,757 (2018: RM152,224,041), which are still in use.

(v) At the end of the reporting period, the carrying amount of property, plant and equipment of the Group acquired under hire purchase amounted to RM733,781 (2018: RM1,057,191).

14. INVESTMENT PROPERTY

	The Group	
	2019	**2018**
	RM'000	**RM'000**
At cost	**3,318**	3,318
Fair value	**14,200**	8,500

Investment property consists of a piece of vacant freehold land in Klang. A valuation was carried out by an independent firm of professional valuers in May 2019, using the comparison method, involving comparison to other similar properties in the same location to arrive at a fair value of RM14,200,000 of the freehold land.

No rental income earned from the investment property since prior years.

Direct operating expenses arising from the investment property during the year amounted to RM14,151 (2018: RM14,151).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. INVESTMENT PROPERTY (CONT'D)

Details of the Group's investment property and information about the fair value hierarchy as at 31 March 2019 are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair value RM'000
2019				
Investment property	**-**	**-**	**14,200**	**14,200**
2018				
Investment property	-	-	8,500	8,500

15. BIOLOGICAL ASSETS

	The Group	
	2019 RM'000	2018 RM'000 (Restated)
Net Book Value		
At beginning of year	**974**	1,160
Fair value changes	**136**	78
Effects of foreign exchange translation	**33**	(264)
At end of year	**1,143**	974

The biological assets of the Group comprise fresh fruit bunches ("FFB") prior to harvest. The fair value measurement of the biologiocal assets is determined by using the present value of net cashflows expected to be generated from the sale of FFB, adjusted for estimated oil content of unharvested FFB, less harvesting, transport and other costs to sell and is categorised within Level 3 of the fair value hierarchy.

During the financial year, the Group harvested approximately 91,618 tonnes of FFB (2018: 75,219 tonnes).

16. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2019 RM'000	2018 RM'000
Unquoted shares - at cost	**251,991**	251,991
Additions	**700**	-
	252,691	251,991
Less: Accumulated impairment loss	**(7,202)**	(7,202)
Net	**245,489**	244,789

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT"D)

Additions of investment in subsidiaries in 2019

In 2019, the Company subscribed to the following new ordinary shares of subsidiaries:

Name of subsidiaries	Number of ordinary shares '000	Consideration paid RM'000
SAB Plantation Sdn. Bhd.	100	100
Parson Medithor Medical Sdn. Bhd.	100	100
Imayos Letting Sdn. Bhd.	500	500
	700	700

The effective interest of these companies remains unchanged at 100% as at 31 March 2019.

The directors have reviewed the Company's investments in subsidiary companies for indications of impairment and concluded that the allowance for impairment loss amounting to RM7,202,000 (2018: RM7,202,000) as at the end of the reporting period is deemed adequate in respect of investment in the subsidiary companies.

The details of subsidiary companies are as follows:

Direct subsidiary companies	Country of incorporation	Proportion of ownership interest 2019	2018	Principal activities
Southern Acids Cronos Resource Sdn. Bhd. *(formerly known as Southern Management (M) Sdn. Bhd.)*	Malaysia	**100%**	100%	Provision of administrative and accounting services
Southern Acids Industries Sdn. Bhd.	Malaysia	**100%**	100%	Manufacturing and marketing of oleochemical products for commercial use
PKE Transport (Malaysia) Sdn. Berhad.	Malaysia	**100%**	100%	Provision of overhead conveyor goods loading services
Pembinaan Gejati Sdn. Bhd.	Malaysia	**100%**	100%	Property development and oil palm plantation operations
SAB Properties Development Co. Sdn. Berhad	Malaysia	**100%**	100%	Investment holding and lease of property
SAB (East Asia) Holdings Ltd.*	Hong Kong	**100%**	100%	Dormant
Noble Interest Sdn. Bhd.	Malaysia	**100%**	100%	Property holding and lease of a hospital building
Southern Medicare Sdn. Bhd.	Malaysia	**100%**	100%	Private hospital and healthcare services
Wilstar Sdn. Bhd.	Malaysia	**100%**	100%	Dormant
SAB Plantation Sdn. Bhd.	Malaysia	**100%**	100%	Pre-operating
Firstview Development Sdn. Bhd.	Malaysia	**90%**	90%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The details of subsidiary companies are as follows: (Cont'd)

Direct subsidiary companies	Country of incorporation	Proportion of ownership interest 2019	2018	Principal activities
Parson Medithor Medical Sdn. Bhd.	Malaysia	**100%**	100%	Dormant
SAB Bio-Fuel Sdn. Bhd.	Malaysia	**100%**	100%	Pre-operating
Imayos Letting Sdn. Bhd.	Malaysia	**100%**	100%	Pre-operating
Indirect subsidiary companies				
PT Mustika Agro Sari @ (Held through Firstview Development Sdn. Bhd.)	Indonesia	**63%**	63%	Oil palm plantation operations and commercial milling
PT Wanasari Nusantara @ (Held through PT Mustika Agro Sari)	Indonesia	**63%**	63%	Oil palm plantation operations and commercial milling

* The financial statements of this subsidiary company are examined by auditors other than the auditors of the Company.

@ The financial statements of these subsidiary companies are examined by a member firm of Deloitte.

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiary companies 2019	2018
Manufacturing and marketing of oleochemical products	Malaysia	**1**	1
Managing and operating of private hospital	Malaysia	**3**	3
Sale of oil palm fruit	Malaysia	**1**	1
Bulk conveyor operations	Malaysia	**1**	1
Others	Malaysia	**6**	6
Others	Hong Kong	**1**	1
		13	13

Principal activity	Place of incorporation and operation	Number of non-wholly-owned subsidiary companies 2019	2018
Sales of oil palm fruit and crude palm oil	Indonesia	**2**	2
Others	Malaysia	**1**	1
		3	3

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The table below shows details of non-wholly owned subsidiary companies of the Group that have material non-controlling interests:

Subsidiary companies	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests	Profit allocated to non-controlling interest RM'000	Accumulated non-controlling interests RM'000
2019				
Firstview Development Sdn. Bhd.	Malaysia	**10.0%**	**255**	**12,468**
PT Mustika Agro Sari (Held through Firstview Development Sdn. Bhd.)	Indonesia	**37.0%**	**4,178**	**39,082**
PT Wanasari Nusantara (Held through PT Mustika Agro Sari)	Indonesia	**37.0%**	**(449)**	**3,184**
Total			**3,984**	**54,734**
2018				
Firstview Development Sdn. Bhd.	Malaysia	10.0%	594	11,758
PT Mustika Agro Sari (Held through Firstview Development Sdn. Bhd.)	Indonesia	37.0%	5,205	35,092
PT Wanasari Nusantara (Held through PT Mustika Agro Sari)	Indonesia	37.0%	(1,322)	3,843
Total			4,477	50,693

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Summarised financial information in respect of each of the Company's subsidiary companies that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2019 RM'000	2018 RM'000
Firstview Development Sdn. Bhd.		
Statement of financial position		
Current assets	**29,773**	27,200
Non-current assets	**8,741**	9,039
Current liabilities	**256**	235
Equity attributable to owners of the Company	**25,790**	24,246
Non-controlling interests	**12,468**	11,758
Statement of profit or loss and other comprehensive income		
Revenue	**2,952**	8,456
Expenses	**(57)**	(1,620)
Profit before tax	**2,895**	6,836
Income tax expense	**(341)**	(893)
Profit for the year	**2,554**	5,943
Profit attributable to owners of the Company	**2,299**	5,349
Profit attributable to non-controlling interests	**255**	594
Profit for the year	**2,554**	5,943
Other comprehensive income for the year	**-**	-
Total comprehensive income attributable to owners of the Company	**2,299**	5,349
Total comprehensive income attributable to the non-controlling interests	**255**	594
Total comprehensive income for the year	**2,554**	5,943
Statement of cash flows		
Net cash (used in)/ from operating activities	**(1,395)**	15,044
Net cash generated from/(used in) investing activities	**3,865**	(7,959)
Net cash generated from financing activities	**12**	3
Net cash inflow	**2,482**	7,088

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Summarised financial information in respect of each of the Company's subsidiary companies that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations. (Cont'd)

	2019 RM'000	2018 RM'000
PT Mustika Agro Sari		
Statement of financial position		
Current assets	**121,364**	110,910
Non-current assets	**20,956**	25,242
Current liabilities	**11,276**	16,989
Non-current liabilities	**2,516**	2,403
Equity attributable to owners of the Company	**89,446**	81,668
Non-controlling interests	**39,082**	35,092
Statement of profit or loss and other comprehensive income		
Revenue	**100,132**	139,256
Expenses	**(88,840)**	(125,188)
Profit for the year	**11,292**	14,068
Profit attributable to owners of the Company	**7,114**	8,863
Profit attributable to the non-controlling interests	**4,178**	5,205
Profit for the year	**11,292**	14,068
Other comprehensive income/(loss) for the year	**361**	(52)
Total comprehensive income attributable to owners of the Company	**7,341**	8,830
Total comprehensive income attributable to the non-controlling interests	**4,312**	5,186
Total comprehensive income for the year	**11,653**	14,016
Statement of cash flows		
Net cash from operating activities	**9,953**	12,667
Net cash used in investing activities	**(2,201)**	(4,736)
Net cash used in financing activities	**(4,213)**	(11,405)
Net cash inflow/(outflow)	**3,539**	(3,474)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Summarised financial information in respect of each of the Company's subsidiary companies that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations. (Cont'd)

	2019 RM'000	2018 RM'000
PT Wanasari Nusantara		
Statement of financial position		
Current assets	**27,886**	23,527
Non-current assets	**66,957**	67,794
Current liabilities	**75,876**	69,479
Non-current liabilities	**2,526**	2,492
Equity attributable to owners of the Company	**13,257**	15,507
Non-controlling interests	**3,184**	3,843
Statement of profit or loss and other comprehensive income		
Revenue	**103,521**	133,184
Expenses	**(104,734)**	(136,757)
Loss for the year	**(1,213)**	(3,573)
Loss attributable to owners of the Company	**(764)**	(2,251)
Loss attributable to the non-controlling interests	**(449)**	(1,322)
Loss for the year	**(1,213)**	(3,573)
Other comprehensive income/(loss) for the year	**258**	(19)
Total comprehensive loss attributable to owners of the Company	**(602)**	(2,263)
Total comprehensive loss attributable to the non-controlling interests	**(353)**	(1,329)
Total comprehensive loss for the year	**(955)**	(3,592)
Statement of cash flows		
Net cash from operating activities	**15,719**	6
Net cash used in investing activities	**(5,870)**	(4,079)
Net cash used in financing activities	**(1,222)**	(1,459)
Net cash inflow/(outflow)	**8,627**	(5,532)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. INVESTMENT IN AN ASSOCIATE COMPANY

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares at cost				
At beginning and end of the year	**2,977**	2,977	**917**	917
Share of post acquisition reserve				
At beginning of the year	**(458)**	(770)	**-**	-
Share of results of associate	**93**	312	**-**	-
At end of the year	**(365)**	(458)	**-**	-
Share of net assets	**2,612**	2,519	**-**	-

Associate company	Country of incorporation	Proportion of ownership interest 2019	Proportion of ownership interest 2018	Principal activities
PKE (Malaysia) Sdn. Berhad	Malaysia	**38.6%**	38.6%	Provision of warehousing and overhead conveyor goods loading services

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in associate's financial statements prepared in accordance with MFRSs.

PKE (Malaysia) Sdn. Berhad	2019 RM'000	2018 RM'000 (Restated)
Statement of financial position		
Current assets	**4,052**	2,485
Non-current assets	**5,362**	5,288
Current liabilities	**2,482**	1,083
Equity	**6,932**	6,690
Statement of profit or loss and other comprehensive income		
Revenue	**13,618**	12,005
Expenses	**(13,376)**	(11,196)
Profit for the year/Total comprehensive income for the year	**242**	809

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. OTHER INVESTMENTS

	The Group and The Company	
	2019	**2018**
	RM'000	**RM'000**
Shares in Malaysia:		
Quoted shares - at fair value	**46,696**	48,439
Unquoted shares - at cost	**456**	456
Total	**47,152**	48,895

Movement in the quoted and unquoted shares in Malaysia during the reporting period is as follows:

	The Group and The Company	
	2019	**2018**
	RM'000	**RM'000**
At beginning of year	**48,895**	42,991
Additions during the year	**154**	162
(Loss)/Gain arising from revaluation of other investments	**(1,897)**	5,742
At end of year	**47,152**	48,895

19. ADVANCES FOR KREDIT KOPERASI PRIMER UNTUK ANGGOTANYA ("KKPA") PROGRAM

	The Group	
	2019	**2018**
	RM'000	**RM'000**
Cost		
At beginning of year	**7,781**	7,131
Additions	**1,947**	1,927
Amount recovered during the year	**(9,004)**	-
Effects of foreign exchange translation	**167**	(1,277)
At end of year	**891**	7,781
Accumulated Allowance for Loss on Conversion of KKPA Program		
At beginning and end of year	**400**	400
Net Book Value	**491**	7,381

Under an existing government policy in Indonesia, oil palm plantation owners/operators are required to assist in the development of plantations for small holders (herein referred to as the "Plasma Farmers") through a program called "Kredit Koperasi Primer untuk Anggotanya" or "KKPA". Under the KKPA programs, all participating Plasma Farmers are under the coordination of a cooperative, and any investment credit availed during the development of the plantations (land preparation up to the end of the immature stage) shall also be rendered to the cooperative. The oil palm plantation owners/operators, on the other hand, served as the contractors for developing the plantations.

Advances for KKPA program represent the accumulated costs to maintain plasma plantations, totalling 500 (2018: 500) hectares, which are currently being self-financed by a subsidiary company.

The allowance for loss on conversion of KKPA program is based on a periodic review of the recoverability of the development costs.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets/(liabilities) pertaining to the Company and the subsidiary companies are as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
At beginning of year	**(280)**	713	**-**	-
Credited/(Charged) to profit or loss (Note 8):				
Property, plant and equipment	**(586)**	(654)	**-**	-
Trade receivables	**(2,125)**	1,737	**-**	-
Other payables and accrued expenses	**194**	(474)	**-**	-
Provision for retirement benefits	**222**	(313)	**-**	-
Derivatives	**354**	(949)	**-**	-
Unabsorbed capital allowances	**(256)**	(64)	**-**	-
	(2,197)	(717)	**-**	-
Credited/(Charged) to other comprehensive income:				
Biological assets	**(42)**	33	**-**	-
Provision for retirement benefits	**(476)**	-	**-**	-
Translation of foreign operations	**341**	(309)	**-**	-
At end of year	**(2,654)**	(280)	**-**	-

Certain deferred tax assets and liabilities have been offset in accordance with the Group's and the Company's accounting policy. The following is an analysis of the deferred tax balances (after offset) for statements of financial position purposes:

	The Group		The Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Deferred tax assets	**1,261**	1,893	**-**	-
Deferred tax liabilities	**(3,915)**	(2,173)	**-**	-
	(2,654)	(280)	**-**	-

Deferred tax assets/(liabilities) provided in the financial statements are in respect of the tax effects of the following:

	The Group		The Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Deferred tax assets (before offsetting)				
Temporary differences arising from:				
Trade receivables	**25**	2,150	**-**	-
Other payables and accrued expenses	**2,087**	1,893	**-**	-
Provision for retirement benefits	**2,354**	2,608	**-**	-
Derivatives	**82**	-	**-**	-
Translation of foreign operations	**32**	-	**-**	-
	4,580	6,651	**-**	-
Offsetting	**(3,319)**	(4,758)	**-**	-
Deferred tax assets (after offsetting)	**1,261**	1,893	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**(6,636)**	(6,050)	**-**	-
Biological assets	**(278)**	(236)	**-**	-
Derivatives	**-**	(272)	**-**	-
Unabsorbed capital allowances	**(320)**	(64)	**-**	-
Translation of foreign operations	**-**	(309)	**-**	-
	(7,234)	(6,931)	**-**	-
Offsetting	**3,319**	4,758	**-**	-
Deferred tax liabilities (after offsetting)	**(3,915)**	(2,173)	**-**	-

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As at the end of the reporting period, the estimated amount of deductible temporary differences, unused tax losses and unused tax credits, for which the tax effects have not been recognised in the financial statements due to uncertainty of their realisation, are as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Temporary differences arising from provision for retirement benefits	**1,022**	2,480	**1,022**	2,480
Unabsorbed capital allowances	**2,922**	2,628	**1,556**	1,300
Unused tax losses	**14,321**	12,809	**13,383**	11,187
	18,265	17,917	**15,961**	14,967

The unabsorbed capital allowances and unused tax losses are available for offset against future taxable profits.

Based on Finance Act,2018, the untilised tax losses which are available to offset against future taxable profits up to year of assessment ("YA") 2019 can only be carried forward up to seven (7) consecutive YAs to YA 2026. The unabsorbed capital allowance do not expire under current tax legislation and is available for offset against future taxable profits indefinitely.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. INVENTORIES

	The Group	
	2019	**2018**
	RM'000	**RM'000**
At cost:		
Raw materials	**13,015**	15,254
Work-in-progress	**23,048**	28,374
Finished goods	**16,233**	14,494
Medical and surgical supplies	**2,107**	2,628
Consumables	**10,450**	10,116
	64,853	70,866

For the year ended 31 March 2019, cost of inventories recognised as an expense of the Group amounted to RM408,457,000 (2018: RM567,424,000).

The cost of inventories recognised is after taking into consideration of inventories written off of RM64,000 (2018: RM70,000).

22. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	The Group	
	2019	**2018**
	RM'000	**RM'000**
Derivative financial assets		
Foreign currency forward contracts	**257**	866
Derivative financial liabilities		
Commodity future contracts	**-**	268

For the year ended 31 March 2019, the fair value loss of the foreign currency forward contracts and fair value gain of the commodity future contracts amounting to RM610,300 and RM268,875 respectively (2018: fair value gain of RM683,000 and RM375,000 respectively) has been recognised in statement of profit or loss. The details of the derivatives are disclosed in Note 38.

23. TRADE RECEIVABLES

	The Group	
	2019	**2018**
	RM'000	**RM'000**
		(Restated)
Trade receivables	**35,920**	46,545
Less: Allowance for doubtful debts	**(1,074)**	(1,373)
	34,846	45,172

Trade receivables comprise amounts receivable for the sale of goods and services rendered. The credit period granted on sale of goods and services rendered ranges from 30 to 90 days (2018: 30 to 90 days).

An allowance of RM1,074,000 (2018: RM1,373,000) for the Group has been made for estimated irrecoverable amounts from the sale of goods and services rendered. This allowance has been determined based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. TRADE RECEIVABLES (CONT'D)

Included in the Group's trade receivables balance are debtors with a carrying amount of RM6,719,000 (2018: RM7,025,000), which are past due at the end of reporting period for which no allowance for doubtful debts has been provided for by the Group as there has not been a significant change in credit quality and the Group believes that the amounts are fully recoverable. The Group does not hold any collateral over these balances. The past due aging for these receivables ranges from 31 to 150 days.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss ("ECLs"). The ECLs on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The table below is an analysis of trade receivables as at the end of the reporting period:

	The Group	
	2019	**2018**
	RM'000	**RM'000 (Restated)**
Neither past due nor impaired	**28,127**	38,147
Past due but not impaired:		
31 - 60 days	**6,359**	6,197
61 - 90 days	**273**	716
91 - 120 days	**82**	112
121-150 days	**5**	-
	6,719	7,025
Past due and impaired:		
More than 120 days	**1,074**	1,373
Total trade receivables	**35,920**	46,545

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses ("ECL")**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12 – month ECL
Doubtful	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
In default	Amount is > 90 days past due or there is evidence indicating the asset is credit impaired.	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. TRADE RECEIVABLES (CONT'D)

Movement in the allowance for doubtful debts during the reporting period is as follows:

	The Group	
	2019 RM'000	2018 RM'000 (Restated)
At beginning of year	**1,373**	1,139
Allowance for the year	**-**	453
Bad debts written off	**(108)**	(219)
Allowance no longer required	**(191)**	-
At end of year	**1,074**	1,373

In determining the recoverability of trade receivables, the Group considers any changes in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

The Group has no significant concentration of credit risk except for amounts due from 1 (2018: 1) major customer, which constitutes approximately 7% (2018: 8%) of the total trade receivables.

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Analysis of currency profile of trade receivables is as follows:

	The Group	
	2019 RM'000	2018 RM'000
United States Dollar	**16,133**	20,949
Ringgit Malaysia	**18,538**	24,634
Pound Sterling	**177**	320
Euro	**274**	642
Chinese Renminbi	**798**	-
	35,920	46,545

24. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables	**6,925**	12,723	**55**	59
Less: Allowance for doubtful debts	**(142)**	(142)	**-**	-
Net	**6,783**	12,581	**55**	59
Refundable deposits	**1,374**	1,087	**47**	47
Prepaid expenses	**4,787**	4,630	**52**	55
	12,944	18,298	**154**	161

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

The movement in the allowance for doubtful debts during the reporting period is as follows:

	The Group	
	2019 RM'000	2018 RM'000
At beginning and end of year	**142**	142

Analysis of currency profile of other receivables is as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Ringgit Malaysia	**6,884**	10,944	**55**	59
Indonesian Rupiah	**41**	1,779	**-**	-
	6,925	12,723	**55**	59

25. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS

(a) Amount owing by subsidiary companies

Amount owing by subsidiary companies represent mainly unsecured advances, dividend and management fees receivable and payments made on behalf, net of administrative charges. These amounts are unsecured, interest-free and repayable on demand.

Analysis of currency profile of amount owing by subsidiary companies is as follows:

	The Company	
	2019 RM'000	2018 RM'000
Ringgit Malaysia	**1,203**	1,330

(b) Amount owing to a subsidiary company

Amount owing to a subsidiary company represents mainly unsecured advances and payments made on behalf, net of management fees receivable. The amount is unsecured, interest-free and repayable on demand.

Analysis of currency profile of amount owing to a subsidiary company is as follows:

	The Company	
	2019 RM'000	2018 RM'000
Hong Kong Dollar	**122**	130

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(c) Related Party Transactions with Group Companies

The significant related party credits arising from related party transactions, which were determined based on negotiations agreed between the parties, are as follows:

	The Company	
	2019 RM'000	2018 RM'000
Management fees receivable		
Subsidiary companies		
Southern Acids Industries Sdn. Bhd.	**1,569**	1,474
PKE Transport (Malaysia) Sdn. Berhad	**388**	353
Southern Medicare Sdn. Bhd.	**904**	893
Pembinaan Gejati Sdn. Bhd.	**33**	36
Firstview Development Sdn. Bhd.	**898**	857
Associate company		
PKE (Malaysia) Sdn. Berhad	**360**	250

(d) Related Parties

The related parties in which the Group has transacted with and their relationships with the Group are as follows:

Name of related parties	Relationship
Banting Hock Hin Estate Company Sdn. Bhd., Southern Edible Oil Industries (M) Sdn. Berhad, Southern Realty (Malaya) Sdn. Berhad, Torita Rubber Works Sdn. Bhd., Torita Trading (M) Sdn. Bhd., SKP Borneo Sdn. Bhd., Southern Keratong Plantations Sdn. Berhad, Bukit Rotan Palm Oil Sdn. Bhd., Southern Products Marketing Sdn. Bhd., Southern Hockjoo Plantation Sdn. Bhd., Southern Realty Plantations Sdn. Bhd., Kumsobina Development Sdn. Bhd., Perindustrian Sawit Karak Sdn. Bhd., Guan Hing Edible Oil Sdn. Bhd., SG Plantations (Sabah) Sdn. Bhd., Naga Wira Sdn. Bhd., Bekalan Utama Sdn. Bhd., Victory Investment Land (J) Sdn. Bhd., Victory Enghoe Plantations Sdn. Bhd., PT Senabangun Anekapertiwi, PT Pradisi Gunatama and Kee Hup Oil & Cake Sdn. Bhd., Maxcentury Oil Palm (Sabah) Sdn. Bhd.	Companies in which Dr. Low Kok Thye and Mr Lim Kim Long, who are directors of the Company, are also directors and/or have substantial financial interests.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(e) Related Party Transactions with Related Parties

The significant related party credits/(charges) arising from related party transactions, which were determined based on negotiations agreed between the parties, are as follows:

	The Group	
	2019 RM'000	2018 RM'000
Related parties		
Southern Realty (Malaya) Sdn. Berhad		
Administrative charges	**2,567**	2,155
Sale of goods	**1,466**	1,550
Share of property, plant and equipment charges	**32**	17
Purchases of goods	**(450)**	(1,426)
Plantation advisory	**(96)**	(96)
Rental paid/payable for:		
Land (Note 8)	**(882)**	(140)
Premises (Note 8)	**(76)**	(76)
Staff quarters (Note 8)	**(107)**	(107)
Equipment (Note 8)	**(9)**	(9)
Bukit Rotan Palm Oil Sdn. Bhd.		
Administrative charges	**16**	21
Southern Edible Oil Industries (M) Sdn. Berhad		
Sale of goods	**202**	1,923
Purchases of goods	**(6,935)**	(4,308)
Administrative charges	**720**	678
Share of property, plant and equipment charges	**32**	17
Southern Keratong Plantations Sdn. Berhad		
Purchases of goods	**-**	(86)
Administrative charges	**975**	706
Torita Rubber Works Sdn. Bhd.		
Sale of goods	**7**	8
Administrative charges	**7**	-
Southern Hockjoo Plantation Sdn. Bhd.		
Administrative charges	**186**	188
Banting Hock Hing Estate Company Sdn. Bhd.		
Administrative charges	**149**	131
Southern Products Marketing Sdn. Bhd.		
Administrative charges	**84**	80
Kumsobina Development Sdn. Bhd.		
Administrative charges	**66**	68
Southern Realty Plantations Sdn. Bhd.		
Administrative charges	**22**	22
Kee Hup Oil & Cake Sdn. Bhd.		
Rental paid/ payable for staff quarters	**(46)**	(46)
Administrative charges	**44**	34

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(e) Related Party Transactions with Related Parties (Cont'd)

The significant related party credits/(charges) arising from related party transactions, which were determined based on negotiations agreed between the parties, are as follows (Cont'd):

	The Group	
	2019 RM'000	2018 RM'000
Torita Trading (M) Sdn. Bhd. Administrative charges	2	-
Victory Investment Land (J) Sdn. Bhd. Administrative charges	18	-
Victory Enghoe Plantations Sdn. Bhd. Administrative charges	404	-
Bekalan Utama Sdn. Bhd. Administrative charges	22	-
Naga Wira Sdn. Bhd. Administrative charges	17	-
Perindustrian Sawit Karak Sdn. Bhd. Administrative charges	19	-
Guan Hing Edible Oil Ind Sdn. Bhd. Administrative charges	15	-
VI Land Development Sdn Bhd Administrative charges	3	-
Maxcentury Oil Palm (Sabah) Sdn. Bhd. Administrative charges	3	-
Southern Reality Resources Sdn. Bhd. Administrative charges	21	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(e) Related Party Transactions with Related Parties (Cont'd)

Related Party Balances

Included under the following accounts of the Group are significant outstanding balances arising from trade and non-trade transactions which were determined based on negotiations, as agreed with the above related parties:

	The Group	
	2019 RM'000	2018 RM'000
Trade receivables		
Southern Realty (Malaya) Sdn. Berhad	**296**	309
Southern Edible Oil Industries (M) Sdn. Berhad	**103**	566
Southern Keratong Plantations Sdn. Berhad	**74**	73
Victory Enghoe Plantations Sdn. Bhd.	**32**	72
Southern Hockjoo Plantations Sdn. Bhd.	**15**	14
Banting Hock Hin Estate Company Sdn. Bhd.	**11**	10
Southern Products Marketing Sdn. Bhd.	**8**	18
Kumsobina Development Sdn. Bhd.	**4**	5
Bekalan Utama Sdn. Bhd.	**2**	2
Kee Hup Oil & Cake Sdn. Bhd.	**3**	3
Torita Rubber Works Sdn. Bhd.	**2**	-
Bukit Rotan Palm Oil Sdn. Bhd.	**1**	2
Southern Realty Plantation Co. Sdn. Bhd.	**2**	2
Victory Investment Land (J) Sdn. Bhd.	**-**	4
Guan Hing Edible Oil Ind Sdn. Bhd.	**1**	1
Naga Wira Sdn. Bhd.	**1**	1
SG Plantations (Sabah) Sdn. Bhd.	**2**	2
Perindustrian Sawit Karak Sdn. Bhd.	**2**	2
Torita Trading (M) Sdn. Bhd.	**1**	-
	560	1,086

	The Group	
	2019 RM'000	2018 RM'000
Other receivables, deposits and prepaid expenses		
Southern Edible Oil Industries (M) Sdn. Berhad	**230**	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(e) Related Party Transactions with Related Parties (Cont'd)

	The Group	
	2019 RM'000	2018 RM'000
Trade payables		
Southern Realty (Malaya) Sdn. Berhad	**19**	19
Bukit Rotan Palm Oil Sdn. Bhd.	**5**	5
	24	24
Other payables		
Southern Realty (Malaya) Sdn. Berhad	**5**	-
Kee Hup Oil & Cake Sdn. Bhd.	**4**	-
	9	-

Compensation of Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly and indirectly. The key management personnel of the Group and of the Company includes Executive Directors and Non-Executive Directors of the Company and certain members of senior management of the Company and heads of major subsidiary companies of the Group.

The remuneration of directors and other members of key management during the year are as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term employment benefits	**7,830**	7,515	**2,685**	2,481
Post-employment benefits	**701**	602	**249**	235
	8,531	8,117	**2,934**	2,716

Included in the total compensation of key management personnel are:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' remuneration (Note 7)	**3,543**	3,765	**1,559**	1,393

The estimated monetary value of benefit-in-kind received by the key management personnel otherwise than in cash from the Group and the Company amounted to RM297,903 and RM83,360 (2018: RM134,000 and RM77,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. AMOUNT OWING BY AN ASSOCIATE COMPANY

The amount owing by an associate company, which arose from trade and non-trade transactions, are unsecured, interest free and repayable on demand.

27. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	**98,393**	101,815	**1,218**	2,372
Fixed deposits with licensed banks	**22,348**	21,673	**-**	-
Short-term placements	**79,170**	50,893	**5,367**	4,185
	199,911	174,381	**6,585**	6,557

Included in short-term placements of the Group and of the Company is an amount of RM79,170,000 and RM5,367,000 (2018: RM50,893,000 and RM4,185,000), respectively, represents investment in trust funds managed by licensed investment management companies, which is tax exempt, fixed-deposit-linked and allows prompt redemption at any time.

The effective interest rates for fixed deposits of the Group range from 2.28% to 9.50% (2018: 2.28% to 9.00%) per annum respectively and have maturity periods ranging from 1 day to 1 year (2018: 1 day to 1 year).

Short-term placements of the Group and of the Company earned interest at prevailing market rates and have no fixed maturity period and allow prompt redemption on demand.

Analysis of fixed deposits, short-term placements, and cash and bank balances by currency is as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Ringgit Malaysia	**131,553**	85,523	**6,536**	6,508
Indonesian Rupiah	**57,475**	41,893	**-**	-
United States Dollar	**10,883**	46,883	**49**	49
Hong Kong Dollar	**-**	82	**-**	-
	199,911	174,381	**6,585**	6,557

28. SHARE CAPITAL

	The Group and The Company			
	2019		2018	
	No. of shares ('000)	RM'000	No. of shares ('000)	RM'000
Issued and fully paid:				
Ordinary shares:				
At beginning of year/end of year	**136,934**	**171,255**	136,934	171,255

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. RESERVES

	The Group 2019 RM'000	2018 RM'000 (Restated)	2017 RM'000 (Restated)
Non-distributable:			
Foreign exchange reserve	**(12,758)**	(14,642)	743
Other reserve	**(322)**	(322)	(322)
Fair value reserve	**22,089**	23,986	18,244
	9,009	9,022	18.665
Distributable:			
Retained earnings	**421,017**	406,099	378,838
	430,026	415,121	397,503

	The Company 2019 RM'000	2018 RM'000
Non-distributable:		
Fair value reserve	**22,089**	23,986
Distributable:		
Retained earnings	**109,468**	109,302
	131,557	133,288

Foreign exchange reserve

Exchange differences arising on the translation of the financial statements of the foreign controlled entities are taken to the foreign exchange reserve, as described in the accounting policies.

Other reserve

Other reserve comprises excess of consideration paid for the acquisition of additional carrying amount of non-controlling interests in a subsidiary company.

Fair value reserve

Fair value reserve comprises fair value changes on revaluation of other investments.

Retained earnings

Distributable reserves are those available for distribution as dividends.

The entire retained earnings of the Company are available for distribution of dividend under the single tier tax system.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. HIRE PURCHASE PAYABLES

	The Group	
	2019 RM'000	2018 RM'000
Total outstanding	**436**	384
Less: Interest-in-suspense	**(37)**	(44)
Principal outstanding	**399**	340
Less: Amount due within 12 months (shown under current liabilities)	**(187)**	(217)
Non-current portion	**212**	123

The non-current portion is payable as follows:

	The Group	
	2019 RM'000	2018 RM'000
Not later than 1 year	**179**	66
More than 1 year and less than 5 years	**33**	57
	212	123

The average term of hire purchase is approximately 3 years. For the financial year ended 31 March 2019, the effective borrowing rate ranged from 9% to 15% (2018: 9% to 15%) per annum. Interest rates are fixed at the inception of the hire purchase arrangements. The Group's hire purchase payables are secured by the financial institutions' charge over the assets under hire purchase.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. PROVISION FOR RETIREMENT BENEFITS

The Group and the Company operates an unfunded defined benefit lump sum plan. A lump sum benefit is payable to the employees at the normal retirement age of 60 (2018: 60) with last drawn salary and service as at time of leaving service or death. The plan is applicable to employees who have a minimum 10 years of service to the Group and the Company.

Movements in net liability during the financial year are as follows:

		The Group	
	Malaysia RM'000	Indonesia RM'000	Total RM'000
As at 1 April 2017	6,408	4,549	10,957
Addition (Note 8)			
- current year	577	1,058	1,635
- underprovision in prior year	183	-	183
Actuarial (gain)/loss arising from changes in financial assumptions	(1,613)	67	(1,546)
Benefits paid	(21)	(129)	(150)
Effects of foreign exchange translation	-	(767)	(767)
As at 31 March 2018/1 April 2018	**5,534**	**4,778**	**10,312**
Addition in current year (Note 8)	**624**	**961**	**1,585**
Actuarial gain arising from changes in financial assumptions	**-**	**(844)**	**(844)**
Benefits paid	**(141)**	**(166)**	**(307)**
Effects of foreign exchange translation	**-**	**106**	**106**
As at 31 March 2019	**6,017**	**4,835**	**10,852**

	The Company	
	2019 RM'000	2018 RM'000
At beginning of year	**897**	1,684
Addition (Note 8)	**125**	229
Actuarial gain arising from changes in financial assumptions	**-**	(285)
Underprovision in prior year	**-**	141
Transfer to subsidiary and associate	**-**	(872)
At end of year	**1,022**	897

The amount recognised in the statements of financial position are analysed as follows:

		The Group	
	Malaysia RM'000	Indonesia RM'000	Total RM'000
2019			
Present value of defined benefit obligations	**6,017**	**4,835**	**10,852**
2018			
Present value of defined benefit obligations	5,534	4,778	10,312

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. PROVISION FOR RETIREMENT BENEFITS (CONT'D)

	The Company 2019 RM'000	The Company 2018 RM'000
Present value of defined benefit obligations	**1,022**	897

Movements in present value of defined benefit obligations during the financial year are as follows:

2019		**The Group**	
	Malaysia RM'000	**Indonesia RM'000**	**Total RM'000**
At beginning of year	**5,534**	**4,778**	**10,312**
Current service cost	**336**	**621**	**957**
Interest cost on obligation	**288**	**340**	**628**
Actuarial gain arising from changes in financial assumptions	**-**	**(844)**	**(844)**
Benefits paid	**(141)**	**(166)**	**(307)**
Effects of foreign exchange translation	**-**	**106**	**106**
At end of year	**6,017**	**4,835**	**10,852**
2018			
At beginning of year	6,408	4,549	10,957
Current service cost	325	732	1,057
Interest cost on obligation	252	326	578
Actuarial (gain)/loss arising from changes in financial assumptions	(1,613)	67	(1,546)
Benefits paid	(21)	(129)	(150)
Underprovision in prior year	183	-	183
Effects of foreign exchange translation	-	(767)	(767)
At end of year	5,534	4,778	10,312

The amounts recognised in the statements of profit or loss are as follows:

		The Group	
	Malaysia RM'000	**Indonesia RM'000**	**Total RM'000**
2019			
Current service cost	**336**	**621**	**957**
Interest cost on obligation	**288**	**340**	**628**
	624	**961**	**1,585**
2018			
Current service cost	325	732	1,057
Interest cost on obligation	252	326	578
Underprovision in prior year	183	-	183
	760	1,058	1,818

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. PROVISION FOR RETIREMENT BENEFITS (CONT'D)

	The Company	
	2019	**2018**
	RM'000	**RM'000**
Current service cost	**78**	148
Interest cost on obligation	**47**	81
Underprovision in prior year	**-**	141
	125	370

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2019	**2018**
Malaysia		
Discount rate (%)	**5.30**	5.30
Future salary increments (%)	**6.00**	6.00
Normal retirement age:		
Male	**60**	60
Female	**60**	60
Indonesia		
Discount rate (%)	**8.71**	7.36
Future salary increments (%)	**10.00**	10.00
Normal retirement age:		
Male	**55**	55
Female	**55**	55

Sensitivity analysis on defined benefit plan

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate reduce (increase) by 1%, the defined benefit obligation would increase by 11% (decrease by 11%).

If the expected salary growth rate increase (decrease) by 1%, the defined benefit obligation would increase by 13% (decrease by 13%).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

(a) Trade Payables

Trade payables comprise amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases ranges from 7 to 60 (2018: 7 to 60) days.

Analysis of currency profile of trade payables is as follows:

	The Group	
	2019 RM'000	**2018 RM'000 (Restated)**
Ringgit Malaysia	**11,253**	20,443
Indonesian Rupiah	**10,371**	16,245
United States Dollar	**251**	-
	21,875	36,688

(b) Other Payables and Accrued Expenses

	The Group		The Company	
	2019 RM'000	**2018 RM'000 (Restated)**	**2019 RM'000**	**2018 RM'000**
Other payables	**14,258**	4,185	**169**	66
Advances from customers	**2,374**	1,390	**-**	-
Accrued expenses	**19,918**	19,138	**1,064**	1,092
Provision for incremental rental charges	**-**	4,283	**-**	-
	36,550	28,966	**1,233**	1,158

Other payables arose mainly in respect of indirect costs and administrative expenditures. These amounts are unsecured, interest-free and are repayable within 60 days (2018: 60 days) from the transaction dates.

Analysis of currency profile of other payables and advances from customers is as follows:

	The Group		The Company	
	2019 RM'000	**2018 RM'000 (Restated)**	**2019 RM'000**	**2018 RM'000**
Ringgit Malaysia	**12,633**	2,703	**169**	66
Indonesian Rupiah	**3,785**	2,150	**-**	-
Euro	**1**	19	**-**	-
United States Dollar	**213**	703	**-**	-
	16,632	5,575	**169**	66

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. BANKING FACILITIES

The Group and the Company have credit facilities amounting to RM45,000,000 (2018: RM45,000,000) and RM6,000,000 (2018: RM6,000,000) respectively, out of which RM39,000,000 (2018: RM39,000,000) of the Group's credit facilities are secured by the corporate guarantee from the Company.

These facilities bear interest at rate of 8% (2018: 8.00%) per annum.

As at 31 March 2019, the Group and the Company have utilised RM4,644,100 and RM778,000 (2018: RM4,644,100 and RM778,000), respectively, of the bank guarantee facility.

34. DIVIDENDS

	The Group and The Company	
	2019 RM'000	**2018 RM'000**
Final dividend of 5 sen, single tier, in respect of financial year ended:		
31 March 2018	**6,847**	-
31 March 2017	**-**	6,847

35. SEGMENTAL INFORMATION

For the Group's chief operating decision maker ("CODM") purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(i) Oleochemical
(ii) Healthcare
(iii) Milling & Estate
(iv) Investments & services

Segment revenue, expenses and results include transactions between business segments and are eliminated on consolidation.

The inter-segment transactions, terms, conditions, and prices are determined based on negotiations agreed between the parties.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. SEGMENTAL INFORMATION (CONT'D)

The Group 2019	Oleochemical RM'000	Healthcare RM'000	Milling & Estate RM'000	Investments & Services RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	290,651	84,216	205,796	16,005	-	596,668
External dividend income	-	-	-	1,977	-	1,977
Inter-segment sales	-	-	-	4,379	(4,379)	-
Total revenue	290,651	84,216	205,796	22,361	(4,379)	598,645
Financial Results						
Segment results	(3,374)	21,245	14,416	1,026	-	33,313
Profit from operations						33,313
Investment revenue						5,205
Finance cost						(37)
Share of results of an associate						93
Profit before tax						38,574
Income tax expense						(13,106)
Profit for the year						25,468
Other Information:						
Capital expenditure	5,275	18,768	10,898	4,022	-	38,963
Additions of other investments	-	-	-	154	-	154
Non-cash expenses:						
Depreciation of property, plant and equipment	3,917	3,510	7,567	770	-	15,764
Provision for retirement benefits	373	-	963	249	-	1,585
Property, plant and equipment written off	-	51	3	-	-	54
Inventories written off	-	64	-	-	-	64
Allowance for doubtful debts no longer required	27	164	-	-	-	191
Unrealised gain on foreign exchange - net	4,107	-	96	1	-	4,204
Non-cash income:						
Loss/(Gain) on disposal of property, plant and equipment	(25)	2	167	(21)	-	123
Loss arising from derivative financial assets	341	-	-	-	-	341

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. SEGMENTAL INFORMATION (CONT'D)

The Group 2019	**Oleochemical RM'000**	**Healthcare RM'000**	**Milling & Estate RM'000**	**Investments & Services RM'000**	**Eliminations RM'000**	**Consolidated RM'000**
Statement of Financial Position						
Assets						
Segment assets	172,200	127,273	315,296	334,896	(245,509)	704,156
Deferred tax assets	-	-	1,261	-	-	1,261
Tax recoverable	5,197	-	22,037	71	(1,165)	26,140
Consolidated assets						731,557
Liabilities						
Segment liabilities	19,041	25,012	23,671	4,857	(1,783)	70,798
Deferred tax liabilities	1,991	1,429	51	444	-	3,915
Tax liabilities	-	829	1,165	-	(1,165)	829
Consolidated liabilities						75,542

2018	**Oleochemical RM'000 (Restated)**	**Healthcare RM'000 (Restated)**	**Milling & Estate RM'000 (Restated)**	**Investments & Services RM'000**	**Eliminations RM'000**	**Consolidated RM'000 (Restated)**
Revenue						
External sales	383,869	84,716	275,802	15,326	-	759,713
External dividend income	-	-	-	3,391	-	3,391
Inter-segment sales	-	-	-	5,019	(5,019)	-
Total revenue	383,869	84,716	275,802	23,736	(5,019)	763,104
Financial Results						
Segment results	5,482	20,779	18,131	2,256	-	46,648
Profit from operations						46,648
Investment revenue						4,115
Finance cost						(56)
Share of results of associate						312
Profit before tax						51,019
Income tax expense						(13,980)
Profit for the year						37,039

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. SEGMENTAL INFORMATION (CONT'D)

The Group 2018	Oleochemical RM'000 (Restated)	Healthcare RM'000 (Restated)	Milling & Estate RM'000 (Restated)	Investments & Services RM'000	Eliminations RM'000	Consolidated RM'000 (Restated)
Other Information:						
Capital expenditure	8,610	4,533	6,036	15,274	-	34,453
Additions of other investments	-	-	-	162	-	162
Non-cash expenses:						
Depreciation of property, plant and equipment	3,541	3,515	7,954	666	-	15,676
Provision for retirement benefits	388	-	1,060	370	-	1,818
Inventories written off	70	-	-	-	-	70
Unrealised loss on foreign exchange - net	4,363	-	1,592	-	-	5,955
Loss on disposal of property, plant and equipment	14	196	-	-	-	210
Non-cash income:						
Provision no longer required for incremental rental charges	1,791	-	-	-	-	1,791
Gain arising from derivative financial assets	1,058	-	-	-	-	1,058
Statement of Financial Position						
Assets						
Segment assets	189,303	107,135	303,382	331,831	(244,955)	686,696
Deferred tax assets	-	-	1,893	-	-	1,893
Tax recoverable	5,083	-	24,174	-	(796)	28,461
Consolidated assets						717,050
Liabilities						
Segment liabilities	32,004	16,016	27,205	3,858	(1,832)	77,251
Deferred tax liabilities	330	1,548	236	59	-	2,173
Tax liabilities	-	268	796	289	(796)	557
Consolidated liabilities						79,981

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. SEGMENTAL INFORMATION (CONT'D)

Geographical Segments

The Group's operations are located in Malaysia and Indonesia.

The following is an analysis of the Group's revenue by geographical market:

	Sales revenue by geographical market	
	2019 RM'000	2018 RM'000
Asia:		
Malaysia	**103,664**	198,142
Indonesia	**204,330**	274,252
Others	**207,530**	189,967
Europe	**19,294**	26,731
America	**44,277**	55,919
Others	**19,550**	18,093
	598,645	763,104

The following is an analysis of the carrying amount of total assets and capital expenditure by the geographical area in which the assets are located:

	Carrying amount of total assets		Capital expenditure	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000 (Restated)
Asia:				
Malaysia	**549,873**	535,246	**28,107**	28,422
Indonesia	**164,215**	156,660	**10,856**	6,031
Others	**9,058**	24,183	**-**	-
Europe	**1,698**	961	**-**	-
America	**3,699**	-	**-**	-
Others	**3,014**	-	**-**	-
	731,557	717,050	**38,963**	34,453

The Group's operations are diverse in terms of the range of products and services it offers and the geographical coverage. There is no single customer that contributed 10% or more to the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

36. COMMITMENTS

(a) Capital Commitments

As at 31 March 2019, the Group has approved and contracted for capital commitments in respect of purchase of property, plant and equipment amounting to RM6,464,940 (2018: RM8,368,063).

(b) Lease Commitments

As at 31 March 2019, total future minimum lease payment commitments are as follows:

	The Group	
	2019	**2018**
	RM'000	**RM'000**
Within one year	**1,221**	1,141
Between two years to five years	**2,237**	2,157
More than five years	**833**	1,171

37. CONTINGENCIES

As as 31 March 2019, the Company has contingencies in respect of guarantees given by the Company for credit facilities obtained by subsidiary companies.

The Company has issued corporate guarantees without security to licensed financial institutions for credit facilities totalling RM39,000,000 (2018: RM39,000,000) granted to a Malaysian subsidiary company. Accordingly, the Company is contingently liable to the extent of credit facilities utilised by the said subsidiary company. The fair values of the financial guarantees have not been recognised in the financial statements since their fair values on initial recognition are negligible.

38. FINANCIAL INSTRUMENTS

Capital risk management

The objective of the Group's and of the Company's capital risk management is to safeguard the Group's and the Company's ability to continue as a going-concern while maximising the return to shareholders through the optimisation of equity balance.

The capital structure of the Group and of the Company comprises only issued share capital and reserves. The Group and the Company review their capital structure at least annually to ensure that the Group and the Company will be able to continue as a going-concern.

The Group and the Company are not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

38. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments

	The Group		The Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000 (Restated)
Financial assets				
Fair value through profit or loss:				
Other investments	**47,152**	48,895	**47,152**	48,895
Derivative financial assets	**257**	866	**-**	-
Amortised cost:				
Trade receivables	**34,846**	45,172	**-**	-
Other receivables and refundable deposits	**8,157**	13,668	**102**	106
Amount owing by subsidiary companies	**-**	-	**1,203**	1,330
Amount owing by an associate company	**1,079**	630	**111**	93
Cash and cash equivalents	**199,911**	174,381	**6,585**	6,557
Financial liabilities				
Fair value through profit or loss:				
Derivative financial liabilities	**-**	268	**-**	-
Amortised cost:				
Trade payables	**21,875**	36,688	**-**	-
Other payables and accrued expenses	**36,550**	28,996	**1,233**	1,158
Contract liabilities	**1,001**	526	**-**	-
Amount owing to a subsidiary company	**-**	-	**122**	130
Hire purchase payables (Note 30)	**399**	340	**-**	-
Dividend payable	**121**	121	**121**	121

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial assets, financial liabilities and equity instrument are disclosed in Note 3.

Financial risk management objectives

The operations of the Group and of the Company are subject to a variety of financial risks, including foreign currency risk, price fluctuation risk, credit risk and liquidity risk. The Group and the Company have taken measures to minimise their exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

38. FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company undertake trade transactions in foreign currencies, which are mainly denominated in United States Dollar, Euro, Pound Sterling, Chinese Renminbi and Indonesian Rupiah, with their trade debtors and trade creditors where the amounts outstanding are exposed to currency fluctuation risks.

The Group and the Company enter into foreign currency forward contracts in the normal course of business to manage their exposure against foreign currency fluctuations on sales and purchase transactions denominated in foreign currencies.

The Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
The Group				
United States Dollar	**27,016**	67,832	**464**	-
Indonesian Rupiah	**57,516**	41,893	**14,156**	18,395
Euro	**27**	642	**-**	-
Pound Sterling	**177**	320	**-**	-
Chinese Renminbi	**798**	-	**-**	-
Hong Kong Dollar	**80**	82	**-**	-
The Company				
Hong Kong Dollar	**48**	-	**122**	130

Sensitivity analysis on translation of foreign currency denominated assets and liabilities

The Group and the Company conduct business transactions in foreign currency and hence are subject to risks associated with fluctuations in rates of exchange of foreign currencies. The following table details the Group's and the Company's sensitivity to a 10% increase and decrease in the Ringgit Malaysia against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

38. FINANCIAL INSTRUMENTS (CONT'D)

If the relevant foreign currency strengthens/weakens by 10% against the functional currency of each group entity, profit or loss will increase/(decrease) by:

	USD RM	HKD RM	GBP RM	EUR RM	RMB RM	IDR RM
The Group						
2019						
Strengthened 10%	**2,655**	**8**	**18**	**3**	**80**	**4,336**
Weakened 10%	**(2,655)**	**(8)**	**(18)**	**(3)**	**(80)**	**(4,336)**
2018						
Strengthened 10%	6,783	8	32	64	-	2,350
Weakened 10%	(6,783)	(8)	(32)	(64)	-	(2,350)
The Company						
2019						
Strengthened 10%	**-**	**8**	**-**	**-**	**-**	**-**
Weakened 10%	**-**	**(8)**	**-**	**-**	**-**	**-**
2018						
Strengthened 10%	-	(13)	-	-	-	-
Weakened 10%	-	13	-	-	-	-

The above sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year end exposure does not reflect the exposure during the year.

Forward foreign exchange contracts

At the end of the reporting period, the Group has foreign currency forward contracts, with maturities within the next twelve months, for the following notional amounts:

Outstanding contracts	Average exchange rate	Foreign currency FC'000	Notional value RM'000	Fair value RM'000
31 March 2019				
Sell USD				
- Less than 3 months	**4.1060**	**9,000**	**36,954**	**36,765**
- 3 to 6 months	**4.1099**	**2,700**	**11,097**	**11,030**
31 March 2018				
Sell USD				
- Less than 3 months	**4.3141**	**1,550**	**6,685**	**5,987**
- 3 to 6 months	**4.3428**	**350**	**1,520**	**1,352**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

38. FINANCIAL INSTRUMENTS (CONT'D)

Price fluctuation risk management

The Group is exposed to the price fluctuation of raw materials used in the operations in particular commodities such as crude palm oil and refined palm oils. The Company mitigates its risk to the price fluctuation on these key raw materials by entering into commodity future contracts to minimise exposure to adverse price movements of these key raw materials.

Commodity future contracts

During the reporting period, the Group entered into commodity future contracts, with maturities within the next twelve months.

The following table details the commodity future contracts outstanding as at the end of the reporting period.

Outstanding contracts	Quantity (metric tonne) MT	Notional value/ Contract value RM'000	Fair value RM'000
Buy Crude Palm Oil			
31 March 2019			
Contract period for 4 month	**50**	**106**	**105**
31 March 2018			
Contract period for 7 months	2,750	6,939	6,671
Sell Crude Palm Oil			
31 March 2019			
Contract period for 3 months	**50**	**105**	**107**
31 March 2018			
Contract period for 3 months	50	121	121

Credit risk management

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including other investments, cash and cash equivalents and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises primarily from subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies, and repayments made by the subsidiary companies.

Credit risk is controlled by careful selection of customers, setting credit limit and the period of credit.

The Group has no significant concentration of credit risk except for amounts due from 1 (2018: 1) major customer, which constitutes approximately 7% (2018: 8%) of the total trade receivables as disclosed in Note 23.

The Group's objective is to seek continual growth while minimising losses incurred due to credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers are subject to credit verification procedures. Receivables are monitored on an ongoing basis.

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

38. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk management

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities.

The Group and the Company practise prudent liquidity risk management to minimise the mismatch of financial assets and financial liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

The financial liabilities of the Group and of the Company, categorised as financial liabilities measured at amortised cost, are non-interest bearing and maturities within the next twelve months except for hire purchase payables. The maturity analysis of hire purchase payables is disclosed in Note 30.

The amounts for financial guarantee contracts are the maximum amounts that the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparties to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparties claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparties which are guaranteed suffer credit losses.

The maximum amount the Group could be forced to settle under the financial guarantee contracts if the fully guaranteed amount is claimed by the counterparties to the guarantee are RM4,779,200 (2018: RM4,644,100).

Fair Values of Financial Instruments

(a) Financial instruments carried at amortised cost

The directors consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the financial statements approximate their fair values due to their relatively short maturity periods except for hire-purchase payables for which the fair value changes are determined to be immaterial.

(b) Other financial instruments at fair value

(i) Other investments

The fair value of other investments in quoted shares is estimated based on the market value as at the end of the reporting period.

(ii) Derivative financial assets/liabilities

The fair values of derivatives are calculated using quoted prices. Foreign currency forward contracts and commodity future contracts are measured using quoted forward exchange rates, future rates and yield curves derived from independent and reputable sources matching maturities of the contracts.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

38. FINANCIAL INSTRUMENTS (CONT'D)

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2019			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial Assets/(Liabilities)				
The Group				
Other investments:				
- quoted shares	**46,696**	**-**	**-**	**46,696**
Foreign currency forward contracts	**-**	**257**	**-**	**257**
The Company				
Other investments	**46,696**	**-**	**-**	**46,696**

	2018			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial Assets/(Liabilities)				
The Group				
Other investments:				
- quoted shares	48,439	-	-	48,439
- unquoted shares	-	-	456	456
Foreign currency forward contracts	-	866	-	866
Commodities future contracts	-	(268)	-	(268)
The Company				
Other investments:				
- quoted shares	48,439	-	-	48,439
- unquoted shares	-	-	456	456

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing are those for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flows from financing activities.

	2019 RM'000	2018 RM'000
Hire Purchases Payables (Note 30)		
At beginning of year	**340**	605
Repayments	**(260)**	(265)
New hire-purchase	**312**	-
Effect of foreign exchange translation	**7**	-
At end of year	**399**	340

40. RESTATEMENT OF COMPARATIVE FIGURES

As mentioned in Note 2, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial stetements of the Group and of the Company for the financial year ended 31 March 2019. Adjusted corresponding comparative information for the financial year ended 31 March 2018 and in the preparation of opening MFRSs statements of financial position at 1 April 2017 (the Group's date of transition to MFRSs) was presented.

The transition to MFRSs does not have any significant impact to the financial statements of the Group and of the Company.

In preparing the opening consolidated financial statements at 1 April 2017, the Group has adjusted amounts reported previously in financial stetements prepared in accordance with previous FRSs. Explanations of how the transiton from previous FRSs to MFRSs have affected the Group's financial position, statements of profit or loss and statements of cash flows are set out as follows:

	As previously reported RM'000	Adjustments RM'000	As restated RM'000
The Group			
Statement of Financial Position: As at 31 March 2018			
Non-current assets			
Property, plant and equipment	149,179	22,291	171,470
Biological assets	22,291	(22,291)	-
Available-for-sale investments	48,895	(48,895)	-
Other investments	-	48,895	48,895
Current assets			
Biological assets	-	974	974
Trade receivables	45,862	(690)	45,172
Capital and reserves			
Reserves	415,286	(165)	415,121
Non-controlling interests	50,481	212	50,693

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

40. RESTATEMENT OF COMPARATIVE FIGURES (CONT'D)

	As previously reported RM'000	Adjustments RM'000	As restated RM'000
The Group			
Statement of Financial Position: As at 31 March 2018 (Cont'd)			
Non-current liabilities			
Deferred tax liabilities	1,937	236	2,173
Current liabilities			
Trade payables	37,032	(344)	36,688
Other payables and accrued expenses	29,177	(181)	28,996
Contract liabilities	-	526	526
The Group			
Statement of Financial Position: As at 1 April 2017			
Non-current assets			
Property, plant and equipment	143,389	23,179	166,568
Biological assets	23,179	(23,179)	-
Available-for-sale investments	42,991	(42,991)	-
Other investments	-	42,991	42,991
Current assets			
Biological assets	-	1,160	1,160
Trade receivables	53,475	(350)	53,125
Capital and reserves			
Reserves	397,204	299	397,503
Non-controlling interests	58,662	242	58,904
Current liabilities			
Trade payables	32,389	(252)	32,137
Other payables and accrued expenses	30,706	(668)	30,038
Contract liabilities	-	920	920
The Group			
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2018			
Other operating income	6,072	(27)	6,045
Depreciation of property, plant and equipment	(14,644)	(1,032)	(15,676)
Amortisation of biological assets	(1,032)	1,032	-
Other operating expenses	(82,891)	(340)	(83,231)
Profit attributable to:			
Equity holders of the Company	32,937	(375)	32,562
Non-controlling interests	4,469	8	4,477
	37,406	(367)	37,039
Total comprehensive income attributable to:			
Equity holders of the Company	24,929	(464)	24,465
Non-controlling interests	(4,809)	(30)	(4,839)
	20,120	(494)	19,626

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

40. RESTATEMENT OF COMPARATIVE FIGURES (CONT'D)

	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Statement of Cash Flows for the year ended 31 March 2018			
Cash flows from Operating Activities			
Profit before tax	51,386	(367)	51,019
Adjustments for:			
Depreciation of property, plant and equipment	14,644	1,032	15,676
Amortisation of biological assets	1,032	(1,032)	-
Allowance for doubtful debts for trade receivables	113	340	453
Net fair value change in biological assets	-	(78)	(78)
Increase/(decrease) in:			
Trade payables	2,252	(92)	2,160
Other payables and accrued expenses	(10,697)	486	(10,211)
Contract liabilities	-	(394)	(394)
Cash flows from Investing Activities			
Additions to property, plant and equipment	(30,548)	(3,905)	(34,453)
Additions to biological assets	(3,905)	3,905	-

STATEMENT BY DIRECTORS

The directors of **SOUTHERN ACIDS (M) BERHAD** state that, in their opinion, the accompanying financial statements of the Group and of the Company are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

DR. LOW KOK THYE

LIM KIM LONG

Klang
10 July 2019

DECLARATION BY THE OFFICER

PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **CHEONG KEE YOONG**, the officer primarily responsible for the financial management of SOUTHERN ACIDS (M) BERHAD, do solemnly and sincerely declare that the accompanying financial statements of the Group and of the Company are, in my opinion, 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.

CHEONG KEE YOONG
(MIA Membership No. 12292)

Subscribed and solemnly declared by the
abovenamed **CHEONG KEE YOONG** at
KLANG in the state of **SELANGOR**
this 10th day of July, 2019.

Before me,

P. DEV ANAND PILLAI (B253)
COMMISSIONER FOR OATHS

LIST OF PROPERTIES

No	Company and Location of Property	Type of Property	Area	Existing Use/ Purpose	Tenure	Age of Building	Net Book Value 31 March 2019 (RM'000)
1.	**Southern Acids (M) Berhad** Level 29 Centro Tower No 8 Jalan Batu Tiga Lama 41300 Klang, Selangor	Office Lot	12,178 sq ft	Corporate Office	Freehold	12 years	2,958
2.	**Southern Acids Industries Sdn. Bhd.** Golconda Estate, Persiaran Hamzah Alang, 10th Mile, Jalan Kapar, 42200 Kapar, Klang, Selangor	Industrial Building	27.90 acres	Oleochemical Factory	N/A	Ranging from 24 to 38 years	8,822
3.	**SAB Properties Development Co. Sdn. Berhad** G.M. 2172 Lot 2824, Mukim Klang, Daerah Klang, Selangor	Industrial Land	3.25 acres	Vacant	Freehold	N/A	3,318
4.	**Pembinaan Gejati Sdn. Bhd.** Thangamallay Estate, Lot 14480, 14481, 14482, 14483 & Lot 1095, Batu 7, Jalan Kebun, Kampung Jawa, 42450 Klang Selangor	Land	644.49 acres	Oil Palm Cultivation	Freehold	N/A	139,868
5.	**Noble Interest Sdn. Bhd.** P.T. 1288, Seksyen 14, Mukim Klang, Daerah Klang, Selangor	Land & Building	1.62 acres 262,000 sq ft	Hospital Building	Freehold	N/A 20 years	4,950 19,135
6.	**Imayos Letting Sdn. Bhd.** Level 30 Centro Tower No 8 Jalan Batu Tiga Lama 41300 Klang, Selangor	Office Lot	12,178 sq ft	Office	Freehold	12 years	4,770
7.	**PT. Mustika Agro Sari** Kebun Tanjung Pauh & Kebun Petai, Province of Riau, Sumatera Indonesia	Land & Buildings	7,181 acres	Oil Palm Cultivation, Palm Oil Mill & Workers Quarters	Leasehold expiring on 20-3-2036 and 9-4-2036	17 years	5,146
8.	**PT. Mustika Agro Sari** Desa Simpang Tiga Kecamatan Bukit Raya, Province of Riau, Pekanbaru Indonesia	Land	0.822 acres	Office	Leasehold expiring 2044	N/A	1,997
9.	**PT. Wanasari Nusantara** Kebun Sei Jake Province of Riau, Sumatera Indonesia	Land & Building	13,136 acres	Oil Palm Cultivation, Palm Oil Mill & Workers Quarters	Leasehold expiring on 31-12-2029 and 29-1-2032	Ranging from 5 to 31 years	41,049

STATISTICS OF SHAREHOLDINGS
AS AT 28 JUNE 2019

DISTRIBUTION SCHEDULE OF SHARE AS AT 28 JUNE 2019

Size of Shareholdings	No of Shareholders	% Shares Held	No of Shares Held	% of Shares Held
Less than 100	225	9.45	6,837	0.00
100 to 1,000	617	25.90	432,662	0.32
1,001 to 10,000	1,171	49.16	4,514,104	3.30
10,001 to 100,000	304	12.76	8,836,782	6.45
100,001 to 6,846,705 (less than 5% of issued shares)	61	2.56	43,535,292	31.79
6,846,706 (5% of issued shares) and above	4	0.17	79,608,455	58.14
TOTAL	**2,382**	**100.00**	**136,934,132**	**100.00**

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 28 JUNE 2019

No.	Names	Shareholding	%
1.	Southern Palm Industries Sdn. Bhd.	42,840,270	31.29
2.	Lembaga Tabung Haji	17,848,100	13.03
3.	Southern Realty (Malaya) Sdn. Bhd.	11,527,419	8.42
4.	Rasional Sdn. Berhad	7,392,666	5.40

INFORMATION ON DIRECTORS' SHAREHOLDINGS AS AT 28 JUNE 2019

		Direct Interest		Deemed Interest	
No.	Name of Directors	No of Shares	%	No of Shares	%
1.	Tan Sri Datuk Seri Panglima Sulong Matjeraie	0	0.00	0	0.00
2.	Dr. Low Kok Thye	30,416	0.02	65,692,824	47.97
3.	Lim Kim Long	49,276	0.04	69,032,267	50.41
4.	Chung Kin Mun	0	0.00	0	0.00
5.	Mohd Hisham Harun	0	0.00	0	0.00
6.	Leong So Seh	0	0.00	0	0.00
7.	Teo Leng	0	0.00	0	0.00

STATISTICS OF SHAREHOLDINGS (CONT'D)

AS AT 28 JUNE 2019

LIST OF TOP 30 HOLDERS

No.	Name	No. of Shares Held	% of Issued Shares
1.	Southern Palm Industries Sdn. Bhd.	42,840,270	31.29
2.	Lembaga Tabung Haji	17,848,100	13.03
3.	Southern Realty (Malaya) Sdn. Bhd.	11,216,419	8.19
4.	Rasional Sdn. Berhad	7,392,666	5.40
5.	Southern Edible Oil Industries (M) Sdn. Berhad	4,958,332	3.62
6.	CIMB Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mong Hua @ Low Mong Hua (PSB-CBDG9)	4,909,237	3.59
7.	Glamour Partnership Sdn. Bhd.	3,221,940	2.35
8.	Lim Thye Peng Realty Sdn. Bhd.	3,101,159	2.26
9.	Angsana Sutera Sdn. Bhd.	2,714,942	1.98
10.	Southern Cocoa Products (M) Sdn. Berhad	2,102,632	1.54
11.	Olive Lim Swee Lian	2,047,300	1.50
12.	Banting Hock Hin Estate Company Sdn. Bhd.	1,487,500	1.09
13.	Leong Kok Tai	1,281,700	0.94
14.	Low Mun Chong	1,248,398	0.91
15.	Southern Hockjoo Plantation Sdn. Bhd.	991,666	0.72
16	Ng Kin Lan	965,532	0.71
17.	Naga Wira Sdn. Berhad	720,938	0.53
18.	Bekalan Utama Sdn. Berhad	694,166	0.51
19.	Ng Phaik Lean	660,200	0.48
20.	Wong Lok Jee @ Ong Lok Jee	603,000	0.44
21.	Lou Ai Choo	601,835	0.44
22.	CIMB Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mong Hua @ Low Mong Hua (4851DHAM)	600,000	0.44
23.	Sai Yee @ Sia Say Yee	595,000	0.43
24.	Low Mong Hua Sdn. Bhd.	585,000	0.43
25.	Mong Teck Sdn. Berhad	559,972	0.41
26.	Neong Kok Hooi	529,700	0.39
27.	Teo Kwee Hock	472,200	0.34
28.	UOB Kay Hian Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teo Siew Lai	377,600	0.28
29.	Low King Ling @ Low Kim Leng	360,750	0.26
30	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Low Ai Fuah	339,010	0.25
	TOTAL	**116,027,164**	**84.73**

NOTICE OF THE THIRTY-EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Eighth ("38th") Annual General Meeting ("AGM") of Southern Acids (M) Berhad ("the Company") will be held at Function Room 1, Setia City Convention Centre, No 1 Jalan Setia Dagang AG U13/AG, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan, Malaysia on Friday, 30 August 2019 at 11.00 a.m. for the following purposes:

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 March 2019 together with the Reports of the Directors and Auditors thereon. (Note 5)

2. To approve the payment of Single Tier Final Dividend of 5 sen per ordinary share in respect of the financial year ended 31 March 2019. **Ordinary Resolution 1**

3. To approve the payment of Directors' fees amounting to RM555,500 for the financial year ended 31 March 2019. (Note 6) **Ordinary Resolution 2**

4. To approve the following payment of Directors' Benefits payable up to an amount of RM125,000 for the period from 31 August 2019 until the next AGM of the Company to be held in 2020. (Note 7) **Ordinary Resolution 3**

5. To re-elect the following Directors who are retiring under Articles 95 and 96 of the Company's Constitution, and being eligible, have offered themselves for re-election: -

   a) Tan Sri Datuk Seri Panglima Sulong Matjeraie **Ordinary Resolution 4**

   b) Mr. Teo Leng **Ordinary Resolution 5**

   Encik Mohd Hisham Harun who also retires by rotation in accordance with Article 95 of Company's Constitution, has expressed his intention not to seek re-election. Hence, he will retain office until close of the 38th AGM. (Note 8)

6. To re-appoint Deloitte PLT as Auditors to hold office until the conclusion of the next AGM at a remuneration to be fixed by the Directors. **Ordinary Resolution 6**

SPECIAL BUSINESS

To consider and, if thought fit, adopt the following resolutions, with or without modification, as Ordinary Resolutions:

7. **Retention of Independent Director (Note 9)** **Ordinary Resolution 7**

   "That Madam Leong So Seh who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be and is hereby retained as an Independent Non-Executive Director until the conclusion of the next AGM in accordance with the Malaysian Code on Corporate Governance."

8. **Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016 (Note 10)** **Ordinary Resolution 8**

   "That subject always to the Companies Act 2016, and the approvals of the relevant governmental and/or regulatory authorities, if applicable, the Directors be and are hereby authorised, pursuant to Sections 75 and 76 of the Companies Act, 2016, to allot and issue shares in the Company from time to time at such price and upon such terms and conditions and for such purposes as the Directors may in absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company as at the date of this AGM and that the Directors be and are also empowered to obtain approval for the listing of and quotation for 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."

NOTICE OF THE THIRTY-EIGHTH ANNUAL GENERAL MEETING (CONT'D)

9. **Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature (Note 11)** **Ordinary Resolution 9**

"That subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the renewal of shareholders' mandate for the Company and/or its subsidiaries to enter into the categories of recurrent related party transactions of a revenue or trading nature and with those Related Parties ("Proposed Renewal of Shareholders' Mandate") as specified in the Circular to Shareholders dated 31 July 2019 subject further to the following:

i. that the transactions are in the ordinary course of business and are on terms that are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders of the Company;

ii. that the transactions are made on an arm's length basis and on normal commercial terms; and

iii. that disclosure shall be made in the Annual Report of a breakdown of the aggregate value of all transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year, based on the following information: -

- the type of the Recurrent Related Party Transactions made; and
- the names of the Related Parties involved in each type of the Recurrent Related Party Transactions entered into and their relationships with the Company.

iv. that such approvals shall only continue to be in force until: -

- the conclusion of the next AGM of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed;
- the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of CA); or
- revoked or varied by resolution passed by the shareholders in General Meeting,

whichever is the earlier.

AND FURTHER THAT the Directors of the Company/ or any of them be and are/is (as the case may be) hereby authorised to complete and to do all acts and things (including executing such documents under the common seal in accordance with the provisions of the Constitution of the Company, as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate.

10. **Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature (Note 12)** **Ordinary Resolution 10**

"That subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the proposed new shareholders' mandate for the Company and/or its subsidiaries to enter into the categories of recurrent related party transactions of a revenue or trading nature and with those Related Parties ("Proposed New Shareholders' Mandate") as specified in the Circular to Shareholders dated 31 July 2019 subject further to the following:

NOTICE OF THE THIRTY-EIGHTH ANNUAL GENERAL MEETING (CONT'D)

i. that the transactions are in the ordinary course of business and are on terms that are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders of the Company;

ii. that the transactions are made on an arm's length basis and on normal commercial terms; and

iii. that disclosure shall be made in the Annual Report of a breakdown of the aggregate value of all transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year, based on the following information: -

- the type of the Recurrent Related Party Transactions made; and
- the names of the Related Parties involved in each type of the Recurrent Related Party Transactions entered into and their relationships with the Company.

iv. that such approvals shall only continue to be in force until: -

- the conclusion of the next AGM of the Company following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed;
- the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of CA); or
- revoked or varied by resolution passed by the shareholders in General Meeting,

whichever is the earlier.

AND FURTHER THAT the Directors of the Company/or any of them be and are/is (as the case may be) hereby authorised to complete and to do all acts and things (including executing such documents under the common seal in accordance with the provisions of the Constitution of the Company, as may be required) as they may consider expedient or necessary to give effect to the Proposed New Shareholders' Mandate.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 38th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 58(A) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 23 August 2019. Only a depositor whose name appears on the Record of Depositors as at 23 August 2019 shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.

NOTICE OF THE THIRTY-EIGHTH ANNUAL GENERAL MEETING (CONT'D)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the shareholders' approval for the payment of Single Tier Final Dividend of 5 sen per ordinary share in respect of the financial year ended 31 March 2019 ("Dividend") under Ordinary Resolution 1 at the 38th AGM of the Company on 30 August 2019, the Dividend will be paid to the shareholders on 27 September 2019. The entitlement date for the Dividend shall be 6 September 2019.

A depositor shall qualify for the entitlement only in respect of: -

a) shares deposited into the Depositor's Securities Account before 12:30 p.m. on 4 September 2019 (in respect of shares which are exempted from Mandatory Deposit);

b) shares transferred into the Depositor's Securities Account before 4:00 p.m. on 6 September 2019 (in respect of ordinary transfer); and

c) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board of Directors

Lim Kui Suang (MAICSA 0783327)
Paul Ignatius Stanislaus (MACS 01330)
Secretaries

Klang, Selangor Darul Ehsan
Date: 31 July 2019

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint at least one (1) proxy to attend and vote in his/her stead. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak and vote at the meeting.

2. The Proxy Form in the case of an individual shall be signed by the appointer or his/her attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

3. Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there shall be no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No 9, Jalan Bayu Tinggi 2A/KS6, Taipan 2, Batu Unjur, 41200 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

5. <u>Directors' Report, Audited Financial Statements and Auditors' Report</u>

   Agenda No 1 is meant for discussion only as under the provision of Section 340(1)(a) of the Companies Act 2016, formal approval by members is not required to be obtained. Hence, the matter will not be put forward for voting.

NOTICE OF THE THIRTY-EIGHTH ANNUAL GENERAL MEETING (CONT'D)

6. Directors' Fees

The Board of Directors proposed the increase in Directors' Fees for the financial year ended 31 March 2019, subject to approval from the shareholders at the 38th AGM, as follows:

a) Chairman of the Board – from RM74,000 to RM99,000
b) Chairman of the Audit Committee – from RM74,000 to RM99,000
c) Board Member – from RM50,000 to RM66,000

7. Directors' Benefits Payable

The Directors' Benefits comprised the following:

Description of Benefits	
Meeting Allowance per Meeting based on attendance	(i) Board Chairman - RM1,600 (ii) Board Committee Chairman - RM1,600 (iii) Board member - RM800 each (iv) Board Committee member - RM800 each
Other benefits	Directors and Officers Liability Insurance, travelling allowance, medical and other claimable benefits

The Ordinary Resolution 3, if approved, will authorise the payment of Directors' benefits of an amount up to RM125,000 to the Directors by the Company from 31 August 2019 up to the next AGM of the Company to be held in 2020. The estimated amount of RM125,000 is calculated based on the expected number of meetings for the Board and Board Committees and benefits for the period from 31 August 2019 up to the next AGM of the Company, tentatively scheduled to be held in August 2020.

8. Re-election of Directors

Article 95 of the Company's Constitution provided that at every Annual General Meeting of the Company, one-third (1/3) of the Directors for the time being, or if their number is not a multiple of three (3), then the number nearest to one-third (1/3), shall retire from office. A retiring Director shall be eligible for re-election. Subject to Article 79(2), every Director including the Managing Director shall be subject to retirement at least once in every three (3) years.

Hence, the following Directors are to retire in accordance with Article 95 of the Constitution:-

(i) Tan Sri Datuk Seri Panglima Sulong Matjeraie

(ii) Mr. Teo Leng

(iii) Encik Mohd Hisham Harun

However, Encik Mohd Hisham Harun did not seek re-election, after having served on the Board of the Company for almost fourteen (14) years since his appointment as Director of the Company on 10 August 2005. Hence, he will retain office until the close of the 38th AGM, and retires in accordance with Article 95 of the Company's Constitution.

NOTICE OF THE THIRTY-EIGHTH ANNUAL GENERAL MEETING (CONT'D)

9. Retention of Independent Director

The Ordinary Resolution 7, if approved, will authorise the retention of Madam Leong So Seh as an Independent Non-Executive Director of the Company.

Madam Leong So Seh is currently the Independent Non-Executive Director of Company. She had completed the 9-year tenure on 8 April 2018.

The Board has vide the Nomination & Remuneration Committee conducted an annual performance evaluation and assessment of Madam Leong So Seh and strongly recommend to the members of the Company to vote in favour of the resolution for Madam Leong So Seh to continue to act as an Independent Non-Executive Director on the following basis:-

(a) She has demonstrated and continues to be able to exercise independent judgement and to act in the best interest of the Company;
(b) She has also the necessary knowledge of the business and has proven commitment, experience and competency;
(c) She has participated and contributed actively during deliberations or discussions at Board meetings; and
(d) She has met the criteria for independence under the definition of an independent Director in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

10. Authority to issue Shares pursuant to Sections 75 and 76 of the Companies Act, 2016.

The proposed Ordinary Resolution 8, if approved, will give the Directors authority to issue and allot new ordinary shares up to an amount not exceeding 10% of the total number of issued shares of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority will commence from the date of this AGM and unless revoked or varied by the Company at a general meeting, expire at the conclusion of the next AGM of the Company.

The approval is a renewed general mandate and is sought to provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares, for purposes of funding future investment project(s), working capital, acquisitions or such other applications as the Directors deem fit. This would avoid any delay and cost involved in convening a general meeting to approve such issue of shares.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the last AGM of the Company held on 30 August 2018 and which lapse at the conclusion of the 38th AGM.

11. Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature.

The proposed Ordinary Resolution 9, if passed, will authorise the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature. This authority will, unless revoked or varied by the Company in General Meeting, expire at the next AGM of Company. Please refer to the Circular to Shareholders dated 31 July 2019, which is despatched together with the Company's Annual Report 2019, for more information.

12. Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature.

The proposed Ordinary Resolution 10, if passed, will authorise the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature. This authority will, unless revoked or varied by the Company in General Meeting, expire at the next AGM of Company. Please refer to the Circular to Shareholders dated 31 July 2019, which is despatched together with the Company's Annual Report 2019, for more information.

13. Voting by poll

In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be voted by poll.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad

1. The following are the Directors who are seeking re-election at the 38th Annual General Meeting:-

    (i) Tan Sri Datuk Seri Panglima Sulong Matjeraie, pursuant to Articles 95 and 96 of the Company's Constitution.

    (ii) Mr. Teo Leng, pursuant to Articles 95 and 96 of the Company's Constitution.

2. The details of the two (2) Directors seeking re-election are set out in the Directors' Profile from pages 44 to 47 of the Annual Report.

PROXY FORM

Southern Acids (M) Berhad
Company No. 64577-K
(Incorporated in Malaysia)

I/We, (FULL NAME IN CAPITAL LETTERS) ______________________________

NRIC No./Passport No./Company No. ______________________________

of (FULL ADDRESS) ______________________________

____

being a member/member(s) of Southern Acids (M) Berhad hereby appoint

First Proxy

Full Name of Proxy in capital letters	NRIC No./Passport No.	Proportion of shareholdings	
		Number of shares	Percentage (%)
Address			

and/or failing him/her
Second Proxy

Full Name of Proxy in capital letters	NRIC No./Passport No.	Proportion of shareholdings	
		Number of shares	Percentage (%)
Address			

or failing him/her, the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the Thirty-Eighth Annual General Meeting ("AGM") of Southern Acids (M) Berhad ("the Company") to be held on 30 August 2019 at 11.00 a.m., and at any adjournment thereof in respect of my/our holdings of shares in the manner indicated below: -

No.	Resolutions	For	Against
1	**Ordinary Resolution 1** To approve the payment of Single Tier Final Dividend of 5 sen per ordinary share in respect of the financial year ended 31 March 2019.		
2	**Ordinary Resolution 2** To approve the payment of Directors' fees amounting to RM555,500 for the financial year ended 31 March 2019.		
3	**Ordinary Resolution 3** To approve the payment of Directors' benefits of RM125,000 for the period from 31 August 2019 until the next AGM of the Company to be held in 2020.		
4	**Ordinary Resolution 4** To re-elect Tan Sri Datuk Seri Panglima Sulong Matjeraie as Director of the Company in accordance with Articles 95 and 96 of the Company's Constitution.		
5	**Ordinary Resolution 5** To re-elect Mr. Teo Leng as Director of the Company in accordance with Articles 95 and 96 of the Company's Constitution.		
6	**Ordinary Resolution 6** To re-appoint Deloitte PLT as Auditors to hold office until the conclusion of the next AGM at a remuneration to be fixed by the Directors.		
7	**Ordinary Resolution 7** To retain Madam Leong So Seh as an Independent Non-Executive Director		
8	**Ordinary Resolution 8** To approve the Authority to issue Shares pursuant to Sections 75 and 76 of the Companies Act, 2016.		
9	**Ordinary Resolution 9** To approve the Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature.		
10	**Ordinary Resolution 10** To approve the proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature.		

(Please indicate with (X) in the appropriate box whether you wish your vote to be cast for or against the resolution. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fits.)

Dated this ....day of...2019

Number of Shares held

CDS Account No.

....
Signature/Common Seal of Shareholder(s)

MEMBERS ENTITLED TO ATTEND

For purpose of determining a member who shall be entitled to attend the AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 58(A) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 23 August 2019. Only a depositor whose name appears on the General Record of Depositors as at 23 August 2019 shall be entitled to attend the said meeting or appoint a proxy to attend and vote on such depositor's behalf.

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6. Voting by poll

   In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be voted by poll.

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STAMP

The Company Secretary

SOUTHERN ACIDS (M) BERHAD (Company No.: 64577-K)
9, Jalan Bayu Tinggi 2A/KS6
Taipan 2, Batu Unjur
41200 Klang
Selangor Darul Ehsan
Malaysia

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Southern Acids (M) Berhad
Company No. 64577-K
(Incorporated in Malaysia)

Level 29, Centro Tower, No. 8, Jalan Batu Tiga Lama
41300 Klang, Selangor Darul Ehsan, Malaysia.
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