Southern Acids (M) Berhad

Company No. 64577-K
(Incorporated in Malaysia)

annual report 2018

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CORPORATE INFORMATION

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
Tan Sri Dato' Low Boon Eng	Non-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
Strategic Development 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

1. **Lim Kui Suang** (MAICSA 0783327)
2. **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 / PRINCIPLE 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 REGISTRAR

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
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur
Malaysia

PRINCIPLE BANKERS

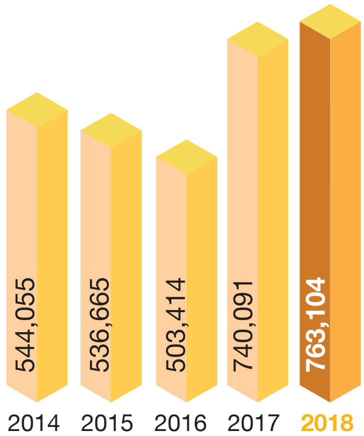
CIMB Bank Berhad
Deutsche Bank (Malaysia) Berhad
Citibank Berhad

FINANCIAL HIGHLIGHTS

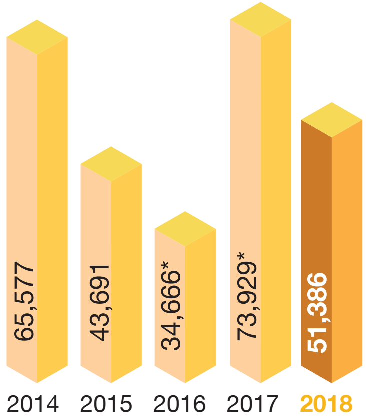
Financial Year	2014	2015	2016	2017	2018
Financial Performance (RM'000)					
Revenue	544,055	536,665	503,414	740,091	763,104
Profit before tax	65,577	43,691	34,666*	73,929*	51,386
Profit for the year	48,178	34,106	23,714*	57,442*	37,406
Financial Position (RM'000)					
Total assets	583,635	604,922	642,052*	704,296*	716,766
Total liabilities	68,472	65,847	67,854	77,175	79,744
Net current assets	217,322	211,364	225,424	273,534	271,992
Equity attributable to shareholders of the Company	474,571	493,392	512,318*	568,459*	586,541
Share capital	136,934	136,934	136,934	171,255	171,255
Net assets	515,163	539,075	556,198*	627,121*	637,022
Key Figures					
Earnings per share (sen)	28.06	20.10	17.01*	35.58*	24.05
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)	3.47	3.60	3.74*	4.15*	4.28

* Restated

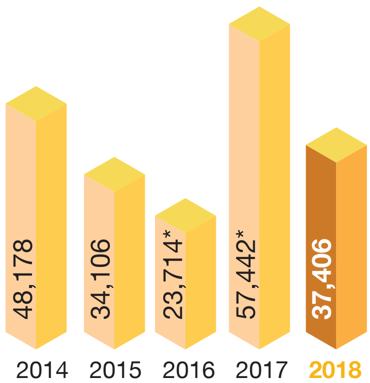
REVENUE
(RM'000)



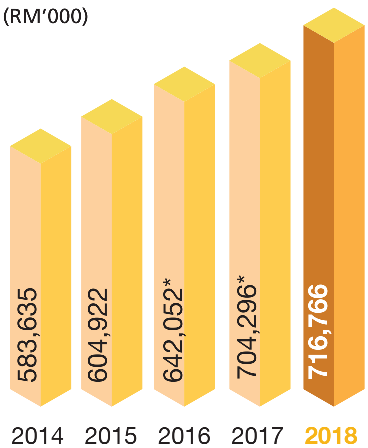
PROFIT BEFORE TAX
(RM'000)



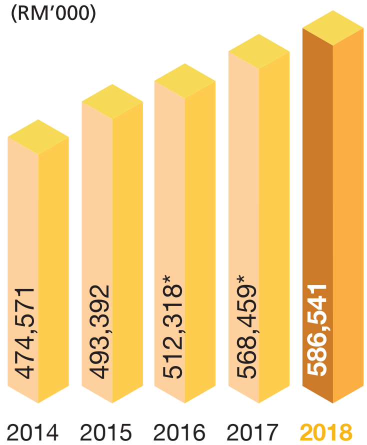
PROFIT FOR THE YEAR
(RM'000)



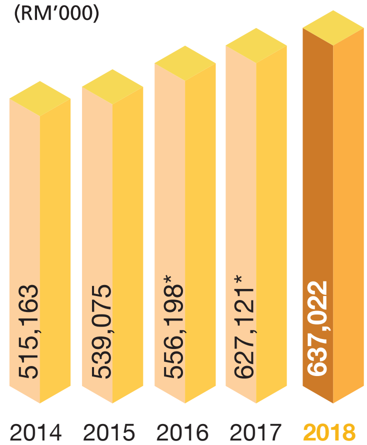
TOTAL ASSETS
(RM'000)



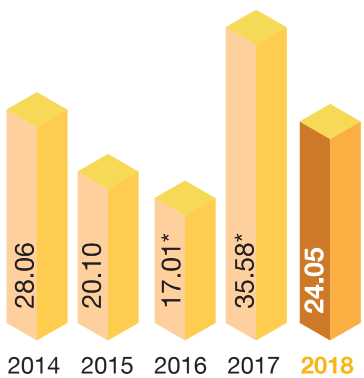
SHAREHOLDERS' EQUITY
(RM'000)



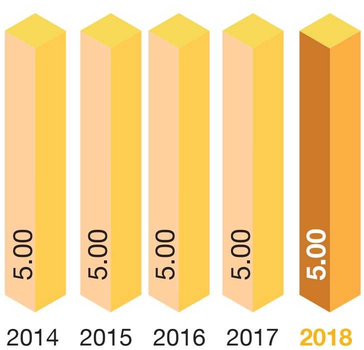
NET ASSETS
(RM'000)



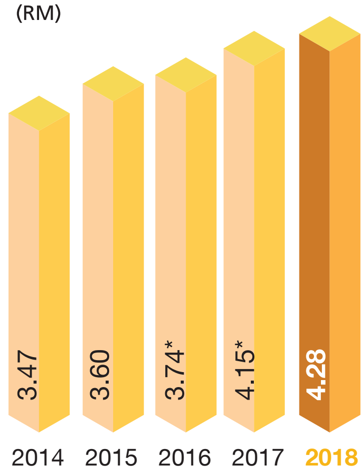
EARNINGS PER SHARE
(Sen)



DIVIDEND PER SHARE (NET)
(Sen)



NET ASSETS PER SHARE
(RM)



* Restated

CORPORATE STRUCTURE

Southern Acids (M) Berhad (64577-K)

Subsidiaries

100.0%	Southern Management (M) Sdn. Berhad (65476-P)
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)

Firstview Development Sdn. Bhd. → 70.0% → PT. Mustika Agro Sari (040110102386) → 83.3% → PT. Wanasari Nusantara (040111505014)

Firstview Development Sdn. Bhd. → 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

Dear Shareholders,

On behalf of the Board of Directors ('the Board") of Southern Acids (M) Berhad ("SAB" or "the Company"), I am pleased to present the Management Discussion And Analysis ("MDA") of SAB and its subsidiaries ("SAB Group" or "the Group") for the financial year ended 31 March 2018 ("FY2018").

SAB GROUP'S BUSINESSES AND STRATEGIES

SAB first principal activity was the manufacturing and marketing of oleochemical products.

Today, SAB has diversified into other activities. As at 31 March 2018, the following are the three (3) core segments of SAB Group: -

- Oleochemical;
- Milling & Estate; and
- Healthcare.

Oleochemical Segment

This segment is involved in the manufacturing and marketing of fatty acids and glycerine with a production mix ratio of about 90:10 between fatty acids and glycerine.

Our plant, located in Kapar, Klang, commissioned its operations in the 1980s. It has an annual capacity of manufacturing approximately 100,000 metric ton ("MT"). This segment has obtained 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).

Our products are used in a wide variety of applications such as the production of cosmetics, pharmaceuticals, and used in food industries, amongst others. The international market accounts for approximately 74.0% of our sales and the balance for local market.

The current plant has been in operation for more than thirty years. Hence, as part of our long term plans the main focus is the upgrading of our ageing plant. This is to enhance the plant's manufacturing efficiency and improve cost efficiency via modernization and automation of the plant's processes.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Milling & Estate Segment

This segment is principally engaged in the processing of Fresh Fruit Bunches ("FFB") into Crude Palm Oil ("CPO") and Palm Kernel ("PK") as well as oil palm cultivation.

As at 31 March 2018, we have two (2) palm oil mills ("POM") located in Riau, Indonesia with a combined milling capacity of 105 MT per hour. The first POM was commissioned in June 2002 whereas the second POM was commissioned in August 2015.

The FFB required by our POMs are supplied by our internal estates as well as sourced from external estates. The internal FFB from our 4,395 hectares ("ha") of planted area in Riau only provides about 16.0% of the POMs requirement currently. Out of the 4,395 ha, 3,083 ha are matured and the balance of 1,312 ha are immature.

We plan to reduce the dependency of externally sourced FFB in the long term and we are exploring all options available.

Healthcare Segment

Our Healthcare Segment, Sri Kota Specialist Medical Centre ("Sri Kota") which was commissioned in September 1999 is a 9-storey building,232-bedded tertiary private hospital located in Klang. The following are our current "Centres of Excellence" as part of our integrated and patient-centric approach to our quality services:-

- Heart;
- Cancer; and
- Spine.

There are approximately thirty four resident consultants and thirty six visiting consultants striving to raise the overall standards of our healthcare services.

Sri Kota is accredited with the full 4-year prestigious Malaysian Society for Quality in Health ("MSQH") 4th Edition (2nd Cycle) for a period from 12 November 2014 to 11 November 2018.

Recruitment of more full time doctors as well as experienced nurses and expanding our core disciplines have been always our main long term focus.

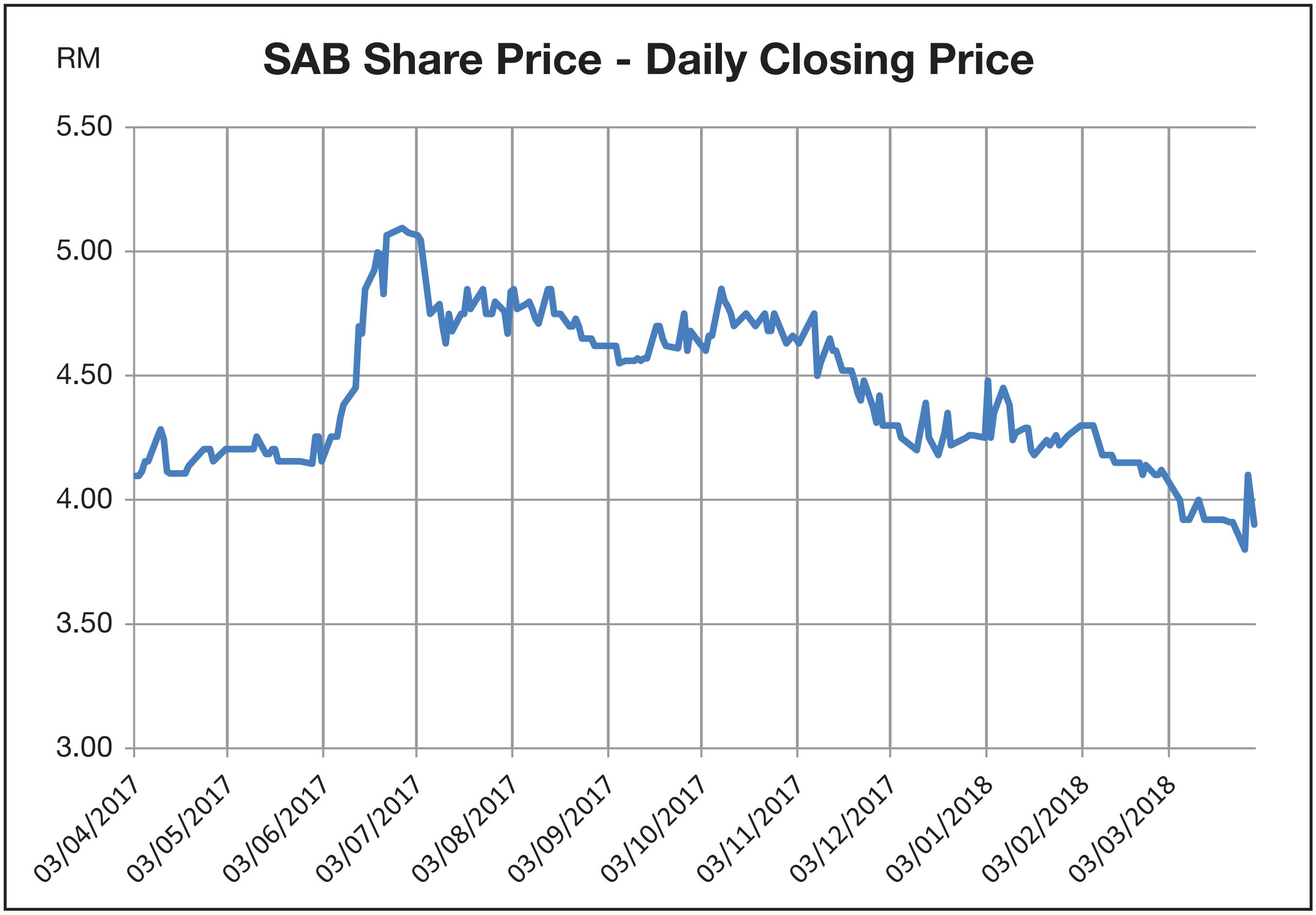
SAB GROUP FIVE YEAR FINANCIAL HIGHLIGHTS

Financial Highlights	FY2014 RM'000	FY2015 RM'000	FY2016 RM'000	FY2017 RM'000	FY2018 RM'000
Revenue	544,055	536,665	503,414	740,091	763,104
Profit before tax & interest	65,577	43,691	34,735*	74,010*	51,442
Finance costs	-	-	69	81	56
Net income	48,178	34,106	23,714*	57,442*	37,406
Shareholders' equity	474,571	493,392	512,318*	568,459*	586,541
Total assets	583,635	604,922	642,052*	704,296*	716,766
Borrowings	-	-	808	605	340
Debt/Equity (%)	-	-	nm	nm	nm
Earnings per share (sen)	28.06	20.10	17.01*	35.58*	24.05
Net assets per share (RM)	3.47	3.60	3.74*	4.15*	4.28
Dividend per share (sen)	5.00	5.00	5.00	5.00	5.00

** Restated*
nm – not meaningful

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

SAB SHARE PRICE PERFORMANCE



		FY2018	FY2017
1	High	RM5.10	RM4.40
2	Low	RM3.80	RM3.66
3	Close	RM3.90	RM4.13
4	Average Daily Trading volume (shares)	23,584	15,409
5	Market Capitalization As At Year End	RM534.0 million	RM565.5 million
6	Earnings Per Share (sen)	24.05	35.58*
7	Price Earnings Ratio (times)	16.2	11.6

* ***Restated***

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

KEY FINANCIAL INDICATORS

SAB GROUP FINANCIAL HIGHLIGHTS

	FY2018		FY2017		Changes	
	Revenue RM'000	PBT RM'000	Revenue RM'000	PBT RM'000	Revenue %	PBT %
Oleochemical	383,869	5,889	365,158	21,409	5.1	(72.5)
Milling & Estate	275,802	20,113	283,092	33,735*	(2.6)	(40.4)
Healthcare	84,716	22,348	80,097	19,449	5.8	14.9
Investment & Services	18,717	2,724	11,744	470	59.4	479.6
	763,104	**51,074**	**740,091**	**75,063**	**3.1**	**(32.0)**
Share of profits of an associate (net)	-	312	-	(1,134)	-	127.5
SAB Group	**763,104**	**51,386**	**740,091**	**73,929**	**3.1**	**(30.5)**

* ***Restated***

PBT – Profit Before Tax

SAB Group recorded a decrease of 30.5% in profit before tax ("PBT") to RM51.4 million despite a marginal increase of 3.1% in revenue to RM763.1 million in the FY2018 compared to financial year ended 31 March 2017 ("FY2017").

The decrease in the financial results had translated into lower earnings per share of 24.1 sen compared to 35.6 sen in the FY2017. Based on the number of shares issued as at 31 March 2018, the net asset per share of the Company had increased by RM0.13 to RM4.28 per ordinary share.

SAB Group Financial and Operating Review - Oleochemical Segment

	FY2018	FY2017	Changes
Financial Highlights			
Revenue (RM'000)	383,869	365,158	5.1%
Profit Before Tax (RM'000)	5,889	21,409	(72.5%)
Gross Profit Margin (%)	3.7%	6.2%	(40.3%)
Core Profit Before Tax (RM'000)	9,524	17,694	(46.2%)
Non-Financial Highlights			
Production Capacity (MT)	100,000	100,000	-
Production Capacity Utilization (%)	93.9%	94.5%	(0.7%)
Production (MT)	93,901	94,521	(0.7%)
Quantity Sold (MT)	93,652	94,076	(0.5%)
Overseas Sales (%)	74.0%	74.0%	-

Despite 5.1% increase in revenue to RM383.9 million Oleochemical Segment's PBT came in at RM5.9 million, down by 72.5% compared to the FY2017. In terms core PBT, it was decreased by 46.2% to RM9.5 million in the FY2018.

The marginal increase in revenue was mainly due to higher average selling price ("ASP") for fatty acids and glycerine which were higher by 3.2% and 35.7% respectively.

In the FY2018, the PBT comprised RM9.5 million core PBT and RM3.6 million non-core loss before tax ("LBT"). The non-core LBT was mainly due to both realized and unrealized losses from foreign exchange.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Figure 1 - USD/MYR Exchange Rates

The production capacity utilisation was marginally lower from 94.5% to 93.9%. However due to higher production costs, the gross profit margin fell from 6.2% to 3.7%.

Rising costs have been always our main concern. With limited room to increase our production capacity currently, our production costs will naturally rise gradually. In addition, due to our ageing plant, SAB is constantly subjected to heavy maintenance costs as well as capital expenditure in order to maintain the plant's efficiency.

Our FY2018 overseas sales percentage of approximately 74.0% was consistent with the FY2017. The following are our main key markets by region:-

	Region	Sales (Percentage)
1	Asia	73.9%
2	America	14.6%
3	Europe	7.0%
4	Middle East	4.5%

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

SAB Group Financial and Operating Review – Milling & Estate Segment

	FY2018	FY2017	Changes
Financial Highlights			
Revenue (RM'000)	275,802	283,092	(2.6%)
Profit Before Tax (RM'000)	20,113	33,735*	(40.4%)
Gross Profit Margin (%)	8.5%	11.8%	(28.1%)
Core Profit Before Tax (RM'000)	16,231	27.002	(39.9%)
Non-Financial Highlights			
ASP - CPO Per MT	2,459	2,617	(6.0%)
ASP - PK Per MT	2,086	2,393	(12.8%)
FFB Processed (MT)	456,499	430,467	6.0%
External Sourced FFB (%)	84.3%	82.6%	2.1%
CPO Sales Volume (MT)	91,659	88,223	3.9%
PK Sales Volume (MT)	23,418	21,126	10.8%

* ***Restated***

Milling & Estate Segment registered a decrease in revenue and PBT by 2.6% and 40.4% to RM275.8 million and RM20.1 million respectively compared to the FY2017.

The marginal decrease in revenue was due to lower ASP of CPO and PK by 6.0% and 12.8% to RM2,459 and RM2,086 respectively. This was despite higher sales volume registered in CPO and PK by 3.9% and 10.8% respectively.

Figure 2 - Crude Palm Oil Prices

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The decrease in gross profit margin from 11.8% to 8.5% was mainly due to the higher ratio of externally sourced FFB which was increased from 82.6% to 87.3% in the FY2018. In addition, the purchase price of externally sourced FFB was very competitive. Out of the total 456,499 MT of FFB processed in the FY2018, a total of 384,929 MT of FFB were externally sourced.

The current year PBT of RM20.1 million comprised RM16.2 million core PBT and RM3.9 million non-core PBT. In terms core PBT, it decreased by 39.9% in the FY2018 compared to the FY2017.

SAB Group Financial and Operating Review – Healthcare Segment

	FY2018	FY2017	Changes
Financial Highlights			
Revenue (RM'000)	84,716	80,097	5.8%
Profit Before Tax (RM'000)	22,348	19,449	14.9%
Core Profit Before Tax (RM'000)	19,900	17,537	13.5%
Non-Financial Highlights			
Number Of Patient			
1. Outpatient	80,031	76,981	4.0%
2. Inpatient	12,716	13,284	(4.3%)
ARPP			
3. Outpatient	154	189	(18.5%)
4. Inpatient	5,437	4,686	16.0%
No Of Licensed Beds	161	161	-
Bed Occupancy Rate (%)	57.9%	59.4%	(2.5%)
Number Of Resident Consultants	34	32	6.2%
Number Of Visiting Consultants	36	32	12.5%

In comparison to the FY2017, for the FY2018, the Healthcare Segment saw a 5.8% hike in revenue to RM84.7 million, and registered a higher PBT of 14.9% to RM22.3 million.

The hike in revenue in the FY2018 was mainly contributed by the higher average revenue per patient ("ARPP") of inpatients which registered an increase of 16.0% to RM5,437 compared to the FY2017, whereas the number of outpatient increased marginally by 4.0%. The higher ARPP of inpatient was driven by more complex surgeries cases.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

While the number of licensed beds remains unchanged, the bed occupancy rate decreased marginally from 59.4% to 57.9% in the FY2018.

The following major disciplines including sub-disciplines available at our hospital are:-

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

In the FY2018, we added three (3) new sub-disciplines compared to the FY2017. In addition, the number of resident consultants and visiting consultants increased by two (2) and four (4) respectively. The current year PBT of RM22.3 million comprised RM19.9 million core PBT and RM2.4 million non-core PBT. In terms core PBT, it increased by 13.5% in the FY2018 compared to the FY2017.

Liquidity

As at 31 March 2018, SAB Group increased its cash and cash equivalents by 6.2% to RM174.4 million compared to the FY2017. It registered a healthy net cash flow of RM56.3 million from operating activities whereas its investing activities and financing activities incurred a net cash flow of RM28.9 million and RM10.5 million respectively.

With its strong cash and cash equivalents position, SAB Group has sufficient funds available to meet its obligations as and when they fall due.

Capital Expenditure Requirements

For the financial year ending 31 March 2019 ("FY2019"), SAB Group has budgeted approximately RM29.5 million in capital expenditures. Topping the list is Healthcare Segment (RM13.3 million) followed by Oleochemical Segment (RM10.9 million) and Milling & Estate Segment (RM5.3 million).

Out of the total budgeted capital expenditure for Healthcare Segment, approximately RM9.0 million is allocated for purchasing various types of new medical equipment while the balance is for the upgrading of facilities. As for Oleochemical Segment, an amount of RM7.5 million is budgeted for the replacement of one (1) unit of biomass boiler whereas the full budgeted amount for Milling & Estate Segment is for the upgrading and/or replacement of palm oil mills.

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

Capital Structure and Capital Resources

Save for the hire purchase facilities under the Milling & Estate Segment, SAB Group has no other borrowings. Nevertheless we are open to the possibility of securing external debt, to a level that is deemed an optimum leverage ratio for SAB Group, as part of our financial strategy to enhance shareholders' value in the future.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

OUTLOOK AND PROSPECTS

Oleochemical Segment

The prospect of this segment for the FY2019 is expected to be challenging.

Domestically, this segment is subject to our new government policies, particularly, on the minimum wages for local labor, recruitment of foreign labor and public utilities' costs. In addition, we have rising production costs to manage as we may not able to pass on the incremental costs to the customers.

Externally, we are facing keen competition in the international market. Besides facing the Indonesian competitors who have better cost advantage, new capacities were added in the market. Customers, are generally becoming more informed and knowledgeable, are cautious on their spending pattern by buying only on a need basis, in anticipation of a dip in raw material price.

On a consolation note, the expected low supply of glycerine due to the low production of biodiesel industries helped, to some extent, to maintain the selling price of glycerine.

Milling & Estate Segment

The outlook for plantation is less exciting for the FY2019 mainly due to its bearish outlook of CPO price. The reasons are as follows:-

- Softer demand from key markets. India, the world's largest palm oil importer, had on 1 March 2018 raised its import tax on CPO to 44% from 30%, the highest level in more than a decade, whereas weaker demand is expected from another key market, China because of their high inventory levels; and

- Barring no extreme weather conditions hitting palm oil producing countries, CPO production is expected to see further improvement after the lagged effect of the El Nino phenomenon that badly affected production in 2016;

The potential near-term drivers will likely be centered on the current US-China trade war as well as US's biofuels policy and Indonesia's biodiesel quota.

Healthcare Segment

Generally, this segment is expected to continue to enjoy stable growth supported by the following:-

- increase in ageing population;
- growing awareness in healthcare prevention;
- increase in medical insurance coverage; and
- rise in the middle income group.

In terms of operations, human capital retention remains the number one challenge. The recruitment of experienced nurses has been the industry's main challenge. In addition, lack of reputable, highly-skilled and/or experienced consultants are the shortcomings in the coverage of particular disciplines.

SAB DIVIDEND POLICY

	FY2014	FY2015	FY2016	FY2017	FY2018^
Dividend Per Share (Net) (Sen)	5.00	5.00	5.00	5.00	5.00
Dividend Amount (RM'000)	6,847	6,847	6,847	6,847	6,847
Net Income (RM'000)	48,178	34,106	23,714*	57,442*	37,406
Dividend Payout Ratio	14.2%	20.1%	28.9%	11.9%	18.3%

* ***Restated***

^ *This is the proposed dividend for the FY2018 which was announced on 25 May 2018 and is subject to the approval of the shareholders at the forthcoming Annual General Meeting ("AGM").*

SAB has been consistently paying a dividend of 5.00 sen per ordinary share which is equivalent to between 12.0% and 29.0% dividend payout calculated based on its net income.

However such payments will depend upon several factors to be considered by the Board. Currently SAB Group has no borrowings and the cash and cash equivalent are used as working capital and to fund the necessary capital expenditure.

SUSTAINABILITY STATEMENT

SUSTAINABILITY STATEMENT

Our Sustainability Statement for the FY2018 is prepared in compliance with Paragraph 29, Part A of Appendix 9C of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Main Market Listing Requirements ("MMLR") and in line with the Sustainability Reporting Guide issued by Bursa Malaysia. As SAB embarks on the journey of corporate sustainability, we will continuously enhance the scope of our reporting.

We wish to adopt a holistic approach to our business management to ensure that the creation of value remains at the crux of our efforts, based on the three (3) key pillars of sustainability; Economic, Environmental, and Social ("EES"). Sustainability has always been and will remain as part and parcel of SAB's culture as we take a long-term strategic view of sustainability and to systematically capture value in the opportunities it offers to drive positive returns. 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.

This statement is structured into four (4) sections:-
1. **Scope/ Approach of Reporting** – Overview and highlights the scope of this statement;
2. **Sustainability Governance** – Sets out the Group's governance structure in managing the material sustainability matters;
3. **Materiality Process** – Records the processes to identify and prioritize material matters; and
4. **Monitoring and Managing Sustainability Matters** – Reports on the Group's practices and performance in managing the material sustainability matters.

SCOPE/ APPROACH OF REPORTING

SAB is committed to build a sustainable organisation by embedding sustainability culture and practices into our daily operations. This inaugural statement intends to keep our stakeholders abreast of the EES aspects of our sustainability journey during the FY2018. The scope of this statement covers the business and operations of the Group's three (3) core segments; Oleochemical, Milling & Estate, and Healthcare, which together contributed over 98% of the Group's sales revenue and 94% of the Group's PBT for the FY2018.

To identify the focus areas, we have:-
1. Engaged with our stakeholders and considered their responses;
2. Assessed the key sustainability matters; and
3. Assessed key risks and opportunities of the Group's businesses and operations.

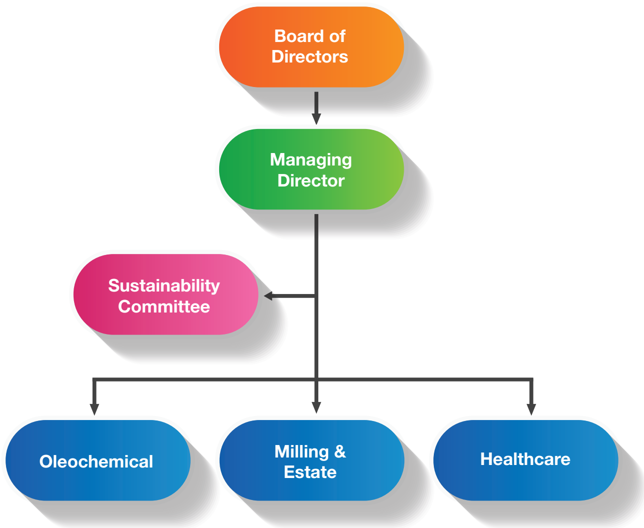
SUSTAINABILITY STATEMENT (CONT'D)

SUSTAINABILITY GOVERNANCE

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 section of the Annual Report 2018 ("AR 2018").

Our Board is ultimately responsible for the sustainability direction of the Group and ensures that sustainability matters are embedded in our business strategy. The Managing Director ("MD") leads in the implementation of the sustainability agenda by ensuring that processes and controls are in place, and reports on performance and management targets. SAB has established a Sustainability Committee ("SC") comprising members of the Board and Heads of key core businesses, to oversee the incorporation and monitoring of sustainability in the Group's businesses. The SC will take into consideration the existing risk management processes adopted by the Group.

SAB's sustainability governance structure is as follows:



MATERIALITY PROCESS

Step 1: Identification/Mapping of Material Matters

SAB identified a list of potential material matters 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.

Step 2: Prioritisation

Our stakeholder groups have different requirements. Internal stakeholders include Board of Directors, shareholders and employees. External stakeholders include regulators, suppliers, customers and communities. Consequently, after engaging with our key stakeholders, six (6) material sustainability matters were prioritised as being of highest significance.

Key Stakeholder Groups	Engagement Method
Customers	Survey, Corporate Website, Emails and Phone Calls
Employees	Human Development Programmes, Employee Engagement Platforms
Investors	Annual General Meetings, Corporate Website
Board of Directors	Board Meetings, Committee Meetings
Suppliers	Meetings, Periodic Performance Reviews, Emails and Phone Calls
Government and Authorities	Formal Meetings, Consultations

Step 3: Validation

The material sustainability matters were then presented to the top management for endorsement followed by validation by the Board.

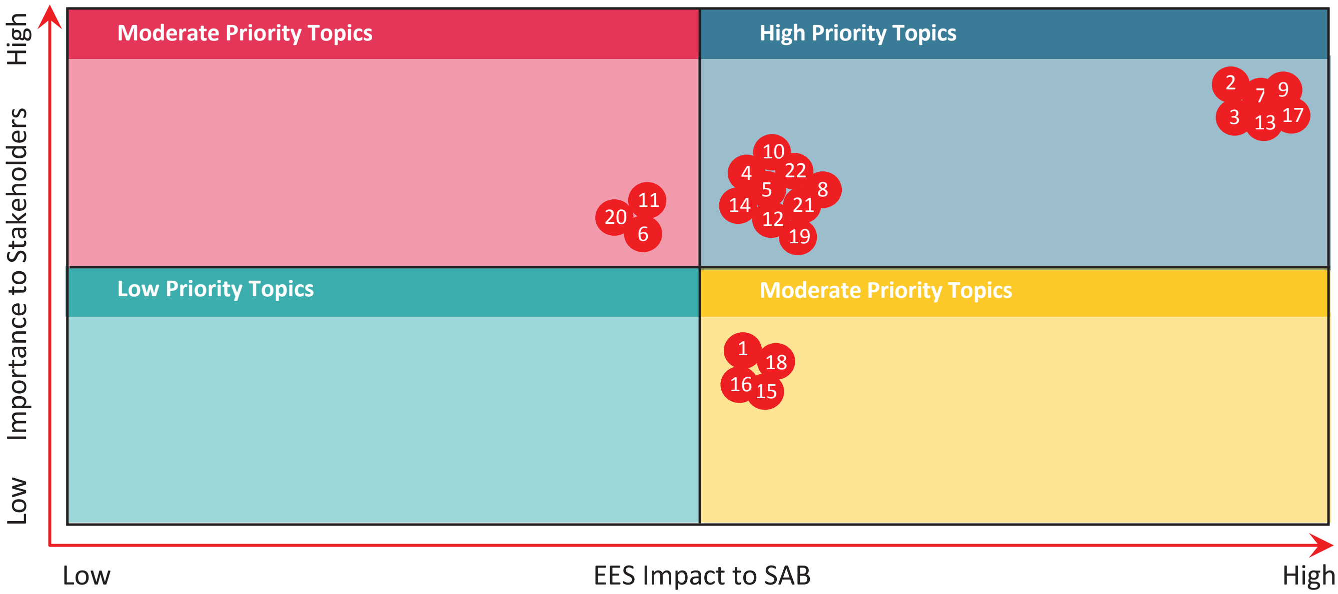
SUSTAINABILITY STATEMENT (CONT'D)

Materiality Assessment

A materiality assessment allows us to take a closer look at sustainability matters that are of the highest concern to our stakeholders that impact SAB's businesses.

SAB conducted also a risk assessment of relevant sustainability matters and together with responses from stakeholders, the most material sustainability matters were identified and grouped to the core business segments accordingly.

SAB Materiality Matrix



SEGMENT	MATERIAL TOPICS
Oleochemical	1. Technological Development 2. Certification, Accreditation, Standards 3. Regulatory Compliance (Environment) 4. Energy Efficiency 5. Process Safety 6. Human Rights and Workplace Diversity
Milling & Estate	7. Sustainable Cultivation and Processing 8. Plasma Scheme 9. ISPO Certification 10. Water Management 11. Employee/Community Engagement 12. Safety at Workplace
Healthcare	13. Patient Satisfaction 14. Certification, Accreditation, Standards 15. Technological Development 16. Ethical Business and Transparency 17. Reducing Electricity Consumption 18. Waste Management 19. Training and Career Development 20. Community Outreach 21. Employee Welfare and Benefits 22. Employee Engagement

Based on the Materiality Matrix, six (6) material sustainability matters were identified as of highest significance for the FY2018 (Highlighted in Yellow above). We will continue 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)

MONITORING AND MANAGING SUSTAINABILITY MATTERS

Sustainable Business Growth

SAB's strategy is to drive a long-term sustainable growth through the inclusion of EES factors into its business model. SAB is focusing on cutting cost, and improving efficiency, especially in the Milling & Estate Segment. Emphasis on certification and standards is also crucial to ensure that all necessary processes and systems are in place for product and service delivery. The Group looks to automation to drive efficiency and productivity to counter rising operating costs. We have allocated RM50 million for capital expenditure over the next two (2) years, of which RM16 million will go towards machinery upgrades in the Oleochemical Segment. The upgrading works aim to improve on efficiency and reduce energy cost, and we are also looking into alternative energy sources. For the Healthcare Segment, we aim to maintain market share and improve its bottom line by expanding its cancer, spine and health centres.

Environmental Compliance

As part of our sustainability strategy, SAB recognises that its actions have a significant impact on the environment hence supports pollution prevention and environmental protection in all its business operations. SAB is committed to comply with the legal and regulatory requirements of the Malaysian Department of Environment, other regulators and authorities. For our Milling & Estate Segment operations in Indonesia, we have committed to achieve full ISPO certification by year 2019.

Social Responsibility

To have a sustainable operation, we need to be socially responsible. We strive to balance profitability while still fulfilling our social commitments. It is important to generate awareness amongst our stakeholders on our commitment to the people and communities around us.

The heart of SAB is its 'people', the workforce. Our people's performance, dedication and loyalty are critical for the Group to achieve its long-term goals and sustainability agenda. Our commitment to retain and develop our workforce is to provide them with incentives, safe working environment, career development prospects and regular training. We also have proper succession plans in place for key management positions. SAB values equality and diversity of our workforce. The Group has fully complied with the Government's Minimum Wage Policy as of 1 July 2016 and commits to review this when the Government announces the new Minimum Wage Policy later this year. Workforce health and occupational safety are of paramount importance. SAB continues to comply with the relevant laws and regulations by the Department of Safety and Health in all our business segments.

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 health awareness campaigns, provide direct aid to the underprivileged and more.

SUSTAINABILITY STATEMENT (CONT'D)

SAB OLEOCHEMICAL

Sustainability Materiality for the FY2018

ECONOMIC

Material Topics	Goals/ Achievements
• Technological Development	✓ Allocated RM16 million towards automation and machinery upgrades to increase efficiency over the next two (2) years ✓ Successfully commissioned new methanol cracking hydrogen generator plant
• Certification, Accreditation, Standards	✓ Accredited to RSPO Supply Chain Certification

ENVIRONMENTAL

Material Topics	Goals/ Achievements
• Regulatory Compliance (Environment)	✓ Committed to identify, manage and minimise the environmental impact of business operation. ✓ To comply with environmental regulatory and legal requirements ✓ To continuously create awareness of this policy within this company and stakeholders
• Energy Efficiency	✓ Biomass from renewable palm fibre waste is used to produce steam for both process and heating usages

SOCIAL

Material Topics	Goals/ Achievements
• Process Safety	✓ Committed to maintain a safe and healthy workforce ✓ PPE enforced on site, training provided and SOP enforced
• Human Rights and Workplace Diversity	✓ Committed to equal opportunity at work, embraces diversity and is against any form of discrimination ✓ We promote racial harmony and prevent racial discriminations ✓ We recruit and retain high potential and high performing employees ✓ To prevent sexual harassment and other forms of violence against women ✓ Strictly comply to local labour regulations and have implemented national minimum wage rates throughout our operations

SUSTAINABILITY STATEMENT (CONT'D)

SAB MILLING & ESTATE

Sustainability Materiality for the FY2018

ECONOMIC

Material Topics	Goals/ Achievements
• Sustainable Cultivation and Processing	✓ Committed to implement and fulfil requirements for Good Agricultural Practices ("GAP") and Good Manufacturing Practices ("GMP"). ✓ Committed to improve the mechanisations to increase productivity and efficiency of the mills and estates
• Plasma Scheme	✓ Designed to develop small-time oil palm plantation owners or scheme smallholders among the local community in Indonesia ✓ Assist the cooperative scheme smallholders through services and the management of their oil palm properties

PLASMA SCHEME REPORT (FY2018) - PT Mustika Agro

Members	500
Total Area (Ha)	500
FFB Production (MT/Year)	10,679
Supply (%)	4.6

SUSTAINABILITY STATEMENT (CONT'D)

SAB MILLING & ESTATE (cont'd)

Sustainability Materiality for the FY2018 (cont'd)

ENVIRONMENTAL

Material Topics	Goals/ Achievements
• ISPO Certification	✓ Committed to fulfil and maintain the ISPO principles and criteria to ensure that the operations are environmentally responsible ✓ PT Mustika Agro mill and estate have been accredited with ISPO certification ✓ All of our business units in Indonesia have committed to achieve full ISPO certification by year 2019
• Water Management	✓ Water consumption efficiency program with monthly monitoring and recording started in year 2016

SOCIAL

Material Topics	Goals/ Achievements
• Employee/ Community Engagement	✓ Committed to employee well-being and morale, the Group continues to engage with them through a variety of activities and celebrations
• Safety at Workplace	✓ PPE usage is enforced on site ✓ Training provided to ensure workers understand SOP and safety ✓ SOP enforced for chemical storage, tractor handling and application methods of fertiliser, pesticide and herbicide

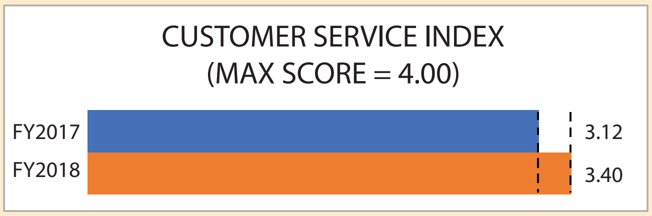
SUSTAINABILITY STATEMENT (CONT'D)

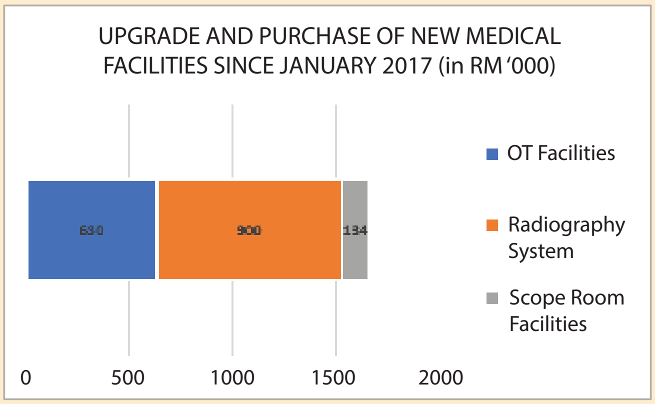
SAB HEALTHCARE

Sustainability Materiality for the FY2018

ECONOMIC

Material Topics	Goals/ Achievements
• Patient Satisfaction	✓ Achieved 2.6% higher customer satisfaction score compared to FY2017
• Certification, Accreditation, Standards	✓ First MSQH Accredited tertiary hospital in Klang since year 2012 ✓ Enterprise Risk Management ("ERM") and Clinical Risk Management ("CRM") in Place ✓ Established Risk Management Committee ("RMC") ✓ Established first Vaccine Centre in Klang to promote awareness of adult vaccination
• Technological Development	✓ Implemented New HIS system to increase hospital operation efficiency ✓ Evaluation Stage for; Laboratory Information System (LIS, Laboratory), and Picture Archiving and Communication system (PACS, for Radiology)
• Ethical Business and Transparency	✓ Medical By-law in place for Specialist Consultants ✓ Compliance of Personal Data Protection Acts 2010 to uphold confidentiality of patients and business associates ✓ Background checks and annual evaluations of all vendors and service providers to adhere to our policies





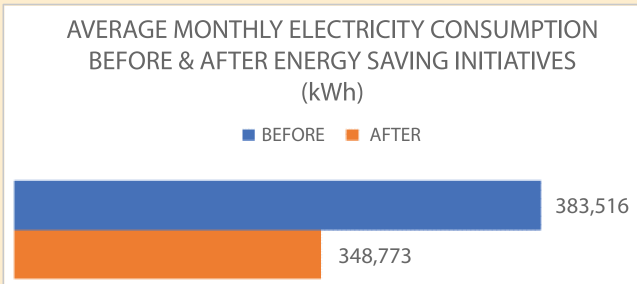
SUSTAINABILITY STATEMENT (CONT'D)

SAB HEALTHCARE (cont'd)

Sustainability Materiality for the FY2018 (cont'd)

ENVIRONMENTAL

Material Topics	Goals/ Achievements
• Reducing Electricity Consumption	✓ Installed new energy efficient chiller and reduce electricity bill by 13% per month ✓ Replaced lightings at Level 4 with Light Emitting Diodes ("LED") and reduced electricity consumption by 51% monthly ✓ Installed energy saving spot lights for signages to reduce energy consumption by 82% monthly
• Waste Management	✓ Proper Handling of hazardous and non-hazardous waste according to policies and procedures ✓ Installed hand dryers in all public toilets to reduce paper tissues usage and waste



SOCIAL

Material Topics	Goals/ Achievements
• Training and Career Development	✓ Complied with MSQH requirements with minimum 95% of Clinical Employees achieving thirty two training hours in a year ✓ Provided various Sponsorship Programs for Nurses for career development (Diploma, Post Basic, etc)
• Community Outreach	✓ Various CSR initiatives like Hari Raya activities at orphanage and mosque, Chinese New Year activity at old folks home ✓ Health Awareness Campaigns, Health Seminars and Hospital Open Day to interact with patients and the public throughout the year
• Employee Welfare and Benefits	✓ Competitive remuneration package according to Aon Hewitt market data, and benchmarked across the industry ✓ Formed a Sports Club to promote active lifestyle and team bonding ✓ Annual Dinner and Family Day to foster close communal ties within the organization
• Employee Engagement	✓ Annual Townhall sessions to gather feedback from the employees ✓ Weekly operational meetings with Head of Departments every Thursday for progress updates and discuss issues, if any

BOARD OF DIRECTORS

SITTING FROM LEFT TO RIGHT

1. DR. NICK LOW
2. TAN SRI DATUK SERI PANGLIMA SULONG MATJERAIE
3. LIM KIM LONG

STANDING FROM LEFT TO RIGHT

1. CHUNG KIN MUN
2. MOHD HISHAM HARUN
3. LEONG SO SEH
4. TAN SRI DATO' LOW BOON ENG
5. 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 71, 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 Brahim's Holdings Berhad. On 1 May 2018 he was appointed as 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) years from 10 February 2013 to 9 February 2015 and has been extended for a maximum period of another two (2) years till 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:-

- 1969; obtained his Bachelor of Arts (Honours) Degree;
- 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 FY2018, Tan Sri Datuk Seri Panglima Sulong attended all of the four (4) Board meetings.

DR. NICK LOW

Non-Independent Executive Director
Managing Director
Aged 39, Male, Malaysian

Dr. Nick Low was appointed to the Board on 15 July 2015. Other than directorship in SAB and a director of certain subsidiaries of SAB, he is also a director of several private companies.

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 healthcare (general practice) clinics.

Dr. Nick Low has equity interest in SAB, directly, and indirectly through certain private companies in which he is a shareholder and director. Details of his direct and indirect interests are disclosed on page 58 of the annual report.

He is also deemed to be interested in certain related party transactions with SAB and certain subsidiaries as disclosed on pages 118 to 124 of the annual report.

His father, Tan Sri Dato' Low Boon Eng is a Non-Independent Non-Executive Director of SAB.

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

During the FY2018, Dr. Nick Low attended all of the four (4) Board meetings.

PROFILE OF DIRECTORS (CONT'D)

LIM KIM LONG

Non-Independent Executive Director
Executive Director
Aged 58, Male, Malaysian

Mr. Lim was appointed to the Board on 10 August 2005. Other than directorship in SAB and all its subsidiaries, he is also a director of several private companies.

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 has equity interest in SAB, directly, and indirectly through certain private companies in which he is a shareholder and director. Details of his direct and indirect interests are disclosed on page 58 of the annual report.

He is also deemed to be interested in certain related party transactions with SAB and certain subsidiaries as disclosed on pages 118 to 124 of the annual report.

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 FY2018, Mr. Lim attended all of the four (4) Board meetings.

CHUNG KIN MUN

Senior Independent Non-Executive Director
Chairman of the Audit Committee
Chairman of the Nomination & Remuneration Committee
Aged 51, 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 FY2018, Mr. Chung attended all of the four (4) Board meetings.

PROFILE OF DIRECTORS (CONT'D)

TAN SRI DATO' LOW BOON ENG

Non-Independent
Non-Executive Director
Aged 68, Male, Malaysian

Tan Sri Dato' Low was appointed to the Board on 10 August 2005. He was the Chairman of SAB since 1 May 2010 until he was re-designated to a Non-Independent Non-Executive Director on 15 July 2015. The re-designation was to comply with the recommendation as set out in the Malaysia Code On Corporate Governance 2012. Other than directorship in SAB and a director of a subsidiary of SAB, he is also a director of several private companies.

He holds a Bachelor of Science in Mechanical Engineering from the Imperial College, London. He is an entrepreneur whose experiences spanned over forty years in operations and management of oil palm plantation, palm oil milling, renewable energy and downstream activities.

Tan Sri Dato' Low has equity interest in SAB, directly, and indirectly through certain private companies in which he is a shareholder and director. Details of his direct and indirect interests are disclosed on page 58 of the annual report.

He is also deemed to be interested in certain related party transactions with SAB and certain subsidiaries as disclosed on pages 118 to 124 of the annual report.

His son, Dr. Nick Low is the Managing Director of SAB.

Tan Sri Dato' Low has had no convictions for any offence within the past five (5) years.

During the FY2018, Tan Sri Dato' Low attended all of the four (4) Board meetings.

MOHD HISHAM HARUN

Non-Independent
Non-Executive Director
Aged 50, 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 also a director of a subsidiary of SAB.

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 the Senior General Manager of Human Resource Department 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 FY2018, Encik Mohd Hisham attended all of the four (4) 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 66, 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 SAB and a director of certain subsidiaries of 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 FY2018, Madam Leong attended all of the four (4) Board meetings.

TEO LENG

Independent Non-Executive Director
Member of the Audit Committee
Aged 66, 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 and a director of certain subsidiaries of 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 FY2018, Mr. Teo attended all of the four (4) Board meetings.

SENIOR MANAGEMENT TEAM

1. **Dr. Nick Low**
   Managing Director

2. **Lim Kim Long**
   Executive Director

3. **Cheong Kee Yoong**
   Chief Financial Officer

4. **Alex Chan Choon Hoong**
   Strategic Development Director

5. **Tiong Chuu Ling**
   Chief Operating Officer
   - Oleochemical Segment

6. **Lee Choo Chai**
   General Manager
   - Milling & Estate Segment

7. **Tan Suet Guan**
   Hospital Director
   - Healthcare Segment

PROFILE OF SENIOR MANAGEMENT

CHEONG KEE YOONG
Chief Financial Officer
Aged 50, Male, Malaysian

Mr. Cheong was appointed as Chief Financial Officer of the Company on 1 October 2013. He is also a director of several subsidiaries of SAB and 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
Strategic Development Director
Aged 46, Male, Malaysian

Mr. Alex Chan joined Southern Management (M) Sdn. Berhad, a subsidiary of SAB on 15 December 2010. He is also a director of several subsidiaries of SAB.

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.

TIONG CHUU LING
Chief Operating Officer, Oleochemical Segment
Aged 65, 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. He is also a director of Southern Acids Industries Sdn. Bhd.

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.

PROFILE OF SENIOR MANAGEMENT (CONT'D)

LEE CHOO CHAI
General Manager, Milling & Estate Segment
Aged 64, 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 60, 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 its various stakeholders on the Company's commitment to high standards of corporate governance practices under the leadership of the Board throughout the FY2018 and up to the date of this annual report.

This statement also provides an overview of the Company's application of the principles and practices set out in the Malaysia 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 2018 ("CG Report 2018") 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 always mindful of its responsibility to provide strategic management oversight and appropriate guidance to create sustainable stakeholder value over the long term. In discharging its fiduciary duties and leadership functions, the Board is guided by its Board Charter sets the strategic direction as well as the Group policies and regular monitoring of its effectiveness in achieving the desired outcome.

The Board Charter outlines the duties and responsibilities of the Board and its delegated day-to-day management of SAB Group to the MD whom will then further cascaded by the MD to his senior management team. The MD and his senior management team are accountable to the Board for the formal authority that is delegated and for the performance of SAB Group. In addition, there is a formal schedule of matter reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its control. It also sets out the roles and responsibilities of the individual Directors as well as the Senior Independent Director.

In order to ensure effective discharge of its stewardship role, the Board is assisted by two (2) governance committees namely the Audit and the Nomination & Remuneration. Each committee is responsible for reviewing and overseeing activities within its particular Terms of Reference ("TOR"). The Chairman of each committee reports to the Board with its recommendation for the Board deliberation and approval. The ultimate responsibility of decision making, however, lies with the Board.

To be in line with the corporate governance standards as set out in the MCCG 2017, the Board, had in July 2018, approved the relevant amendments of the following:-

1. Board Charter;
2. TOR for the Audit Committee ("AC");
3. TOR for the Nomination & Remuneration Committee ("NRC");
4. Whistleblower Policy; and
5. Code of Conduct and Ethics.

For more specific disclosures on the activities of the Board in relation to Practice 1.1 to Practice 1.3 of the MCCG 2017 are set out in the CG Report 2018.

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, etc. Both Company Secretaries are suitably qualified to act under the CA 2016.

For more specific disclosures on the activities of the Company Secretary in relation to Practice 1.4 of the MCCG 2017 are set out in the CG Report 2018.

II. Board Composition

The Board continues to believe in board diversity and aims to recruit on merit and hire the most suitable candidates with the relevant skills, experience and perspectives, whatever their background, age and gender, required to achieve effective stewardship and management. 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.

In this regard, the Board through the NRC is responsible to evaluate its size and composition 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

II. Board Composition (cont'd)

The annual review via self and peer assessment will be carried out on the following:-

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

During the year, the NRC has also assessed the Directors that are due for re-election in the coming AGM. In the NRC meeting on 25 May 2018, the NRC has agreed to recommend to the Board only two (2) out of the three (3) Directors that are due for re-election. They are as follows:-

- Dr. Nick Low; and
- Madam Leong So Seh.

All three (3) Directors that are due for re-election have offered themselves for re-election in the coming AGM.

For more specific disclosures on the activities of the board assessment in relation to Practice 5.1 of the MCCG 2017 are set out in the CG Report 2018.

The following is the current Board matric of the Company:-

1	**Composition**	
	Independent Non-Executive Director	50.0%
	Non-Independent Non-Executive Director	25.0%
	Non-Independent Executive Director	25.0%
2	**Major Experience & Skills**	
	Medical	✓
	Oil Palm Cultivation	✓
	Palm Oil Milling	✓
	Legal	✓
	Finance & Accounting	✓
	Economy	✓
	Human Resources	✓
3	**Tenure**	
	1 – 3 years	25.0%
	4 – 6 years	-
	7 – 9 years	25.0%
	More than 9 years	50.0%
4	**Age**	
	Between 30 to 39	12.5%
	Between 40 to 49	-
	Between 50 to 59	37.5%
	Between 60 to 69	37.5%
	Above 70	12.5%
5	**Gender**	
	Male	87.5%
	Female	12.5%
6	**Race/Ethnicity**	
	Chinese	75.0%
	Malay	25.0%

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

II. Board Composition (cont'd)

During the year, the Board size had reduced from nine (9) members on 1 April 2017 to eight (8) members on 23 August 2017 when Mr. Raymond Wong Kwong Yee, a Non-Independent Non-Executive Director opted not to seek re-election in last year AGM.

For more specific disclosures on the activities of the board composition and size in relation to Practice 4.4 and Practice 4.5 of the MCCG 2017 are set out in the CG Report 2018.

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 booked 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	BOD	AC	NRC
1.	Tan Sri Datuk Seri Panglima Sulong Matjeraie # (Independent Non-Executive Chairman)	4/4	-	-
2.	Dr. Nick Low (Managing Director)	4/4	-	-
3.	Lim Kim Long (Executive Director)	4/4	-	-
4.	Chung Kin Mun (Senior Independent Non-Executive Director)	4/4	4/4	2/2
5.	Tan Sri Dato' Low Boon Eng (Non-independent Non-Executive Director)	4/4	-	-
6.	Mohd Hisham Harun (Non-Independent Non-Executive Director)	4/4	-	-
7.	Leong So Seh (Independent Non-Executive Director)	4/4	4/4	2/2
8.	Teo Leng (Independent Non-Executive Director)	4/4	4/4	-
9.	Raymond Wong Kwong Yee ^ (Non-Independent Non-Executive Director)	1/2	1/2	1/1

Appointed as member of the NRC on 27 February 2018
^ Retired on 23 August 2017

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

For more specific disclosures on the activities of the board meeting papers, circulation and board minutes in relation to Practice 1.5 of the MCCG 2017 are set out in the CG Report 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

II. Board Composition (cont'd)

The Board recognizes the importance of training and development for the Directors to enhance their skills and knowledge. While 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 from time to time. The following are the various training programs and seminars attended by the Directors during the financial year:-

No	Name of Director	Course Title	Date
1	Tan Sri Datuk Seri Panglima Sulong Matjeraie	• Corporate Governance Culture - What's Possible? • Key Disclosures the Directors Must Have • Corporate Disclosures For Directors	24 Jul 2017 8 Aug 2017 24 Oct 2017
2	Dr. Nick Low	• Reach & Remind Friends Of The Industry Seminar 2018 & Dialogue • Implementing The Companies Act 2016 & The Malaysian Code Of Corporate Governance 2017 • Corporate Governance, Directors' Duties & Regulatory Update Seminar • Palm Oil Conference • Corporate Governance Briefing Sessions – MCCG Reporting & CG Guide	9 Jan 2018 23 Jan 2018 25 Jan 2018 5 to 7 Mar 2018 15 Mar 2018
3	Lim Kim Long	• Transforming Your Constitutions To Conform To The Companies Act 2016 • Capital Market Conference • National Seminar on Malaysian Code On Corporate Governance (New) Seminar III 2017 • Reach & Remind Friends Of The Industry Seminar 2018 & Dialogue • Corporate Governance, Directors Duties And Regulatory Updates • Palm Oil Conference • Corporate Governance Briefing Sessions – MCCG Reporting & CG Guide	13 Jun 2017 18 Jul 2017 10 Aug 2017 9 Jan 2018 25 Jan 2018 5 to 7 Mar 2018 15 Mar 2018
4	Chung Kin Mun	• Corporate Governance Breakfast Series - Leading Change @ The Brain • Corporate Governance Briefing Sessions - MCCG Reporting & CG Guide	5 Dec 2017 15 Mar 2018
5	Tan Sri Dato' Low Boon Eng	• Palm Oil Conference	5 to 7 Mar 2018
6	Mohd Hisham Harun	• Business Plan Tabung Haji • HR Summit & Expo • Seminar on Companies Act 2016 • Corporate Risk Scorecard Workshop • Corruption Risk Management Workshop TH 2017 • Occupational Safety & Health Management System Development Course • Annual Productivity & Innovation Conference And Exposition (APIC) • HRDF Conference & Exhibition 2017	10 Apr 2017 3 & 4 May 2017 11 May 2017 30 May 2017 20 & 21 May 2017 23 Oct 2017 14 to 16 Nov 2017 28 to 29 Nov 2017

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

II. Board Composition (cont'd)

No	Name of Director	Course Title	Date
7	Leong So Seh	• Capital Market Conference 2017 – Global CapitalMarkets: Entering New Era • CG Breakfast Series – Leading in a Volatile, Uncertain, Complex, Ambiguous World • Case Study Workshop For Independent Directors • Sustainability Statement Writing Workshop by EY • CG Breakfast Series – Leading Change @ The Brain • MCCG and Bursa's Listing Requirements – Towards Meaningful Disclosure • MCCG and Bursa's Listing Requirements – Application, Disclosure & Reporting Expectations for Principles A, B and C	18 Jul 2017 13 Oct 2017 9 Nov 2017 15 Nov 2017 5 Dec 2017 18 Jan 2018 13 Feb 2018
8	Teo Leng	• MPOB PAC • MPOB ICOPM2 (Panel Judge) • MPOB ICOPM2 (Panel Judge) • MPOB ICOPM2 (Panel Judge) • Malaysian Code on Corporate Governance • MEOA – Lab on Mechanization • MPOA – MPOB Forum on Oil Palm Research • MPOB – Palm Oil Economic Review & Outlook	3 to 7 Apr 2017 5 to 6 Jul 2017 14 Jul 2017 30 Oct 2017 6 Sep 2017 22 & 23 Nov 2017 24 Nov 2017 18 Jan 2018

III. Board Remuneration

The Board through the NRC, determines all remuneration matters for Executive Directors as well as 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 abstained from deliberation and voting on their own remuneration at Board Meetings.

In view of MCCG 2017 and to reflect the increased responsibilities of the Board members, the NRC has proposed revision to the directors' fees as follows:-

		Current	Proposed
1	Chairman of the Board	RM67,500	RM74,000
2	Chairman of the Audit Committee	RM67,500	RM74,000
3	Board Member	RM45,000	RM50,000

The meeting attendance allowance remains unchanged as follows:-

		Current
1	Chairman of the Board	RM1,600 per meeting
2	Chairman of the Board Committee	RM1,600 per meeting
3	Board Member / Board Committee Member	RM 800 per meeting

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 FY2018 are as follows:

	Company						Subsidiary	Group
	Fees (RM)	Salaries (RM)	Bonus (RM)	Meeting Allowance (RM)	Benefits -In-kind (RM)	Total (RM)	Fees (RM)	Total (RM)
Executive Directors								
Dr. Nick Low	50,000	366,000	154,250	6,400	35,200	611,850	37,236	649,086
Lim Kim Long	50,000	246,000	101,750	8,000	12,235	417,985	37,236	455,221
Non-Executive Directors								
Tan Sri Datuk Seri Panglima Sulong Matjeraie	74,000	-	-	6,400	-	80,400	-	80,400
Chung Kin Mun	74,000	-	-	12,800	-	86,800	-	86,800
Tan Sri Dato' Low Boon Eng	50,000	-	-	3,200	15,500	68,700	-	68,700
Mohd. Hisham Harun	50,000	-	-	3,200	-	53,200	-	53,200
Leong So Seh	50,000	-	-	8,000	-	58,000	-	58,000
Teo Leng	50,000	-	-	6,400	-	56,400	37,236	93,636
Raymond Wong Kwong Yee ^	19,863	-	-	2,400	-	22,263	-	22,263

^ Retired on 23 August 2017

For 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 of the MCCG 2017 are set out in the CG Report 2018.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

On 27 February 2018, the Audit & Governance Committee was renamed as Audit Committee and to be in line with the corporate governance standards as set out in the MCCG 2017, the Board, had in July 2018, approved the revised TOR for the AC.

During the year, the AC size had reduced from four (4) members on 1 April 2017 to three (3) members on 23 August 2017 when Mr. Raymond Wong Kwong Yee, a Non-Independent Non-Executive Director opted not to seek re-election in last year AGM. The current AC members comprise all Independent Non-Executive Directors with the Senior Independent Non-Executive Director as the Chairman.

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, with the appropriate level of expertise and experience would be considered for the membership of the AC.

For more specific disclosures on the activities of the AC in relation to Practice 8.1 to Practice 8.4 of the MCCG 2017 are set out in the CG Report 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

II. Risk Management and Internal Control Framework

It is the Board's responsibilities to maintain a sound system of enterprise risk management ("ERM") and internal control to safeguard the Company's investment and assets and to review the adequacy and effectiveness of the risk management and internal control.

In the absence of a Risk Management Committee, the Board's responsibilities in the risk management and oversight functions are through the AC. 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's ERM and to carry the internal audit function respectively. The Company is using TRC's Corporate Risk Scorecard ("CRS") and Q-Radar System for its ERM framework. Q-Radar System software is used to support the ERM process.

During the FY2018, ERM was being implemented for our Healthcare Segment which also included its clinical risk management aspects.

The Board is of the view that the system of risk management and internal controls in place for the FY2018, is satisfactory and sufficient to safeguard the Company's investment, its Group's assets and stakeholders' interest.

For more specific disclosures on the activities of the risk management and internal control in relation to Practice 9.1 and Practice 9.2 of the MCCG 2017 are set out in the CG Report 2018.

Details of the Company's internal controls system are set out in the Statement On Risk Management And Internal Control ("SORMIC") on pages 50 to 51 of the AR 2018.

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

I. Communication with Stakeholders

The Company is committed to communicate with the shareholders and its various stakeholders in a transparent, effective and on timely. Internally, the Company has in place a Corporate Disclosure Policy which serves as a guide to enhance awareness among 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 @ kycheong@southernacids.com;
c. Annual reports;
d. General meetings; and
e. Analysts briefing including sessions with investment fraternity initiated by the research houses.

For more specific disclosures on the activities of communication with stakeholders in relation to Practice 11.1 of the MCCG 2017 are set out in the CG Report 2018.

II. Conduct of Annual General Meeting

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

At the 36th AGM, all Directors and senior management personnel were present in person to engage directly with, and to be accountable to the shareholders on their stewardship in managing the Company. The CFO presented the Group's financial performance including the prospects, challenges as well as the actions to be initiated moving forward. Questions raised by shareholders were clarified by the Directors and senior management.

All resolutions set out in the notice of the general meetings were carried out by poll voting. The voting at the 36th AGM was conducted through electronic voting system, and was supervised and validated by external appointed scrutineers.

For more specific disclosures on the activities of conduct of an AGM in relation to Practice 12.1 to Practice 12.3 of the MCCG 2017 are set out in the CG Report 2018.

This Corporate Governance Overview Statement was approved by the Board of SAB on 9 July 2018.

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT

The Board is pleased to present the AC Report for the FY2018.

On 27 February 2018, the Committee has been renamed from Audit & Governance Committee to Audit Committee.

1. COMPOSITION AND MEMBERSHIP

As at the date of this report, the AC comprises three (3) members from the Board, all of whom are Independent Non-Executive Directors. 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.

During the financial year, the AC's size had reduced from four (4) members on 1 April 2017 to three (3) members on 23 August 2017 when Mr. Raymond Wong Kwong Yee, a Non-Independent Non-Executive Director opted not to seek re-election in the last AGM.

2. MEETING AND ATTENDANCE

The AC met four (4) times during the FY2018 and the membership and meetings attendance of the members are as follows:-

No.	Name	Position	Attendance of meetings
i)	Chung Kin Mun (Senior Independent Non-Executive Director)	Chairman	4/4
ii)	Leong So Seh (Independent Non-Executive Director)	Member	4/4
iii)	Teo Leng (Independent Non-Executive Director)	Member	4/4
iv)	Raymond Wong Kwong Yee ^ (Non-Independent Non-Executive Director)	Member	1/2

^ Retired on 23 August 2017

All AC members are provided with agenda, minutes of the previous meeting and a set of comprehensive reports or write-ups on matters to be discussed circulated at least five (5) business days before a board meeting to ensure that AC members are well informed, and if necessary, provides an opportunity for them to seek additional information and/or clarifications.

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.

3. TERM OF REFERENCE

The AC is governed and guided by its TOR, approved by the Board, which will be periodically reviewed and updated. In line with the corporate governance standards as set out in the MCCG 2017, the Board, had on 16 July 2018, approved the revised TOR and it is available for viewing at the Company's website at www.southernacids.com.

AUDIT COMMITTEE REPORT (CONT'D)

4. SUMMARY OF WORK

The AC worked closely with the Management, the internal auditors and the external auditors 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; and
- External auditors.

The AC will require those who are in attendance to leave the room when matters to be discussed are not involving them or confidentially of matters needed to be preserved.

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

Financial Reporting and Compliance

The AC reviewed and discussed with the Management on unaudited quarterly financial statements and the annual audited financial statements to ensure compliance with the Financial Reporting Standards, 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:-

- Details analysis of the unaudited quarterly financial results of the Group and the results of the respective segments;
- Highlight of exception items such as any significant transaction, significant adjustment from audit, any changes in accounting policies and changes in regulation, if any and applicable; and
- Reports from external consultants such as tax advisor on certain tax treatment and its implication to the financial statements.

The four (4) quarterly AC meetings held during the financial year are as follows:-

Date of Meeting	Review of Financial Statements
23 May 2017	Unaudited fourth quarter results for the period ended 31 March 2017 and unaudited results for the financial year ended 31 March 2017
21 August 2017	Unaudited first quarter results for the period ended 30 June 2017
27 November 2017	Unaudited second quarter results for the period ended 30 September 2017
27 February 2018	Unaudited third quarter results for the period ended 31 December 2017

In reviewing the annual audited financial statements the AC discussed with the management and the external auditors any material matters and/or exceptional items.

AUDIT COMMITTEE REPORT (CONT'D)

External Audit

During the financial year, the AC met with Deloitte PLT twice to review and deliberate 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
23 May 2017	The following were highlighted and briefed by Deloitte PLT: - • FY2017 Audit Summary Memorandum. The audit progress was smooth and no significant matter was reported; • Reviewed and deliberated the identified Key Audit Matters ("KAM") on Impairment of Property, Plant and Equipment which was related to Oleochemical Segment; • Reviewed and deliberated on matters relating to internal control as highlighted by Deloitte PLT during the course of audit; • Deloitte PLT briefed the AC on the MFRS 9, MFRS 15 and MFRS 16; and • Initial discussion on the proposed audit fees.
27 February 2018	The following were highlighted and briefed by Deloitte PLT: - • FY2018 Audit Planning Memorandum; • Basis of setting the materiality level; • Significant risks and areas of audit focus for the FY2018; • Reviewed and deliberated the identified KAM on Oleochemical Segment's Impairment of Property, Plant and Equipment; and • The preliminary impact assessment and discussion with the Management on MFRS 15 and MFRS 16.

The AC evaluated and deliberated the performance of the external auditors together with the management. Based on the AC's own observation and management's feedback on the engagement team's quality of service, ability to provide technical advice, 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.

After due deliberation, the AC had recommended the following proposed fees for audit and non-audit services incurred and payable to the external auditors and its affiliates for the FY2018 to the Board for approval:-

	Audit Fees	Non-Audit Fees
Company Level	75,000	7,000
Group Level	465,840	7,000

AUDIT COMMITTEE REPORT (CONT'D)

Internal Audit

The AC reviewed and approved the Internal Audit Plan for the FY2018 submitted by the Axcelasia to ensure the plan adequately cover the activities of the three (3) segments.

During the financial year, Axcelasia had carried out one (1) assignment for each segment and reports were presented to the AC for review and deliberation with the management together with Axcelasia. The internal audit areas for the three (3) cycles for the FY2018 were identical, focusing on the procurement management and inventory management. The reports are as follows:-

	Internal Audit Cycle	Date of Presentation of Report
1	Cycle 1 – Oleochemical Segment	21 August 2017
2	Cycle 2 – Healthcare Segment	27 February 2018
3	Cycle 3 – Milling & Estate Segment	27 February 2018

Axcelasia was also engaged to carry out an additional ad hoc special engagement for Healthcare Segment focusing on the specific transactions relating to the inventory. The special engagement report was presented to the Board on 24 May 2017.

The AC reviewed and deliberated with the management on all internal audit findings, management's responses and the appropriateness of the recommended action and the targeted timeline. This is to ensure the material audit findings were adequately addressed by the management of the respective segments.

The performance, competence and effectiveness of Axcelasia was reviewed and assessed, and 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 correction actions recommended on the identified areas, adequate team size and time spent during the audit. Axcelasia was subsequently recommended to the Board for their re-appointment.

Related Party Transactions ("RPT")

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

The Board, had in July 2018, upon the recommendation from the AC approved the Circular of RRPT to Shareholders in relation to the proposed renewal of shareholders' mandate for RRPT of a revenue or trading nature as well as the statements by the AC in respect of the proposed shareholders' mandate for RRPT.

Others

In every quarterly meeting, the AC reviewed the progress update on the ERM implementation and deliberated on areas of concern where applicable. In addition, the AC was also given a progressive update on the transfer pricing service agreements within the Group. At the date of this report, all service agreements had been signed.

The Board, had in July 2018, upon the recommendation from the AC approved the SORMIC, TOR of the AC and the AC Report.

AUDIT COMMITTEE REPORT (CONT'D)

INTERNAL AUDIT FUNCTION

The Internal Audit Function was outsourced to Axcelasia. The outsourced internal auditors ("OIA") supports the AC in the discharge of its duties and responsibilities and reports directly to the AC, provide reasonable independent assurance on the effectiveness and integrity of the internal control, risk management and governance processes, and provide recommendations for improvement on the selected operating processes.

During the FY2018, Axcelasia had carried out three (3) assignments, one (1) cycle for each of the three (3) segments.

The internal audit was performed in accordance with generally acceptable internal auditing practices. The scopes of work which have been agreed and carried out are as follows:-

- To assess the key risk areas, walkthrough or perform a high level review on the operational risks of the auditee segment;
- To interview and discuss with key management staff as well as limited tests of transactions on a sample basis covering the various related records and documents supplemented with an observation of its current practices;
- To conduct exit meetings with the key management staff for their comment in response to the internal audit findings, including suggested deadlines by the management on the agreed areas that require rectifications and improvements;
- To perform follow-up assessment on the internal audit findings highlighted in previous financial year; and
- To finalize the internal audit report using Exception Method, only matters that require rectification, improvement or attention by management, AC and Board will be highlighted and presented to the AC.

Total cost incurred for the Internal Audit Function for the FY2018 was RM217,753, which is inclusive of the additional ad hoc special engagement for Healthcare Segment.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26 (b) of the Bursa Malaysia MMLR the Board is pleased to present the SORMIC which outlines the nature and scope of the risk management and internal control of the Group in the FY2018.

Board Responsibility

The Board affirms its commitment in maintaining a sound system of risk management framework and internal control system as well as periodically reviewing its adequacy and integrity in safeguarding shareholders' investments and assets of the Group.

Notwithstanding, this system is designed to manage rather than eliminate the risks of failure to achieve its business objectives. Therefore, this system can only provide reasonable but not absolute assurance against material misstatement, operational failures, financial losses or fraudulent activities.

The AC is delegated by the Board to review the risk management and internal control system and processes of the Group.

Main Features of Risk Management

The Group's ERM process is based on TRC's ERM framework and its Q-Radar System. The Q-Radar System software is used to support the ERM process.

Oleochemical Segment was the first segment within the Group selected for the ERM implementation. However due to the resignation of the key ERM personnel of the segment and the time to recruit for replacement, the ERM implementation progress had been stalled for the time being. On a positive note, our Healthcare Segment has initiated its ERM program which included the clinical aspects using TRC's ERM Framework in January 2018. The implementation progress has been smooth. As at the date of this report, the final draft of the ERM report had been presented to the management on 25 June 2018.

While pending the implementation of the ERM over other segments, Control Self-Assessment ("CSA") is being used. CSA is a technique that allows managers and work teams directly involved in their respective segments, functions or processes to participate in assessing the organization's risk management and control processes formed part of our ERM framework. On risks relating to the Group's strategic objectives are assessed at the Group level.

The progress of the ERM activities over the Group which 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 on-going review process of key elements of the Group's internal control system:

1. **Organisation Structure**
   This is in place which formally defines lines of responsibilities, delegation of authority, and accountability for operation performance.

2. **Centralized Key Functions**
   The functions involved finance, investment, treasury, corporate affairs, compliances, tender committee, purchasing and human resources (for certain positions) to ensure consistency, efficiency, adherence to authority limits, policies and procedures.

3. **Operational Controls**
   There are level of authority for each level of management staff, appropriate approval processes are in place, and annual budgeting process which include target setting process.

4. **Financial Reporting Controls**
   Financial, non-financial and operating performance reports are generated on a regular, consistent basis and deliberated at the Board, AC and appropriate management meetings respectively. Where necessary, the heads of segment or relevant employees will be invited to attend AC meeting to provide clarification on any areas that concern the committee.

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

5. **Internal Audit**
   The OIA which reports directly to the AC will assess the adequacy and integrity of the system of internal control, and the effectiveness of the processes. The OIA will carry out the annual audit plan that is approved by the AC, with the objective to cover at least one (1) cycle of internal audit for each of the segments in every financial year. An OIA Report detailing the scope of works, findings and recommendations will be shared with the auditee segment and presented to the AC on regular basis.

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 FY2018 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 44 to 48 of the AR on the risk management and internal control activities undertaken during the FY2018.

Review of the SORMIC by External Auditors

Pursuant to Paragraph 15.23 of the Bursa Malaysia MMLR, our External Auditors, Deloitte PLT have reviewed this SORMIC for inclusion in this AR 2018.

Based on the procedures performed, nothing had come to their attention that caused them to believe that the SORMIC was not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement On Risk Management And Internal Control: Guidelines for Directors of Listed Issuers, nor was factually inaccurate.

CONCLUSION

The MD and CFO have given reasonable assurances to SAB Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects. They have in turn obtained the relevant assurance from all the heads of segments whom are responsible for implementing and monitoring the effectiveness of internal control system and processes with their commitments by signing the 'Annual Statement on Continuous Commitment to an Effective ERM Framework'.

The Board has also reviewed the effectiveness of the risk management and internal control system based on the reports and the issues highlighted by internal and external auditors on periodic basis. The Board has not been made aware of any significant failings or weaknesses identified in the system for the financial year under review and up to the date of approval of this SORMIC.

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 9 July 2018.

ADDITIONAL COMPLIANCE INFORMATION

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

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 FY2018 or entered into since the previous financial year.

Recurrent Related Party Transactions of a Revenue or Trading Nature

The details of the recurrent related party transactions are disclosed in Note 26 of the Financial Statements on pages 118 to 124 of the AR 2018.

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 FY2018 are as follows:

	Company (RM)	Group (RM)
Audit services rendered	75,000	465,840
Non-audit services rendered	7,000	7,000
- Review of the Statement On Risk Management And Internal Control		

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 Financial Reporting Standards ("FRS"), 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, 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

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 2018.

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	51,386	2,528
Income tax expense	(13,980)	-
Profit for the year	37,406	2,528
Attributable to:		
Equity holders of the Company	32,937	2,528
Non-controlling interests	4,469	-
	37,406	2,528

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 29 September 2017.

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 2019.

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 had 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 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 as and 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
Mohd Hisham Harun
Leong So Seh
Teo Leng
Raymond Wong Kwong Yee (Retired on 23.8.2017)

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
Tan Sri Dato' Low Boon Eng
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
Tiong Chuu Ling
Raymond Wong Kwong Yee #

Resigned during the financial year.

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 1.4.2017	**Bought**	**Sold**	**As at 31.3.2018**
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**
Tan Sri Dato' Low Boon Eng	2,487	-	-	**2,487**
Deemed interest				
Dr. Low Kok Thye*	65,689,824	-	-	**65,689,824**
Lim Kim Long**	69,032,267	-	-	**69,032,267**
Tan Sri Dato' Low Boon Eng*	65,684,977	-	-	**65,684,977**

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. Berhad, 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 any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in 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 26 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 2018 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
16 July 2018

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 2018 and the statements of profit or loss, statements of 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 64 to 144.

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 2018, and of their financial performance and their cash flows for the year then ended in accordance with 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 2018, included in property, plant and equipment are factory building and oleochemical plant of a subsidiary with carrying value of RM32,145,506. These assets are located on land belonging to Southern Realty (Malaya) Sdn. Berhad ("SRM"), a major shareholder of the Company, for which the lease is renewable upon expiry. SRM has agreed to extend the said rental agreement to 31 March 2020 which is significantly shorter than the remaining useful lives of the property, plant and equipment on the land. Pursuant to the said tenancy agreement, the Company intends to apply for a renewal of the tenancy agreement with SRM upon its expiry on 31 March 2020. Barring the renewal of the lease upon expiry, these assets may be impaired and this is an area of focus of our audit. The accounting policy and critical judgements for impairment of property, plant and equipment are set out in Note 3 and Note 4(i)(a) to the Financial Statements, respectively, and 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 viability of renewal of the lease. We examined the latest tenancy agreement and ensured that the agreement is renewed for the next 2 years. We reviewed all relevant correspondences between the Company and SRM to identify matters, if any, that would adversely impact the future renewal of the lease. We evaluated the historical trend of the lease renewal. We have also assessed the adequacy and appropriateness of the disclosures made in Note 3 and Note 4(i)(a) to the Financial Statements.

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 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 skepticism 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

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 towards any other person for the contents of this report.

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

HUANG KHEAN YEONG
Partner - 02993/05/2020 J
Chartered Accountant

Kuala Lumpur
16 July 2018

STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2018

	Note	The Group 2018 RM'000	The Group (Restated) 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Revenue	5	**763,104**	740,091	**7,346**	5,434
Investment revenue	6	**4,115**	4,443	**282**	580
Other operating income		**6,072**	14,577	**29**	168
Changes in inventories of finished goods and work-in-progress		**(3,249)**	9,030	**-**	-
Raw materials and consumables used		**(564,175)**	(517,497)	**-**	-
Depreciation of property, plant and equipment	13	**(14,644)**	(13,714)	**(424)**	(363)
Amortisation of biological assets	15	**(1,032)**	(479)	**-**	-
Directors' remuneration	7	**(3,765)**	(3,237)	**(1,393)**	(1,322)
Employee benefits expense	8	**(52,405)**	(48,141)	**(2,480)**	(2,691)
Other operating expenses		**(82,891)**	(109,929)	**(832)**	(916)
Finance cost	9	**(56)**	(81)	**-**	-
Share of results of an associate	17	**312**	(1,134)	**-**	-
Profit before tax	8	**51,386**	73,929	**2,528**	890
Income tax expense	10	**(13,980)**	(16,487)	**-**	-
Profit for the year		**37,406**	57,442	**2,528**	890
Attributable to:					
Equity holders of the Company		**32,937**	48,723	**2,528**	890
Non-controlling interests		**4,469**	8,719	**-**	-
		37,406	57,442	**2,528**	890
Earnings per share (sen) attributable to equity holders of the Company					
Basic and diluted	11	**24.05**	35.58		

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

STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	The Group		The Company	
		(Restated)		
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the year	**37,406**	57,442	**2,528**	890
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Gain arising from revaluation of available-for-sale investments	**5,742**	4,006	**5,742**	4,006
Exchange differences on translating foreign operations	**(24,574)**	15,688	**-**	-
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	**1,546**	634	**285**	-
	(17,286)	20,328	**6,027**	4,006
Total comprehensive income for the year, net of tax	**20,120**	77,770	**8,555**	4,896
Total comprehensive income attributable to:				
Equity holders of the Company	**24,929**	62,988	**8,555**	4,896
Non-controlling interests	**(4,809)**	14,782	**-**	-
	20,120	77,770	**8,555**	4,896

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Note	The Group 31.3.2018 RM'000	(Restated) 31.3.2017 RM'000	(Restated) 1.4.2016 RM'000
ASSETS				
Non-Current Assets				
Land held for property development	12	**141,926**	141,944	141,944
Property, plant and equipment	13	**149,179**	143,389	132,200
Investment property	14	**3,318**	3,318	3,318
Biological assets	15	**22,291**	23,179	17,108
Investment in an associate company	17	**2,519**	2,207	3,341
Available-for-sale investments	18	**48,895**	42,991	38,780
Advances for Plasma PIR-TRANS program	19	**-**	-	-
Advances for KKPA program	20	**7,381**	6,731	4,431
Deferred tax assets	21	**1,893**	2,339	1,574
Total Non-Current Assets		**377,402**	366,098	342,696
Current Assets				
Inventories	22	**70,866**	80,253	61,952
Derivative financial assets	23	**866**	580	2,359
Trade receivables	24 & 26	**45,862**	53,475	27,704
Other receivables, deposits and prepaid expenses	25 & 26	**18,298**	18,232	9,156
Amount owing by an associate company	27	**630**	373	123
Tax recoverable		**28,461**	21,060	16,036
Cash and cash equivalents	28	**174,381**	164,225	164,026
Total Current Assets		**339,364**	338,198	281,356
TOTAL ASSETS		**716,766**	704,296	642,052

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 MARCH 2018

	Note	31.3.2018 RM'000	The Group (Restated) 31.3.2017 RM'000	(Restated) 1.4.2016 RM'000
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	29	**171,255**	171,255	136,934
Reserves	30	**415,286**	397,204	375,384
Equity attributable to equity holders of the Company		**586,541**	568,459	512,318
Non-controlling interests	16	**50,481**	58,662	43,880
Total Equity		**637,022**	627,121	556,198
Non-Current and Deferred Liabilities				
Hire purchase payables	31	**123**	197	481
Provision for retirement benefits	32	**10,312**	10,957	10,019
Deferred tax liabilities	21	**1,937**	1,357	1,422
Total Non-Current and Deferred Liabilities		**12,372**	12,511	11,922
Current Liabilities				
Trade payables	26 & 33	**37,032**	32,389	21,698
Other payables and accrued expenses	26 & 33	**29,177**	30,706	33,606
Amount owing to an associate company	27	**-**	-	33
Derivative financial liabilities	23	**268**	1,040	-
Hire purchase payables	31	**217**	408	327
Tax liabilities		**557**	-	147
Dividend payable		**121**	121	121
Total Current Liabilities		**67,372**	64,664	55,932
Total Liabilities		**79,744**	77,175	67,854
TOTAL EQUITY AND LIABILITIES		**716,766**	704,296	642,052

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 MARCH 2018

	Note	The Company 2018 RM'000	2017 RM'000
Non-Current Assets			
Property, plant and equipment	13	**4,107**	4,342
Investment in subsidiary companies	16	**244,789**	244,789
Investment in an associate company	17	**917**	917
Available-for-sale investments	18	**48,895**	42,991
Total Non-Current Assets		**298,708**	293,039
Current Assets			
Other receivables, deposits and prepaid expenses	25 & 26	**161**	271
Amount owing by subsidiary companies	26	**1,330**	1,035
Amount owing by an associate company	27	**93**	94
Cash and cash equivalents	28	**6,557**	11,648
Total Current Assets		**8,141**	13,048
TOTAL ASSETS		**306,849**	306,087
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	29	**171,255**	171,255
Reserves	30	**133,288**	131,580
Total Equity		**304,543**	302,835
Non-Current and Deferred Liability			
Provision for retirement benefits	32	**897**	1,684
Current Liabilities			
Other payables and accrued expenses	26 & 33	**1,158**	1,307
Amount owing to a subsidiary company	26	**130**	140
Dividend payable		**121**	121
Total Current Liabilities		**1,409**	1,568
Total Liabilities		**2,306**	3,252
TOTAL EQUITY AND LIABILITIES		**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 2018

The Group	Note	Share capital RM'000	← Non-distributable reserves: Share premium RM'000	Foreign exchange reserve RM'000	Other reserve RM'000	Fair value reserve RM'000 →	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 (Restated)		171,255	-	743	(322)	18,244	378,539	568,459	58,662	627,121
Profit for the year		-	-	-	-	-	32,937	32,937	4,469	37,406
Other comprehensive income		-	-	(15,296)	-	5,742	1,546	(8,008)	(9,278)	(17,286)
Total comprehensive income for the year, net of tax		-	-	(15,296)	-	5,742	34,483	24,929	(4,809)	20,120
Dividends paid	35	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	(3,372)	(3,372)
As at 31 March 2018		**171,255**	**-**	**(14,553)**	**(322)**	**23,986**	**406,175**	**586,541**	**50,481**	**637,022**
As at 1 April 2016										
As previously reported		136,934	34,321	(9,042)	(322)	14,238	337,813	513,942	44,576	558,518
Prior year adjustments		-	-	(30)	-	-	(1,594)	(1,624)	(696)	(2,320)
As restated		136,934	34,321	(9,072)	(322)	14,238	336,219	512,318	43,880	556,198
Profit for the year		-	-	-	-	-	48,654	48,654	8,690	57,344
Other comprehensive income		-	-	10,022	-	4,006	444	14,472	6,151	20,623
Prior year adjustments		-	-	(207)	-	-	69	(138)	(59)	(197)
Total comprehensive income for the year, net of tax		-	-	9,815	-	4,006	49,167	62,988	14,782	77,770
Transfer arising from "no par value" regime	29	34,321	(34,321)	-	-	-	-	-	-	-
Dividends paid	35	-	-	-	-	-	(6,847)	(6,847)	-	(6,847)
As at 31 March 2017 (Restated)		171,255	-	743	(322)	18,244	378,539	568,459	58,662	627,121

STATEMENTS OF CHANGES IN EQUITY (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2018

			Non-distributable reserve		Distributable reserve -	
	Note	Share capital RM'000	Share premium RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total Equity RM'000
The Company						
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, net of tax		-	-	5,742	2,813	8,555
Dividends paid	35	-	-	-	(6,847)	(6,847)
As at 31 March 2018		**171,255**	**-**	**23,986**	**109,302**	**304,543**
As at 1 April 2016		136,934	34,321	14,238	119,293	304,786
Profit for the year		-	-	-	890	890
Other comprehensive income		-	-	4,006	-	4,006
Total comprehensive income for the year, net of tax		-	-	4,006	890	4,896
Transfer arising from "no par value" regime	29	34,321	(34,321)	-	-	-
Dividends paid	35	-	-	-	(6,847)	(6,847)
As at 31 March 2017		171,255	-	18,244	113,336	302,835

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	The Group		The Company	
		(Restated)		
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	**51,386**	73,929	**2,528**	890
Adjustments for:				
Depreciation of property, plant and equipment	**14,644**	13,714	**424**	363
Unrealised loss/(gain) on foreign exchange	**5,955**	(5,397)	**3**	(6)
Provision for retirement benefits	**1,818**	1,654	**370**	244
Amortisation of biological assets	**1,032**	479	**-**	-
Loss on disposal of property, plant and equipment	**210**	87	**1**	-
Allowance/(Allowance no longer required) for doubtful debts:				
Trade receivables	**113**	(743)	**-**	-
Other receivables	**-**	(113)	**-**	-
Inventories written off	**70**	35	**-**	-
Finance cost	**56**	81	**-**	-
Development cost written off	**18**	-	**-**	-
Property, plant and equipment written off	**15**	42	**1**	-
Bad debts written off	**12**	-	**-**	-
Share of results of an associate	**(312)**	1,134	**-**	-
Net revaluation (gain)/loss on derivatives	**(1,058)**	2,819	**-**	-
(Provision no longer required)/Provision for incremental rental charges	**(1,791)**	1,027	**-**	-
Dividend income	**(3,391)**	(1,874)	**(3,391)**	(1,874)
Investment revenue	**(4,115)**	(4,443)	**(282)**	(580)
Inventories written down	**-**	838	**-**	-
Operating Profit/(Loss) Before Working Capital Changes	**64,662**	83,269	**(346)**	(963)
(Increase)/Decrease in:				
Inventories	**9,317**	(19,174)	**-**	-
Trade receivables	**4,850**	(22,051)	**-**	-
Other receivables, deposits and prepaid expenses	**(3,362)**	(8,963)	**110**	(54)
Amount owing by an associate company	**(257)**	(250)	**1**	3
Amount owing by a subsidiary company	**-**	-	**(1,167)**	(146)
Increase/(Decrease) in:				
Trade payables	**2,252**	11,114	**-**	-
Amount owing to a subsidiary company	**-**	-	**(10)**	-
Other payables and accrued expenses	**(10,697)**	(3,927)	**(152)**	6
Amount owing to an associate company	**-**	(33)	**-**	-
Cash Generated From/(Used In) Operations	**66,765**	39,985	**(1,564)**	(1,154)
Income tax refunded	**1,880**	9	**-**	-
Retirement benefits paid	**(150)**	(407)	**-**	-
Income tax paid	**(12,241)**	(22,378)	**-**	-
Net Cash From/(Used In) Operating Activities	**56,254**	17,209	**(1,564)**	(1,154)

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2018

	The Group		The Company	
		(Restated)		
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Interest income received	**4,115**	4,443	**282**	580
Dividends received	**3,391**	1,874	**3,391**	1,874
Proceeds from KKPA program	**-**	468	**-**	-
Proceeds from disposal of property, plant and equipment	**161**	258	**3**	-
Additions to available-for-sale investments	**(162)**	(205)	**(162)**	(205)
Additions to property, plant and equipment	**(30,548)**	(17,027)	**(194)**	(640)
Additions to biological assets	**(3,905)**	(4,345)	**-**	-
Additions to investment in subsidiaries	**-**	-	**-**	(4,900)
Additions for KKPA program	**(1,927)**	(2,069)	**-**	-
Finance cost paid	**(56)**	(81)	**-**	-
Net Cash (Used In)/From Investing Activities	**(28,931)**	(16,684)	**3,320**	(3,291)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
Repayment of hire purchase payables	**(265)**	(203)	**-**	-
Dividend paid by:				
Subsidiary companies to non-controlling interests	**(3,372)**	-	**-**	-
The Company	**(6,847)**	(6,847)	**(6,847)**	(6,847)
Net Cash Used In Financing Activities	**(10,484)**	(7,050)	**(6,847)**	(6,847)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**16,839**	(6,525)	**(5,091)**	(11,292)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**164,225**	164,026	**11,648**	22,940
EFFECT OF TRANSLATION DIFFERENCES	**(6,683)**	6,724	**-**	-
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 28)	**174,381**	164,225	**6,557**	11,648

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 in the Group.

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 16 July 2018.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the provisions of the Companies Act, 2016.

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.

Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework"), a fully-IFRS compliant framework. Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities ("TEs").

TEs, being entities within the scope of MFRS 141 *Agriculture* and/or IC Interpretation 15: *Agreements for the Construction of Real Estate*, including its parents, significant investors and venturers were allowed to defer the adoption of the MFRS Framework until such time as mandated by the MASB. On 2 September 2014, with the issuance of MFRS 15 *Revenue from Contracts with Customers* and Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*, the MASB announced that TEs which have chosen to continue with the FRS Framework is now required to adopt the MFRS Framework latest by 1 January 2018.

On 8 September 2015, the MASB confirmed that the effective date of MFRS 15 will be deferred to annual periods beginning on or after 1 January 2018. However, early application of MFRS 15 is still permitted.

The Group and the Company fall within the scope definition of TEs and have availed themselves of this transitional arrangement and will continue to apply FRSs in the preparation of their financial statements. Accordingly, the Group and the Company will be required to apply MFRS 1 *First-time Adoption of MFRS* in their financial statements for the financial year ending 31 March 2019, being the first set of financial statements prepared in accordance with the new MFRS Framework.

The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. At the date of authorisation for issue of these financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Group's and the Company's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is complete.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

Adoption of New and Revised Financial Reporting Standards

In the current financial year, the Group and the Company have adopted all the Standards and Amendments issued by the MASB which became effective for annual periods beginning on or after 1 April 2017 as follows:

Amendments to FRSs	Annual Improvements to FRSs 2014 - 2016 Cycle
Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of these Standards and Amendments has not resulted 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.

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 Standard, 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:

FRS 9	Financial Instruments[1 & 4]
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions[2 & 4]
Amendments to FRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract[2 & 4]
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to FRS 140	Transfers of Investment Property[1 & 4]
Amendments to FRSs	Annual Improvements to FRSs 2015 - 2017 cycle[1 & 4]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration[1 & 4]
IC Interpretation 23	Uncertainty over Income Tax Payments[2 & 4]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted
[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted
[3] Effective for annual periods beginning on or after a date to be determined
[4] An entity that has in the alternative applied FRSs shall apply MFRSs for annual periods beginning on or after 1 January 2018. Such entity shall apply the corresponding amendments under MFRSs instead of these Amendments, on after 1 January 2018

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes requirements for the classification and measurement of financial liabilities and for de-recognition, and in November 2013, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB - MFRS 9 (IFRS 9 issued by IASB in July 2014) mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

MFRS 9 Financial Instruments (Cont'd)

Key requirements of MFRS 9:

All recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost ("AC") at the end of subsequent accounting periods.

Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors have preliminary assessed the following for its MFRS 9 adoption:

	2018 RM'000	Existing classification under MFRS139	New classification under MFRS9
Financial assets			
Available-for-sales investments	**48,895**	AFS	FVTOCI
Cash and cash equivalents	**174,381**	L&R	AC

Based on 3-years historical trend of the Group's allowance for doubtful debts, which has consistently been less than 1% of the total receivable balance. The directors do not expect the adoption of MFRS 9 to have significant impact to the comparative as at 31 March 2018.

The directors intend to use the full retrospective method of transition to MFRS 9. Apart from providing more extensive disclosures on the Group's financial instruments, the directors do not anticipate that the application of MFRS 9 will have 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 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.

In June 2016, the MASB issued Clarifications to MFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors have specifically considered MFRS 15's guidance on contract modifications arising from variation orders, identifying performance obligations, and the assessment of whether there is a significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of control of services to the customer and the timing of the related payments.

Based on the preliminary assessment, the Group estimates that the impact of the revenue allocation to each recognition of revenue and associated costs to fulfil the contract will not be significantly different from that currently determined.

The directors intend to use the full retrospective method of transition to MFRS 15. Apart from providing more extensive disclosures on the Group's revenue transactions, the directors do not anticipate that the application of MFRS 15 will have a significant impact on the financial position and/or financial performance of the Group except that as disclosed above.

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.

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 statement 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 amendment 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 capital maintenance model on its bearer plants (previously termed as biological assets) whereby the expenditure on new planting was capitalised as biological assets at cost and was not amortised. Replanting of same crops expenditure was charged to the profit or loss in the financial year in which the expenditure was incurred.

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 bunch ("FFB") prior to harvest and trees in planted forest. 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 and tree logs felled.

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.

To arrive at the fair value of planted trees, the management considered the age of the trees planted and derived the assumption that the net cash flow to be generated from planted trees. Costs to sell, which include harvesting and transport cost, are deducted in arriving at the net cash flow to be generated.

The Group is currently assessing the impact of adoption of these MFRSs. As at the date of authorisation of issue of the financial statements, this assessment process is still on-going. Thus, the impact of adoption cannot be determined and estimated reliably now until the process is complete.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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 FRS 2, leasing transactions that are within the scope of FRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 102 or value in use in FRS 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries and Basis of Consolidation (Cont'd)

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 FRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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 acquire 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 FRS 112 *Income Taxes* and FRS 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 FRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (Cont'd)

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 FRSs.

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 FRS 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.

Revenue

Revenue of the Company consists of dividend income, management fees through provision of group services and gross invoiced value of sales less returns and discounts.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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, subsequent provision for retirement benefits was made based on the same method.

(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 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee Benefits (Cont'd)

(ii) Post-employment benefits (Cont'd)

(b) Defined benefit plans (Cont'd)

(ii) Indonesia (Cont'd)

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 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.

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 statement 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Tax (Cont'd)

Deferred tax (cont'd)

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.

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%
Leasehold warehouse cum office block	10%
Staff quarter cum office block	5% - 10%
Freehold warehouse	2%
Land improvements	5%
Renovation	10%

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.

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 statement 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

Immature and mature palm oil plantations are classified as biological assets. Biological assets, consisting of costs for land clearing, planting and replanting and upkeep of trees to maturity, are initially recorded at cost. Immature plantations are not amortised. Upon maturity of crops, the biological assets are amortised over 20 years, representing the economic useful lives of the crops.

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 FRS 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment in an Associate (Cont'd)

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 FRS 139 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 FRS 136 Impairment of Assets 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 FRS 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 FRS 139. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Advances for Plasma PIR-TRANS Program and KKPA Program

Advances for Plasma PIR-TRANS program in respect of a subsidiary company in Indonesia, as further explained in Note 19, represent the accumulated costs (including borrowing costs and indirect overhead costs) financed by a bank to develop plasma plantations for plasma farmers under a scheme imposed by the Indonesian government. When a plasma plantation program is substantially completed and ready to be transferred or handed-over to the plasma farmers, the corresponding investment credit from the bank is also transferred to the plasma farmers.

Advances for Kredit Koperasi Primer untuk Anggotanya ("KKPA") program in respect of another subsidiary company in Indonesia, as further explained in Note 20, 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 Plasma PIR-TRANS program and 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and, "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

Effective interest method

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 through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling 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 assets 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 dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group and the Company have the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment, with revenue recognised on an effective yield basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are those that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest rate method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Available-for-sale financial assets (cont'd)

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are stated at cost.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's and the Company's right to receive the dividends is established.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the end of the reporting period.

Impairment of financial assets

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 asset, the estimated future cash flows of the investment have been affected.

(a) Loans and receivables

Receivables assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

In respect of receivables carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(b) Available-for-sale ("AFS") financial assets

For equity instruments classified as AFS, a significant or prolonged decline in the fair value of the securities below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are classified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previous recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial Liabilities and Equity Instruments

Classification as debt or equity

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.

Equity instruments

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.

Financial liabilities

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

Financial liabilities at FVTPL

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 expired. 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 FRS 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 tenancy 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, expired on 31 March 2017 but SRM has agreed to extend the said rental agreement to 31 March 2020 which is significantly shorter than the remaining useful lives of the property, plant and equipment on the land. Pursuant to the said tenancy agreement, SAI intends to apply for a renewal of the tenancy agreement with SRM upon its expiry. Based on past experience of successful renewal of the tenancy agreement and since SRM is a major shareholder of the Company, the directors of the subsidiary company are confident that the said tenancy 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 RM32,145,506 (2017: RM23,395,024).

(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 RM19,722,475 (2017: RM20,437,034), which is constructed on the said land.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(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:

(a) Allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowance is applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables and doubtful debts expense in the year in which such estimate has been changed. As at the end of the reporting period, allowance for doubtful debts on receivables provided by the Group is as follows:

	The Group	
	2018 RM'000	2017 RM'000
Trade receivables	683	789
Other receivables	142	142
	825	931

(b) Allowance for loss on conversion of Advances for Plasma PIR-TRANS Program and KKPA Program

The Group makes allowance for loss on conversion of advances for Plasma PIR-TRANS program and KKPA program based on an assessment of the recoverability of advances. Allowance is applied to advances where events or changes in circumstances indicate that the balances may not be collectible. The identification of allowance for loss requires use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the advances and allowance for loss on conversion expenses in the period in which such estimate has been changed. As at the end of the reporting period, allowance for loss on conversion of advances provided by the Group is as follows:

	The Group	
	2018 RM'000	2017 RM'000
Advances for Plasma PIR-TRANS program	-	-
Advances for KKPA program	400	400
	400	400

(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	
	2018 RM'000	2017 RM'000
Deferred tax assets	1,893	2,339

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

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

(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 2018, the Company has recognised impairment loss in respect of the following asset:

	The Company	
	2018 RM'000	2017 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 provides 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 statement 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 32.

(f) Provision for incremental rental charges

SAI entered into a tenancy agreement for the rental of a parcel of land, where the factory building and oleochemical plant of SAI are located as mentioned in Note 4(i)(a). As stipulated in the tenancy agreement and subsequent renewal agreement (collectively "the agreements"), SRM reserves the right to backcharge the difference between the rental rates charged as per the agreements and the market rental rates for the relevant periods, in the future once the market rental rates for the relevant periods is established and made available.

In connection with the above, based on the directors' best estimate, a provision for incremental rental charges was established based on the estimated market rental rates with reference to the rental rates charged on similar parcels of land for the relevant periods in the same location.

The carrying amount of provision for incremental rental charges is disclosed in Note 33.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Manufacturing and marketing of oleochemical products	**383,869**	365,158	-	-
Sales of oil palm fruit and crude palm oil	**275,802**	283,092	-	-
Managing and operating of private hospital	**84,716**	80,097	-	-
Bulk conveyor operations	**9,393**	5,778	-	-
Administrative services fee	**5,683**	3,757	-	-
Dividend income from quoted shares	**3,391**	1,874	3,391	1,874
Management fees	**250**	335	3,955	3,560
	763,104	740,091	7,346	5,434

6. INVESTMENT REVENUE

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Interest income on fixed deposits and short-term placements	**4,115**	4,443	282	580

7. DIRECTORS' REMUNERATION

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Directors of the Company				
Executive directors:				
Fees	**100**	90	**100**	90
Other emoluments	**883**	824	**883**	824
	983	914	**983**	914
Non-executive directors:				
Fees	**368**	360	**368**	360
Other emoluments	**42**	48	**42**	48
	410	408	**410**	408
	1,393	1,322	**1,393**	1,322
Directors of the subsidiaries				
Fees	**610**	266	**-**	-
Other emoluments	**1,762**	1,649	**-**	-
	2,372	1,915	**-**	-
Total	**3,765**	3,237	**1,393**	1,322

Contributions to EPF for the directors of the Group and the Company during the current financial year amounted to RM227,906 and RM104,160 (2017: RM220,056 and RM97,268) 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 RM89,604 and RM62,940 (2017: RM56,439 and RM39,114) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. PROFIT BEFORE TAX

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Provision no longer required/(Provision) for incremental rental charges	**1,791**	(1,027)	**-**	-
Share of common expense	**1,286**	717	**-**	-
Net revaluation gain/(loss) on derivatives	**1,058**	(2,819)	**-**	-
Rental income	**1,045**	1,030	**-**	-
(Loss)/Gain on foreign exchange (net):				
Unrealised	**(5,955)**	5,397	**(3)**	6
Realised	**(2,444)**	1,702	**(20)**	-
Provision for retirement benefits (Note 32)	**(1,818)**	(1,654)	**(370)**	(244)
Rental of:				
Land	**(339)**	(253)	**-**	-
Land paid/payable to a related party (Note 26)	**(140)**	(140)	**-**	-
Premises paid/payable to third parties	**-**	(18)	**-**	-
Premises paid/payable to a related party (Note 26)	**(76)**	(75)	**-**	-
Staff quarters paid/payable to a related party (Note 26)	**(107)**	(113)	**-**	-
Equipment paid/payable to a related party (Note 26)	**(9)**	(9)	**-**	-
Plant and machinery	**(605)**	(636)	**-**	-
Office equipment	**(13)**	(13)	**-**	-
Fees paid/payable to external auditors:				
Statutory audit:				
Auditors of the Company	**(260)**	(238)	**(75)**	(75)
Member firm of the auditors of the Company	**(206)**	(194)	**-**	-
Other auditors	**(7)**	(7)	**-**	-
Non-audit services:				
Auditors of the Company:				
Current year	**(7)**	(6)	**(7)**	(6)
Underprovision in prior year	**(1)**	-	**(1)**	-
Other auditors	**(133)**	(61)	**(8)**	(9)
Loss on disposal of property, plant and equipment	**(210)**	(87)	**(1)**	-
(Allowance)/Allowance no longer required for doubtful debts:				
Trade receivables	**(113)**	743	**-**	-
Other receivables	**-**	113	**-**	-
Inventories written off (Note 22)	**(70)**	(35)	**-**	-
Development cost written off	**(18)**	-	**-**	-
Property, plant and equipment written off	**(15)**	(42)	**(1)**	-
Bad debts written off	**(12)**	-	**-**	-
Inventories written down (Note 22)	**-**	(838)	**-**	-

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 (2017: RM4,242,969 and RM336,149) respectively.

9. FINANCE COST

	The Group	
	2018 RM'000	2017 RM'000
Interest expense on hire purchase payables	**56**	81

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. INCOME TAX EXPENSE

	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Estimated tax payable:				
Current year	**12,458**	17,449	**-**	-
Under/(Over)provision in prior years	**805**	(132)	**-**	-
	13,263	17,317	**-**	-
Deferred tax (Note 21):				
Current year	**478**	(759)	**-**	-
Under/(Over)provision in prior years	**239**	(71)	**-**	-
	717	(830)	**-**	-
	13,980	16,487	**-**	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 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 2018 RM'000	The Group (Restated) 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Profit before tax	**51,386**	73,929	**2,528**	890
Tax at the Malaysian statutory income tax rate of 24% (2017: 24%)	**12,333**	17,743	**607**	214
Different tax rate in other jurisdiction	**199**	302	**-**	-
Tax effects of:				
Non-deductible expenses	**3,937**	349	**120**	102
Non-taxable income	**(3,728)**	(1,647)	**(906)**	(591)
Realisation of deferred tax assets previously not recognised	**(55)**	(332)	**-**	-
Deferred tax assets not recognised	**250**	275	**179**	275
Under/(Over) provision in prior years:				
Current	**805**	(132)	**-**	-
Deferred tax	**239**	(71)	**-**	-
Income tax expense	**13,980**	16,487	**-**	-

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 RM7,543,000 (2017: 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 RM170,291,000 (2017: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. INCOME TAX EXPENSE (CONT'D)

A subsidiary company has tax-exempt income under the Income Tax (Amendment) Act, 1999 amounting to approximately RM715,000 (2017: 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.

The Finance (No.3) Act 2017 gazetted on 16 January 2017 reduced the corporate income tax rate from 24% to rates below based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment:

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point of reduction income tax rate	Reduced income tax rate on increase in chargeable income %
Less than 5%	Nil	24
5% - 9.99%	1	23
10% - 14.99%	2	22
15% - 19.99%	3	21
20% and above	4	20

The above changes are effective for year of assessment 2018. Following this, the applicable tax rates to be used for the measurement of any applicable deferred tax will be at the expected rates.

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 2018	The Group (Restated) 2017
Profit for the year attributable to ordinary equity holders of the Company (RM'000)	**32,937**	48,723
Number of ordinary shares in issue	**136,934,132**	136,934,132
Basic earnings per share (sen)	**24.05**	35.58

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 2018 RM'000	The Group 2017 RM'000
Freehold land at cost	**136,343**	136,343
Development costs	**5,583**	5,601
	141,926	141,944

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 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**
Total	367,660	30,548	(5,416)	(2,241)	-	(16,569)	**373,982**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

The Group Cost	As of 1 April 2016 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 2017 RM'000
Leasehold land	2,160	-	-	-	-	277	2,437
Freehold land	5,123	-	-	-	-	22	5,145
Freehold office	3,593	-	-	-	-	-	3,593
Factory buildings	10,662	-	-	-	-	-	10,662
Palm oil mills	65,630	153	-	-	335	8,504	74,622
Hospital building	29,300	206	-	-	-	-	29,506
Medical equipment	44,366	1,812	(275)	(219)	-	-	45,684
Plant, machinery, equipment and electrical installation	137,344	6,801	(21)	(6)	-	1,437	145,555
Motor vehicles	6,474	813	-	-	-	397	7,684
Office equipment, furniture and fittings	20,601	1,240	(636)	(121)	143	76	21,303
Staff quarter cum office block	6,093	59	-	-	-	790	6,942
Land improvements	6,508	41	-	-	-	845	7,394
Construction in-progress:							
Plant and machinery	-	3,767	-	-	-	-	3,767
Building	621	2,135	-	-	(478)	38	2,316
Renovation	1,050	-	-	-	-	-	1,050
Total	339,525	17,027	(932)	(346)	-	12,386	367,660

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**
Total	224,271	14,644	(5,045)	(2,226)	-	(6,841)	**224,803**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

The Group Accumulated Depreciation	As of 1 April 2016 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 2017 RM'000
Leasehold land	1,315	66	-	-	-	154	1,535
Freehold land	-	-	-	-	-	-	-
Freehold office	420	72	-	-	-	-	492
Factory buildings	3,379	226	-	-	-	-	3,605
Palm oil mills	15,988	4,127	-	-	-	2,267	22,382
Hospital building	8,480	589	-	-	-	-	9,069
Medical equipment	36,028	1,814	(192)	(199)	-	-	37,451
Plant, machinery, equipment and electrical installation	116,184	4,364	(17)	(5)	-	752	121,278
Motor vehicles	4,130	518	-	-	-	160	4,808
Office equipment, furniture and fittings	15,455	872	(378)	(100)	-	52	15,901
Staff quarter cum office block	2,375	570	-	-	-	334	3,279
Land improvements	2,987	391	-	-	-	404	3,782
Construction in-progress:							
Plant and machinery	-	-	-	-	-	-	-
Building	-	-	-	-	-	-	-
Renovation	584	105	-	-	-	-	689
Total	207,325	13,714	(587)	(304)	-	4,123	224,271

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

The Group	Net Book Value 2018 RM'000	2017 RM'000
Leasehold land	**961**	902
Freehold land	**5,115**	5,145
Freehold office	**7,899**	3,101
Factory buildings	**7,324**	7,057
Palm oil mills	**40,971**	52,240
Hospital building	**19,722**	20,437
Medical equipment	**7,727**	8,233
Plant, machinery, equipment and electrical installation	**31,534**	24,277
Motor vehicles	**2,317**	2,876
Office equipment, furniture and fittings	**9,475**	5,402
Staff quarter cum office block	**2,678**	3,663
Land improvements	**2,870**	3,612
Construction in-progress:		
Plant and machinery	**10,104**	3,767
Building	**212**	2,316
Renovation	**270**	361
Total	**149,179**	143,389

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 2016	3,593	853	1,267	1,049	6,762
Additions	-	551	89	-	640
Disposals	-	-	(6)	-	(6)
As at 31 March 2017/1 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	**3,593**	**1,522**	**1,376**	**1,065**	**7,556**
Accumulated Depreciation					
As at 1 April 2016	420	852	842	583	2,697
Charge for the year	71	37	150	105	363
Disposals	-	-	(6)	-	(6)
As at 31 March 2017/1 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	**563**	**1,019**	**1,072**	**795**	**3,449**
Net Book Value					
As at 31 March 2018	**3,030**	**503**	**304**	**270**	**4,107**
As at 31 March 2017	3,102	515	364	361	4,342

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 RM19,722,475 (2017: RM20,437,034), which is constructed on the said land.

(ii) As at 31 March 2018, the strata title in respect of freehold office with net book value of RM7,898,822 (2017: RM3,101,533) and RM3,029,683 (2017: RM3,101,533) belonging to the Group and the Company has yet to be 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 rental agreement between SRM and SAI expired on 31 March 2017 but SRM has agreed to extend the said rental agreement to 31 March 2020, which is significantly shorter than the remaining useful life of the property, plant and equipment on the land. Pursuant to the said tenancy agreement, SAI intends to apply for a renewal of the tenancy 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 RM32,145,506 (2017: RM23,395,024).

(iv) Included in property, plant and equipment of the Group are fully depreciated assets with cost amounting to RM152,224,041 (2017: RM147,678,643), 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 RM1,057,191 (2017: RM1,189,000).

14. INVESTMENT PROPERTY

	The Group	
	2018	**2017**
	RM'000	**RM'000**
At cost	**3,318**	3,318
Fair value	**8,500**	8,500

Investment property consists of a piece of vacant freehold land in Kampung Jawa, Klang. The fair value of the investment property was estimated by the directors. A valuation was carried out by an independent firm of professional valuers in December 2011, using the comparison method, involving comparison to other similar properties in the same location to arrive at a fair value of RM8,500,000 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 (2017: 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 2018 are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair value RM'000
2018				
Investment property	**-**	**-**	**8,500**	**8,500**
2017				
Investment property	-	-	8,500	8,500

15. BIOLOGICAL ASSETS

	The Group 31.3.2018 RM'000	(Restated) 31.3.2017 RM'000	(Restated) 1.4.2016 RM'000
Cost			
At beginning of year	**28,829**	21,530	20,536
Additions	**3,905**	4,345	6,229
Write-off - prior year adjustments	**-**	-	(5,983)
Effects of foreign exchange translation	**(4,886)**	2,954	748
At end of year	**27,848**	28,829	21,530
Accumulated Amortisation			
At beginning of year	**5,650**	4,422	7,189
Charge for the year	**1,032**	479	720
Write-off - prior year adjustments	**-**	-	(3,705)
Effects of foreign exchange translation	**(1,125)**	749	218
At end of year	**5,557**	5,650	4,422
Net Book Value	**22,291**	23,179	17,108

The Group restated its prior years' financial statements due to a write-off of biological assets in 2013 and 2014 that were not recorded in the financial statements as of year 2016 and 2017 as disclosed in Note 41.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company 2018 RM'000	2017 RM'000
Unquoted shares - at cost	**251,991**	247,091
Additions	**-**	4,900
	251,991	251,991
Less: Accumulated impairment loss	**(7,202)**	(7,202)
Net	**244,789**	244,789

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 (2017: 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 2018	2017	Principal activities
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
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Indirect subsidiary companies	Country of incorporation	Proportion of ownership interest 2018	2017	Principal activities
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 auditors' report on the financial statements of this subsidiary company include an emphasis of matter regarding the ability of this subsidiary company to continue as a going concern in view of its capital deficiency position as at the end of the reporting period. The financial statements of this subsidiary company have been prepared on a going-concern basis as the Company has undertaken to continue providing financial support to this subsidiary 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 2018	2017
Manufacturing and marketing of oleochemical products	Malaysia	**1**	1
Managing and operating of private hospital	Malaysia	**3**	3
Sales 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 2018	2017
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
2018				
Firstview Development Sdn. Bhd.	Malaysia	**10.0%**	**(193)**	**11,758**
PT Mustika Agro Sari (Held through Firstview Development Sdn. Bhd.)	Indonesia	**37.0%**	**5,992**	**34,990**
PT Wanasari Nusantara (Held through PT Mustika Agro Sari)	Indonesia	**37.0%**	**(1,330)**	**3,733**
Total			**4,469**	**50,481**
2017 (Restated)				
Firstview Development Sdn. Bhd.	Malaysia	10.0%	172	12,972
PT Mustika Agro Sari (Held through Firstview Development Sdn. Bhd.)	Indonesia	37.0%	7,568	40,273
PT Wanasari Nusantara (Held through PT Mustika Agro Sari)	Indonesia	37.0%	979	5,417
Total			8,719	58,662

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.

	2018 RM'000	2017 RM'000
Firstview Development Sdn. Bhd.		
Statement of financial position		
Current assets	**27,200**	21,254
Non-current assets	**9,039**	9,039
Current liabilities	**235**	232
Equity attributable to owners of the Company	**24,246**	17,089
Non-controlling interests	**11,758**	12,972
Statement of profit or loss		
Revenue	**8,456**	-
(Expenses)/other income	**(1,620)**	1,830
Profit before tax	**6,836**	1,830
Income tax expense	**(893)**	(114)
Profit for the year	**5,943**	1,716
Profit attributable to owners of the Company	**5,349**	1,544
Profit attributable to the non-controlling interests	**594**	172
Profit for the year	**5,943**	1,716
Statement of other comprehensive income		
Other comprehensive income for the year	**-**	-
Total comprehensive income attributable to owners of the Company	**5,349**	1,544
Total comprehensive income attributable to the non-controlling interests	**594**	172
Total comprehensive income for the year	**5,943**	1,716
Statement of cash flows		
Net cash from/(used in) operating activities	**15,044**	(988)
Net cash (used in)/generated from investing activities	**(7,959)**	713
Net cash generated from financing activities	**3**	24
Net cash inflow/(outflow)	**7,088**	(251)

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)

	2018 RM'000	2017 RM'000
PT Mustika Agro Sari		
Statement of financial position		
Current assets	**110,910**	126,085
Non-current assets	**25,150**	28,241
Current liabilities	**16,989**	18,175
Non-current liabilities	**2,403**	2,290
Equity attributable to owners of the Company	**81,668**	93,588
Non-controlling interests	**35,000**	40,273
Statement of profit or loss		
Revenue	**141,323**	143,848
Expenses	**(125,188)**	(123,395)
Profit for the year	**16,135**	20,453
Profit attributable to owners of the Company	**10,165**	12,885
Profit attributable to the non-controlling interests	**5,970**	7,568
Profit for the year	**16,135**	20,453
Statement of other comprehensive income		
Other comprehensive income for the year	**(52)**	228
Total comprehensive income attributable to owners of the Company	**10,131**	13,029
Total comprehensive income attributable to the non-controlling interests	**5,952**	7,652
Total comprehensive income for the year	**16,083**	20,681
Statement of cash flows		
Net cash from operating activities	**12,667**	21,237
Net cash used in investing activities	**(4,736)**	(9,234)
Net cash used in financing activities	**(11,405)**	(194)
Net cash (outflow)/inflow	**(3,474)**	11,809

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)

	2018 RM'000	(Restated) 2017 RM'000
PT Wanasari Nusantara		
Statement of financial position		
Current assets	**23,527**	24,006
Non-current assets	**67,673**	80,659
Current liabilities	**69,479**	75,846
Non-current liabilities	**2,492**	2,451
Equity attributable to owners of the Company	**15,507**	20,951
Non-controlling interests	**3,722**	5,417
Statement of profit or loss		
Revenue	**133,073**	137,626
Expenses	**(136,757)**	(135,321)
(Loss)/Profit for the year	**(3,684)**	2,305
(Loss)/Profit attributable to owners of the Company	**(2,321)**	1,452
(Loss)/Profit attributable to the non-controlling interests	**(1,363)**	853
(Loss)/Profit for the year	**(3,684)**	2,305
Statement of other comprehensive income		
Other comprehensive income for the year	**(19)**	406
Total comprehensive (loss)/income attributable to owners of the Company	**(2,333)**	1,708
Total comprehensive (loss)/income attributable to the non-controlling interests	**(1,370)**	1,003
Total comprehensive (loss)/income for the year	**(3,703)**	2,711
Statement of cash flows		
Net cash from operating activities	**6**	10,642
Net cash used in investing activities	**(4,079)**	(4,699)
Net cash (used in)/from financing activities	**(1,459)**	2,268
Net cash (outflow)/inflow	**(5,532)**	8,211

Additional investment in subsidiary in 2017

On 29 March 2017, the Company subscribed to 4,900,000 new ordinary shares of Imayos Letting Sdn. Bhd. ("Imayos"), a wholly owned subsidiary of the Company via cash consideration of RM4,900,000. The effective interest of the Company remains unchanged at 100% as at 31 March 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. INVESTMENT IN AN ASSOCIATE COMPANY

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 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	**(770)**	364	**-**	-
Share of results of associate	**312**	(1,134)	**-**	-
At end of the year	**(458)**	(770)	**-**	-
Share of net assets	**2,519**	2,207	**-**	-

Associate company	Country of incorporation	Proportion of ownership interest 2018	Proportion of ownership interest 2017	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.

	2018 RM'000	2017 RM'000
PKE (Malaysia) Sdn. Berhad		
Statement of financial position		
Current assets	**2,485**	1,623
Non-current assets	**5,288**	5,361
Current liabilities	**1,083**	1,103
Equity	**6,690**	5,881
Statement of profit or loss		
Revenue	**13,315**	9,278
Expenses	**(12,506)**	(12,221)
Profit/(Loss) for the year	**809**	(2,943)
Statement of other comprehensive income		
Other comprehensive income for the year	**-**	-
Total comprehensive income/(loss)	**809**	(2,943)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. AVAILABLE-FOR-SALE INVESTMENTS

	The Group and The Company 2018 RM'000	The Group and The Company 2017 RM'000
Shares in Malaysia:		
Quoted shares - at fair value	**48,439**	42,535
Unquoted shares - at cost	**456**	456
Total	**48,895**	42,991

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

	The Group and The Company 2018 RM'000	The Group and The Company 2017 RM'000
At beginning of year	**42,535**	38,324
Additions during the year	**162**	205
Gain arising from revaluation of available-for-sale investments	**5,742**	4,006
At end of year	**48,439**	42,535

19. ADVANCES FOR PLASMA PIR-TRANS PROGRAM

	The Group 2018 RM'000	The Group 2017 RM'000
Cost	**-**	-
Accumulated Allowance for Loss on Conversion of Plasma PIR-TRANS Program	**-**	-
Net Book Value	**-**	-

In accordance with the Indonesian government policy, oil palm plantation owners/operators are required to develop plantations for smallholders (herein referred to as "Plasma Farmers"). This form of assistance to the Plasma Farmers is known as the "Perusahaan Inti Rakyat Transmigrasi (PIR-TRANS)" program. Under the PIR-TRANS program, the oil palm plantation owners/operators are also required to train and develop the skills of the Plasma Farmers, and purchase the fresh fruit bunches harvested by Plasma Farmers at prices determined by the government.

The PIR-TRANS program is funded by state-owned banks. The investment credit is rendered to the oil palm plantation owners/operators, which receive the funds in several tranches during the plantation development period (land preparation up to the end of the immature stage). When the plasma plantation projects are completed and ready for conversion, the investment credit is transferred to the Plasma Farmers who then operate the Plasma PIR-TRANS program under the supervision of the oil palm plantation owners/operators. In the event the planting development costs incurred exceeds the estimated agreed price during harvest time, an allowance for loss on conversion will be made on the advances extended and will be charged to profit or loss.

A subsidiary company in Indonesia has commitment to develop oil palm plantations for the Plasma Farmers under this program covering a total area of 8,800 hectares of which 8,800 (2017: 8,800) hectares have been converted.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	The Group	
	2018 RM'000	2017 RM'000
Cost		
At beginning of year	**7,131**	4,831
Additions	**1,927**	2,069
Amount recovered during the year	**-**	(468)
Effects of foreign exchange translation	**(1,277)**	699
At end of year	**7,781**	7,131
Accumulated Allowance for Loss on Conversion of KKPA Program		
At beginning and end of year	**400**	400
Net Book Value	**7,381**	6,731

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 (2017: 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.

21. DEFERRED TAX ASSETS/(LIABILITIES)

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At beginning of year	**982**	152	**-**	-
Credited/(Charged) to profit or loss (Note 8):				
Property, plant and equipment	**(654)**	(437)	**-**	-
Trade receivables	**1,737**	(1,095)	**-**	-
Other payables and accrued expenses	**(474)**	(338)	**-**	-
Provision for retirement benefits	**(313)**	802	**-**	-
Derivatives	**(949)**	1,898	**-**	-
Unabsorbed capital allowances	**(64)**	-	**-**	-
	(717)	830	**-**	-
Translation of foreign operations	**(309)**	-	**-**	-
At end of year	**(44)**	982	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets	**1,893**	2,339	**-**	-
Deferred tax liabilities	**(1,937)**	(1,357)	**-**	-
	(44)	982	**-**	-

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets (before offsetting)				
Temporary differences arising from:				
Trade receivables	**2,150**	413	**-**	-
Other payables and accrued expenses	**1,893**	2,367	**-**	-
Provision for retirement benefits	**2608**	2,921	**-**	-
Derivatives	**-**	677	**-**	-
	6,651	6,378	**-**	-
Offsetting	**(4,758)**	(4,039)	**-**	-
Deferred tax assets (after offsetting)	**1,893**	2,339	**-**	-
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**(6,050)**	(5,396)	**-**	-
Derivatives	**(272)**	-	**-**	-
Unabsorbed capital allowances	**(64)**	-	**-**	-
Translation of foreign operations	**(309)**	-	**-**	-
	(6,695)	(5,396)	**-**	-
Offsetting	**4,758**	4,039	**-**	-
Deferred tax liabilities (after offsetting)	**(1,937)**	(1,357)	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

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	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Temporary differences arising from provision for retirement benefits	**2,480**	1,689	**2,480**	1,684
Unabsorbed capital allowances	**2,628**	2,822	**1,300**	1,492
Unused tax losses	**12,809**	12,695	**11,187**	11,044
	17,917	17,206	**14,967**	14,220

The unabsorbed capital allowances and unused tax losses, which are subject to agreement by the tax authorities, are available for offset against future chargeable income.

22. INVENTORIES

	The Group	
	2018	**2017**
	RM'000	**RM'000**
At cost:		
Raw materials	**15,254**	20,821
Work-in-progress	**28,374**	28,139
Finished goods	**14,494**	15,795
Medical and surgical supplies	**2,628**	2,007
Consumables	**10,116**	11,095
	70,866	77,857
At net realisable value:		
Work-in-progress	**-**	1,307
Finished goods	**-**	1,089
Total	**70,866**	80,253

For the year ended 31 March 2018, cost of inventories recognised as an expense of the Group amounted to RM567,424,000 (2017: RM508,467,000).

The cost of inventories recognised is after taking into consideration a write down of inventories of RMNil (2017: RM838,000) to net realisable value and inventories written off of RM70,000 (2017: RM35,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	The Group	
	2018 RM'000	2017 RM'000
Derivative financial assets		
Foreign currency forward contracts	**866**	183
Commodity future contracts	**-**	397
	866	580
Derivative financial liabilities		
Commodity future contracts	**268**	1,040

For the year ended 31 March 2018, the fair value gain of the foreign currency forward contracts and fair value gain of the commodity future contracts amounting to RM683,000 and RM375,000 respectively (2017: fair value loss of RM2,176,000 and RM643,000 respectively) has been recognised in statement of profit or loss. The details of the derivatives are disclosed in Note 39.

24. TRADE RECEIVABLES

	The Group	
	2018 RM'000	2017 RM'000
Trade receivables	**46,545**	54,264
Less: Allowance for doubtful debts	**(683)**	(789)
	45,862	53,475

Trade receivables comprise amounts receivable for the sale of goods and services rendered. Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The credit period granted on sale of goods and services rendered ranges from 30 to 90 days (2017: 30 to 90 days).

An allowance of RM683,000 (2017: RM789,000) 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.

Included in the Group's trade receivables balance are debtors with a carrying amount of RM7,715,000 (2017: RM5,279,000), 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 120 days.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. TRADE RECEIVABLES (CONT'D)

The table below is an analysis of trade receivables as at the end of the reporting period:

	The Group	
	2018	**2017**
	RM'000	**RM'000**
Neither past due nor impaired	**38,147**	48,196
Past due but not impaired:		
31 - 60 days	**6,887**	4,209
61 - 90 days	**716**	1,059
91 - 120 days	**112**	11
	7,715	5,279
Not past due but impaired	**-**	-
Past due and impaired:		
More than 120 days	**683**	789
	683	789
Total trade receivables	**46,545**	54,264

Movement in the allowance for doubtful debts during the reporting period is as follows:

	The Group	
	2018	**2017**
	RM'000	**RM'000**
At beginning of year	**789**	2,365
Allowance for the year	**113**	-
Bad debts written off	**(219)**	(833)
Allowance no longer required	**-**	(743)
At end of year	**683**	789

In determining the recoverability of trade receivables, the Group consider 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 (2017: 1) major customer, which constitutes approximately 7% (2017: 8%) of the total trade receivables.

Analysis of currency profile of trade receivables is as follows:

	The Group	
	2018	**2017**
	RM'000	**RM'000**
United States Dollar	**20,949**	29,558
Ringgit Malaysia	**24,634**	23,617
Pound Sterling	**320**	305
Euro	**642**	556
Chinese Renminbi	**-**	228
	46,545	54,264

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables	**12,723**	8,137	**59**	173
Less: Allowance for doubtful debts	**(142)**	(142)	**-**	-
Net	**12,581**	7,995	**59**	173
Refundable deposits	**1,087**	2,408	**47**	47
Prepaid expenses	**4,630**	7,829	**55**	51
	18,298	18,232	**161**	271

The movement in the allowance for doubtful debts during the reporting period is as follows:

	The Group	
	2018 RM'000	2017 RM'000
At beginning and end of year	**142**	142

Analysis of currency profile of other receivables is as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	**10,944**	8,078	**59**	173
Indonesian Rupiah	**1,779**	59	**-**	-
	12,723	8,137	**59**	173

26. 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	
	2018 RM'000	2017 RM'000
Ringgit Malaysia	**1,330**	1,035

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(b) Amount owing to a subsidiary company

Amount owing to a subsidiary company represent mainly unsecured advances and payments made on behalf, net of management fees receivable. These amounts are unsecured, interest-free and repayable on demand.

Analysis of currency profile of amount owing to a subsidiary company is as follows:

	The Company	
	2018	**2017**
	RM'000	**RM'000**
Hong Kong Dollar	**130**	140

(c) Related Party Transactions with Group Companies

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 Company	
	2018	**2017**
	RM'000	**RM'000**
Subsidiary companies		
Southern Acids Industries Sdn. Bhd.		
Management fees receivable	**1,474**	1,268
PKE Transport (Malaysia) Sdn. Berhad		
Management fees receivable	**353**	332
Southern Medicare Sdn. Bhd.		
Management fees receivable	**893**	811
Pembinaan Gejati Sdn. Bhd.		
Management fees receivable	**36**	17
Firstview Development Sdn. Bhd.		
Management fees receivable	**857**	797
Associate company		
PKE (Malaysia) Sdn. Berhad		
Management fees receivable	**250**	335

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(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.	Companies in which Dr. Low Kok Thye, Mr Lim Kim Long and Tan Sri Dato' Low Boon Eng, who are directors of the Company, are also directors and/or have substantial financial interests.

(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	
	2018 RM'000	**2017 RM'000**
Related parties		
Southern Realty (Malaya) Sdn. Berhad		
Administrative charges	**2,155**	1,718
Sale of goods	**1,550**	1,617
Share of property, plant and equipment charges	**17**	16
Purchases of goods	**(1,426)**	(1,950)
Plantation advisory	**(96)**	(96)
Rental paid/payable for:		
Land (Note 8)	**(140)**	(140)
Premises (Note 8)	**(52)**	(75)
Staff quarters (Note 8)	**(61)**	(67)
Equipment (Note 8)	**(9)**	(9)
Bukit Rotan Palm Oil Sdn. Bhd.		
Administrative charges	**21**	32
Southern Edible Oil Industries (M) Sdn. Berhad		
Sale of goods	**1,923**	292
Purchases of goods	**(4,308)**	(6,633)
Administrative charges	**678**	681
Share of common expense	**-**	717
Share of property, plant and equipment charges	**17**	16

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(e) Related Party Transactions with Related Parties (cont'd)

	The Group	
	2018 RM'000	2017 RM'000
Southern Keratong Plantations Sdn. Berhad		
Purchases of goods	(86)	(428)
Administrative charges	706	480
Torita Rubber Works Sdn. Bhd.		
Sale of goods	8	22
Administrative charges	-	75
Southern Hockjoo Plantation Sdn. Bhd.		
Administrative charges	188	203
Banting Hock Hing Estate Company Sdn. Bhd.		
Administrative charges	131	115
Southern Products Marketing Sdn. Bhd.		
Administrative charges	80	97
Network charges	-	(2)
Kumsobina Development Sdn. Bhd.		
Administrative charges	68	65
Southern Realty Plantations Sdn. Bhd.		
Administrative charges	22	21
Kee Hup Oil & Cake Sdn. Bhd.		
Rental paid/ payable for staff quarters	(46)	(46)
Administrative charges	34	30
Torita Trading (M) Sdn. Bhd.		
Administrative charges	-	21

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. 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 and of the Company 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	
	2018 RM'000	2017 RM'000
Trade receivables		
Southern Realty (Malaya) Sdn. Berhad	**309**	398
Southern Edible Oil Industries (M) Sdn. Berhad	**566**	287
Southern Keratong Plantations Sdn. Berhad	**73**	30
Victory Enghoe Plantations Sdn. Bhd.	**72**	12
Southern Hockjoo Plantations Sdn. Bhd.	**14**	10
PT Pradisi Gunatama	**-**	9
PT Senabangun Anekapertiwi	**-**	8
Banting Hock Hin Estate Company Sdn. Bhd.	**10**	7
Southern Products Marketing Sdn. Bhd.	**18**	7
Kumsobina Development Sdn. Bhd.	**5**	4
Bekalan Utama Sdn. Bhd.	**2**	2
Kee Hup Oil & Cake Sdn. Bhd.	**3**	2
Torita Rubber Works Sdn. Bhd.	**-**	1
Bukit Rotan Palm Oil Sdn. Bhd.	**2**	1
Southern Realty Plantation Co. Sdn. Bhd.	**2**	1
Victory Investment Land (J) Sdn. Bhd.	**4**	1
Guan Hing Edible Oil Ind Sdn. Bhd.	**1**	1
Naga Wira Sdn. Bhd.	**1**	1
SG Plantations (Sabah) Sdn. Bhd.	**2**	1
Perindustrian Sawit Karak Sdn. Bhd.	**2**	1
	1,086	784

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(e) Related Party Transactions with Related Parties (cont'd)

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables, deposits and prepaid expenses				
Southern Realty (Malaya) Sdn. Berhad	-	83	-	-
Southern Edible Oil Industries (M) Sdn. Berhad	-	82	-	-
Southern Palm Industries Sdn. Berhad	-	24	-	24
Southern Products Marketing Sdn. Bhd.	-	8	-	-
Southern Keratong Plantations Sdn. Berhad	-	7	-	-
Southern Hockjoo Plantations Sdn. Bhd.	-	3	-	-
Victory Enghoe Plantations Sdn. Bhd.	-	2	-	-
Banting Hock Hin Estate Company Sdn. Bhd.	-	2	-	-
Torita Rubber Works Sdn. Bhd.	-	1	-	-
Torita Trading (M) Sdn. Bhd.	-	1	-	-
PT Pradisi Gunatama	-	1	-	-
PT Senabangun Anekapertiwi	-	1	-	-
Bukit Rotan Palm Oil Sdn. Bhd.	-	1	-	-
Kumsobina Development Sdn. Bhd.	-	1	-	-
Bekalan Utama Sdn. Bhd.	-	1	-	-
Perindustrian Sawit Karak Sdn. Bhd.	-	1	-	-
	-	219	-	24

	The Group	
	2018 RM'000	2017 RM'000
Trade payables		
Southern Realty (Malaya) Sdn. Berhad	**19**	81
Bukit Rotan Palm Oil Sdn. Bhd.	**5**	5
	24	86
Other Payables		
Southern Realty (Malaya) Sdn. Berhad	-	6
Kee Hup Oil & Cake Sdn. Bhd.	-	4
	-	10

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(e) Related Party Transactions with Related Parties (cont'd)

Compensation of Key Management Personnel (cont'd)

The remuneration of directors and other members of key management during the year are as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term employment benefits	**7,515**	6,424	**2,481**	2,382
Post-employment benefits	**602**	549	**235**	220
	8,117	6,973	**2,716**	2,602

Included in the total compensation of key management personnel are:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors' remuneration (Note 7)	**3,765**	3,237	**1,393**	1,322

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 RM134,000 and RM77,000 (2017: RM92,000 and RM54,000) respectively.

27. AMOUNT OWING BY/(TO) AN ASSOCIATE COMPANY

The amount owing by/(to) an associate company, which arose from trade and non-trade transactions, are unsecured, interest free and repayable on demand.

28. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	**101,815**	83,194	**2,372**	1,777
Fixed deposits with licensed banks	**21,673**	25,593	**-**	-
Short-term placements	**50,893**	55,438	**4,185**	9,871
	174,381	164,225	**6,557**	11,648

Included in short-term placements of the Group and of the Company is an amount of RM50,893,000 and RM4,185,000 (2017: RM55,438,000 and RM9,871,000), 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 6.75% (2017: 2.28% to 9.00%) per annum respectively and have maturity periods ranging from 1 day to 1 year (2017: 1 day to 1 year).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. CASH AND CASH EQUIVALENTS (CONT'D)

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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Ringgit Malaysia	**85,523**	79,901	**6,508**	11,596
Indonesian Rupiah	**41,893**	66,450	**-**	-
United States Dollar	**46,883**	17,786	**49**	52
Hong Kong Dollar	**82**	88	**-**	-
	174,381	164,225	**6,557**	11,648

29. SHARE CAPITAL

	The Group and The Company			
	2018		2017	
	No. of shares ('000)	**RM'000**	**No. of shares ('000)**	**RM'000**
Issued and fully paid:				
Ordinary shares:				
At beginning of year	**136,934**	171,255	**136,934**	136,934
Transfer from share premium	**-**	-	**-**	34,321
At end of year	**136,934**	171,255	**136,934**	171,255

In accordance with the transitional provision of the Companies Act, 2016 which came into operation on 31 January 2017, the amount standing to the credit of the Company's share premium account has become part of the Company's share capital. These changes do not have an impact on the number of shares issued or the relative entitlement of any of the shareholders.

However, the Company has a period of 24 months from the effective date of the Act to use the existing balances credited in the share premium account in a manner as specified by the Act.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. RESERVES

	The Group 31.3.2018 RM'000	(Restated) 31.3.2017 RM'000	(Restated) 1.4.2016 RM'000
Non-distributable:			
Share premium	**-**	-	34,321
Foreign exchange reserve	**(14,553)**	743	(9,072)
Other reserve	**(322)**	(322)	(322)
Fair value reserve	**23,986**	18,244	14,238
	9,111	18,665	39,165
Distributable:			
Retained earnings	**406,175**	378,539	336,219
	415,286	397,204	375,384

	The Company 2018 RM'000	2017 RM'000
Non-distributable:		
Fair value reserve	**23,986**	18,244
Distributable:		
Retained earnings	**109,302**	113,336
	133,288	131,580

Share premium

The share premium arose from the issuance of ordinary shares of the Company, exercise of warrants and bonus issues in prior years. In the previous financial year, the amount has been reclassified to share capital in accordance with the Companies Act, 2016.

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 available-for-sale 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)

31. HIRE PURCHASE PAYABLES

	The Group	
	2018 RM'000	2017 RM'000
Total outstanding	**384**	660
Less: Interest-in-suspense	**(44)**	(55)
Principal outstanding	**340**	605
Less: Amount due within 12 months (shown under current liabilities)	**(217)**	(408)
Non-current portion	**123**	197

The non-current portion is payable as follows:

	The Group	
	2018 RM'000	2017 RM'000
Not later than 1 year	**66**	182
More than 1 year and less than 5 years	**57**	15
	123	197

The average term of hire purchase is approximately 3 years. For the financial year ended 31 March 2018, the effective borrowing rate ranged from 9% to 15% (2017: 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.

32. 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 (2017: 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 2016	5,784	4,235	10,019
Addition (Note 8):			
Current	700	954	1,654
Actuarial gain arising from changes in financial assumptions	-	(845)	(845)
Benefits paid	(76)	(331)	(407)
Effects of foreign exchange translation	-	536	536
As at 31 March 2017/1 April 2017	6,408	4,549	10,957
Addition (Note 8):			
Current	**577**	**1,058**	**1,635**
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)**
As at 31 March 2018	**5,534**	**4,778**	**10,312**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. PROVISION FOR RETIREMENT BENEFITS (CONT'D)

	The Company	
	2018 RM'000	2017 RM'000
At beginning of year	**1,684**	1,440
Addition (Note 8)	**229**	218
Actuarial gain arising from changes in financial assumptions	**(285)**	-
Underprovision in prior year	**141**	-
Transfer (to)/from subsidiary and associate	**(872)**	26
At end of year	**897**	1,684

The amount recognised in the statements of financial position are analysed as follows:

	The Group		
	Malaysia RM'000	Indonesia RM'000	Total RM'000
2018			
Present value of defined benefit obligations	**5,534**	**4,778**	**10,312**
2017			
Present value of defined benefit obligations	6,408	4,549	10,957

	The Company	
	2018 RM'000	2017 RM'000
Present value of defined benefit obligations	**897**	1,684

Movements in present value of defined benefit obligations during the financial year are as follows:

	The Group		
2018	Malaysia RM'000	Indonesia RM'000	Total RM'000
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**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. PROVISION FOR RETIREMENT BENEFITS (CONT'D)

	The Group		
2017	**Malaysia RM'000**	**Indonesia RM'000**	**Total RM'000**
At beginning of year	5,784	4,235	10,019
Current service cost	355	600	955
Interest cost on obligation	345	354	699
Actuarial gain arising from changes in financial assumptions	-	(845)	(845)
Benefits paid	(76)	(331)	(407)
Effects of foreign exchange translation	-	536	536
At end of year	6,408	4,549	10,957

The amounts recognised in the statements of profit or loss are as follows:

	The Group		
	Malaysia RM'000	**Indonesia RM'000**	**Total RM'000**
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**
2017			
Current service cost	355	600	955
Interest cost on obligation	345	354	699
	700	954	1,654

	The Company	
	2018 RM'000	**2017 RM'000**
Current service cost	**148**	136
Interest cost on obligation	**81**	82
Underprovision in prior year	**141**	-
	370	218

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. PROVISION FOR RETIREMENT BENEFITS (CONT'D)

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2018	2017
Malaysia		
Discount rate (%)	**5.30**	5.80
Future salary increments (%)	**6.00**	8.00
Normal retirement age:		
Male	**60**	60
Female	**60**	60
Indonesia		
Discount rate (%)	**7.36**	8.40
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)

33. 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 (2017: 7 to 60) days.

Analysis of currency profile of trade payables is as follows:

	The Group	
	2018 RM'000	2017 RM'000
Ringgit Malaysia	**20,787**	17,208
Indonesian Rupiah	**16,245**	15,181
	37,032	32,389

(b) Other Payables and Accrued Expenses

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other payables	**4,366**	3,984	**66**	64
Advances from customers	**1,390**	2,451	**-**	-
Accrued expenses	**19,138**	18,197	**1,092**	1,243
Provision for incremental rental charges	**4,283**	6,074	**-**	-
	29,177	30,706	**1,158**	1,307

Other payables arose mainly in respect of indirect costs and administrative expenditures. These amounts are unsecured, interest-free and are repayable within 60 days (2017: 60 days) from the transaction dates.

Analysis of currency profile of other payables and advances from customers is as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	**2,884**	4,256	**66**	64
Indonesian Rupiah	**2,150**	2,016	**-**	-
Euro	**19**	-	**-**	-
United States Dollar	**703**	163	**-**	-
	5,756	6,435	**66**	64

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. BANKING FACILITIES

The Group and the Company have credit facilities amounting to RM45,000,000 (2017: RM45,000,000) and RM6,000,000 (2017: RM6,000,000) respectively, out of which RM39,000,000 (2017: 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 8.00% (2017: 7.75%) per annum.

As at 31 March 2018, the Group and the Company have utilised RM4,644,100 and RM778,000 (2017: RM4,380,440 and RM827,640), respectively, of the bank guarantee facility.

35. DIVIDENDS

	The Group and The Company	
	2018 RM'000	**2017 RM'000**
Final dividend of 5 sen, single tier, in respect of financial year ended 31 March 2017	**6,847**	-
Final dividend of 5 sen, single tier, in respect of financial year ended 31 March 2016	**-**	6,847
	6,847	6,847

36. 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) Manufacturing and marketing of oleochemical products
(ii) Managing and operating of private hospital
(iii) Sales of oil palm fruit and crude palm oil
(iv) Investments and 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)

36. SEGMENTAL INFORMATION (CONT'D)

The Group 2018	Manufacturing and marketing of oleochemical products RM'000	Managing and operating of private hospital RM'000	Sales of oil palm fruit and crude palm oil RM'000	Investments and services RM'000	Eliminations RM'000	Consolidated RM'000
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	5,466	21,135	18,158	2,256	-	47,015
Profit from operations						47,015
Investment revenue						4,115
Finance cost						(56)
Share of results of associate						312
Profit before tax						51,386
Income tax expense						(13,980)
Profit for the year						37,406
Other Information:						
Capital expenditure	8,610	4,533	2,131	15,274	-	30,548
Additions to biological assets	-	-	3,905	-	-	3,905
Additions of available-for-sale investments	-	-	-	162	-	162
Non-cash expenses:						
Depreciation of property, plant and equipment	3,541	3,515	6,922	666	-	14,644
Provision for retirement benefits	388	-	1,060	370	-	1,818
Amortisation of biological assets	-	-	1,032	-	-	1,032
Inventories written down	-	-	-	-	-	-
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

36. SEGMENTAL INFORMATION (CONT'D)

The Group 2018	Manufacturing and marketing of oleochemical products RM'000	Managing and operating of private hospital RM'000	Sales of oil palm fruit and crude palm oil RM'000	Investments and services RM'000	Eliminations RM'000	Consolidated RM'000
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	189,417	107,711	302,408	331,831	(244,955)	686,412
Deferred tax assets	-	-	1,893	-	-	1,893
Tax recoverable	5,083	-	24,174	-	(796)	28,461
Consolidated assets						716,766
Liabilities						
Segment liabilities	32,004	16,016	27,204	3,858	(1,832)	77,250
Deferred tax liabilities	330	1,548	-	59	-	1,937
Tax liabilities	-	268	796	289	(796)	557
Consolidated liabilities						79,744

The Group 2017 (Restated)	Manufacturing and marketing of oleochemical products RM'000	Managing and operating of private hospital RM'000	Sales of oil palm fruit and crude palm oil RM'000	Investments and services RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	365,158	80,097	283,092	9,870	-	738,217
External dividend income	-	-	-	1,874	-	1,874
Inter-segment sales	-	-	-	4,504	(4,504)	-
Total revenue	365,158	80,097	283,092	16,248	(4,504)	740,091
Financial Results						
Segment results	20,277	18,655	32,111	(342)	-	70,701
Profit from operations						70,701
Investment revenue						4,443
Finance cost						(81)
Share of results of associate						(1,134)
Profit before tax						73,929
Income tax expense						(16,487)
Profit for the year						57,442

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

36. SEGMENTAL INFORMATION (CONT'D)

The Group 2017 (Restated)	Manufacturing and marketing of oleochemical products RM'000	Managing and operating of private hospital RM'000	Sales of oil palm fruit and crude palm oil RM'000	Investments and services RM'000	Eliminations RM'000	Consolidated RM'000
Other Information:						
Capital expenditure	7,102	5,608	3,362	955	-	17,027
Additions to biological assets	-	-	4,345	-	-	4,345
Additions of available-for-sale investments	-	-	-	205	-	205
Non-cash expenses:						
Depreciation of property, plant and equipment	3,478	2,955	6,799	482	-	13,714
Provision for retirement benefits	455	-	955	244	-	1,654
Amortisation of biological assets	-	-	479	-	-	479
Inventories written down	838	-	-	-	-	838
Inventories written off	-	35	-	-	-	35
Provision for incremental rental charges	1,027	-	-	-	-	1,027
Loss on disposal of property, plant and equipment	17	70	-	-	-	87
Loss arising from derivative financial assets	2,819	-	-	-	-	2,819
Non-cash income:						
Unrealised gain on foreign exchange - net	2,977	-	2,414	6	-	5,397
Statement of Financial Position						
Assets						
Segment assets	185,598	89,322	333,745	326,711	(254,479)	680,897
Deferred tax assets	-	-	2,237	-	102	2,339
Tax recoverable	3,240	96	19,058	48	(1,382)	21,060
Consolidated assets						704,296
Liabilities						
Segment liabilities	31,703	15,244	26,636	3,840	(1,605)	75,818
Deferred tax liabilities	154	1,144	-	59	-	1,357
Tax liabilities	-	-	2,005	-	(2,005)	-
Consolidated liabilities						77,175

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

36. 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 2018 RM'000	2017 RM'000
Asia:		
Malaysia	**198,142**	181,174
Indonesia	**274,252**	281,475
Others	**189,967**	177,621
Europe	**26,731**	25,497
America	**55,919**	47,810
Others	**18,093**	26,514
	763,104	740,091

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	
	2018 RM'000	(Restated) 2017 RM'000	2018 RM'000	2017 RM'000
Asia:				
Malaysia	**534,962**	493,344	**28,422**	3,352
Indonesia	**156,660**	180,498	**2,126**	13,675
Others	**24,183**	17,154	**-**	-
Europe	**961**	3,023	**-**	-
America	**-**	4,956	**-**	-
Others	**-**	5,321	**-**	-
	716,766	704,296	**30,548**	17,027

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)

37. COMMITMENTS

(a) Capital Commitments

As at 31 March 2018, the Group has approved and contracted for capital commitments in respect of purchase of property, plant and equipment amounting to RM8,368,063 (2017: RM17,754,000) .

(b) Lease Commitments

As at 31 March 2018, total future minimum lease payment commitments are as follows:

	The Group	
	2018 RM'000	**2017 RM'000**
Within one year	**1,141**	339
Between two years to five years	**2,157**	1,335
More than five years	**1,171**	1,510

38. CONTINGENCIES

As as 31 March 2018, 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 (2017: RM39,000,000) granted to one (2017: one) 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.

39. 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)

39. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial assets				
Available-for-sale investments	**48,895**	42,991	**48,895**	42,991
Fair value through profit or loss:				
Derivative financial assets	**866**	580	**-**	-
Loans and receivables:				
Advances for KKPA program	**7,381**	6,731	**-**	-
Trade receivables	**45,862**	53,475	**-**	-
Other receivables and refundable deposits (Note 25)	**13,668**	10,403	**106**	220
Amount owing by subsidiary companies	**-**	-	**1,330**	1,035
Amount owing by an associate company	**630**	373	**93**	94
Cash and cash equivalents	**174,381**	164,225	**6,557**	11,648
Financial liabilities				
Fair value through profit or loss:				
Derivative financial liabilities	**268**	1,040	**-**	-
Other financial liabilities:				
Trade payables	**37,032**	32,389	**-**	-
Other payables and accrued expenses	**29,177**	30,706	**1,158**	1,307
Amount owing to a subsidiary company	**-**	-	**130**	140
Hire purchase payables (Note 31)	**340**	605	**-**	-
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)

39. 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
The Group				
United States Dollar	**67,832**	47,344	**-**	163
Indonesian Rupiah	**41,893**	66,450	**18,395**	17,197
Euro	**642**	556	**-**	-
Pound Sterling	**320**	305	**-**	-
Chinese Renminbi	**-**	228	**-**	-
Hong Kong Dollar	**82**	88	**-**	-
The Company				
United States Dollar	**-**	52	**-**	-
Hong Kong Dollar	**-**	-	**130**	140

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)

39. FINANCIAL INSTRUMENTS (CONT'D)

Sensitivity analysis on translation of foreign currency denominated assets and liabilities (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						
2018						
Strengthened 10%	**6,783**	**8**	**32**	**64**	**-**	**2,350**
Weakened 10%	**(6,783)**	**(8)**	**(32)**	**(64)**	**-**	**(2,350)**
2017						
Strengthened 10%	4,718	9	31	56	23	4,925
Weakened 10%	(4,718)	(9)	(31)	(56)	(23)	(4,925)
The Company						
2018						
Strengthened 10%	**-**	**13**	**-**	**-**	**-**	**-**
Weakened 10%	**-**	**(13)**	**-**	**-**	**-**	**-**
2017						
Strengthened 10%	5	14	-	-	-	-
Weakened 10%	(5)	(14)	-	-	-	-

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 2018				
Sell USD				
- Less than 3 months	**4.31**	**1,550**	**6,685**	**5,987**
- 3 to 6 months	**4.34**	**350**	**1,520**	**1,352**
31 March 2017				
Sell USD				
- Less than 3 months	4.42	8,600	38,314	38,148
- 3 to 6 months	4.46	3,600	16,056	16,039

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

39. 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) RM	Notional value/ Contract value RM'000	Fair value RM'000
Buy Crude Palm Oil			
31 March 2018			
Contract period for 4 months	**2,750**	**6,939**	**6,671**
Sell Crude Palm Oil			
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 available-for-sale 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 the amounts due from 1 (2017: 1) major customer, which constitutes approximately 7% (2017: 8%) of the total trade receivables as disclosed in Note 24.

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.

39. 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 31.

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 RM4,644,100 (2017: RM4,380,440).

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) Available-for-sale investments (quoted shares)

The fair value of available-for-sale 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)

39. 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)

	2018			
The Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial Assets/(Liabilities)				
The Group				
Available-for-sale investments (quoted shares)	**48,839**	**-**	**-**	**48,839**
Foreign currency forward contracts	**-**	**866**	**-**	**866**
Commodities future contracts	**-**	**(268)**	**-**	**(268)**
The Company				
Available-for-sale investments (quoted shares)	**48,839**	**-**	**-**	**48,839**

	2017			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial Assets/(Liabilities)				
The Group				
Available-for-sale investments (quoted shares)	42,535	-	-	42,535
Foreign currency forward contracts	-	183	-	183
Commodities future contracts	-	(643)	-	(643)
The Company				
Available-for-sale investments (quoted shares)	42,535	-	-	42,535

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Company'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 Company's statement of cash flows from financing activities.

	2018 RM'000	2017 RM'000
Hire Purchases Payables (Note 31)		
At beginning of year	**605**	808
Repayments	**(265)**	(203)
At end of year	**340**	605

41. RESTATEMENT OF COMPARATIVE FIGURES

As mentioned in Note 15, the Group restated its prior years' financial statements due to a write-off of biological assets in 2013 and 2014 that were not recorded in the financial statements as of year 2016 and 2017.

The following is the summary of accounts in the statements of financial position as of 31 March 2016 and 2017, and the statement of profit or loss and other comprehensive income for the year ended 31 March 2016 and 2017 respectively, before and after restatements and the prior years' adjustments.

	As previously reported RM'000	Prior years' adjustments RM'000	As restated RM'000
The Group			
Statements of Financial Position:			
As at 31 March 2017			
Biological assets	25,696	(2,517)	23,179
Reserves	(398,966)	1,762	(397,204)
Non-controlling interest	(59,417)	755	(58,662)
As at 1 April 2016			
Biological assets	19,428	(2,320)	17,108
Reserves	(377,008)	1,624	(375,384)
Non-controlling interest	(44,576)	696	(43,880)
The Group			
Statements of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2017			
Amortisation of biological assets	(577)	98	(479)
Profit before tax	73,831	98	73,929
Profit for the year	57,344	98	57,442
Attributable to:			
Equity holders of the Company	48,654	69	48,723
Non-controlling interest	8,690	29	8,719
	57,344	98	57,442
Statements of Cash Flows for the year ended 31 March 2017			
Profit before tax	73,831	98	73,929
Amortisation of biological assets	577	(98)	479

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 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 2018 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
16 July 2018

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 16th day of July, 2018.

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 2018 (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	11 years	3,030
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 23 to 37 years	7,364
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	141,926
5.	**Noble Interest Sdn. Bhd.**						
	P.T. 1288, Seksyen 14 Mukim Klang Daerah Klang, Selangor	Land & Building	1.62 acres	Hospital Building	Freehold	N/A 19 years	4,950 19,722
6.	**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	16 years	5,347
7.	**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 4 to 30 years	42,295
8.	**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	11 years	4,869

STATISTICS OF SHAREHOLDINGS

AS AT 29 JUNE 2018

DISTRIBUTION SCHEDULE OF SHARE AS AT 29 JUNE 2018

Size of Shareholdings	No of Shareholders	% Shares Held	No of Shares Held	% of Shares Held
Less than 100	224	8.99	6,893	0.01
100 to 1,000	645	25.89	460,988	0.34
1,001 to 10,000	1,234	49.54	4,731,549	3.45
10,001 to 100,000	327	13.13	9,739,524	7.11
100,001 to 6,846,705 (less than 5% of issued shares)	57	2.29	42,370,218	30.94
6,846,706 (5% of issued shares) and above	4	0.16	79,624,960	58.15
TOTAL	**2,491**	**100.00**	**136,934,132**	**100.00**

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 29 JUNE 2018

No.	Names	Shareholding	%
1.	Southern Palm Industries Sdn. Bhd.	42,840,270	31.28
2.	Lembaga Tabung Haji	17,864,605	13.05
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 29 JUNE 2018

		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.	Tan Sri Dato' Low Boon Eng	2,487	0.00	65,687,977	47.97
6.	Mohd Hisham Harun	0	0.00	0	0.00
7.	Leong So Seh	0	0.00	0	0.00
8.	Teo Leng	0	0.00	0	0.00

STATISTICS OF SHAREHOLDINGS (CONT'D)

AS AT 29 JUNE 2018

LIST OF TOP 30 HOLDERS

No.	Name	No. of Shares Held	% of Issued Shares
1.	Southern Palm Industries Sdn. Bhd.	42,840,270	31.28
2.	Lembaga Tabung Haji	17,864,605	13.05
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.	Ng Kin Lan	1,862,832	1.36
13.	Banting Hock Hin Estate Company Sdn. Bhd.	1,487,500	1.09
14.	Low Mun Chong	1,248,398	0.91
15.	Leong Kok Tai	1,105,800	0.81
16.	Southern Hockjoo Plantation Sdn. Bhd.	991,666	0.72
17.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lou Ai Choo	908,135	0.66
18.	Naga Wira Sdn. Berhad	720,938	0.53
19.	Bekalan Utama Sdn. Berhad	694,166	0.51
20.	CIMB Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mong Hua @ Low Mong Hua (4851DHAM)	600,000	0.44
21.	Sai Yee @ Sia Say Yee	595,000	0.43
22.	Low Mong Hua Sdn. Bhd.	585,000	0.43
23.	Ng Phaik Lean	569,600	0.42
24.	Mong Teck Sdn. Berhad	559,972	0.41
25.	Teo Kwee Hock	455,400	0.33
26.	Neong Kok Hooi	437,000	0.32
27.	UOB Kay Hian Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teo Siew Lai	348,600	0.25
28.	Eliyezer Resources Sdn. Bhd.	334,500	0.24
29.	Tan Soon Muay @ Tan Kim Huay	319,666	0.23
30.	Ng Kim Chai	303,082	0.22
	TOTAL	**116,496,757**	**85.07**

NOTICE OF THE THIRTY-SEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Seventh ("37th") 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 Thursday, 30 August 2018 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 2018 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 2018. **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM467,863 for the financial year ended 31 March 2018. (Note 6) **Resolution 2**

4. To approve the following payment of Directors' Benefits:-
   a) Directors' Benefits payable up to an amount of RM100,000 for the financial year ended 31 March 2018 and until 30 August 2018. **Resolution 3**
   b) Directors' Benefits payable up to an amount of RM125,000 for the period from 31 August 2018 until the next AGM of the Company to be held in 2019. **Resolution 4**

   (Note 7)

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) Dr. Low Kok Thye **Resolution 5**

   b) Tan Sri Dato' Low Boon Eng **Resolution 6**

   c) Madam Leong So Seh **Resolution 7**

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. **Resolution 8**

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 8)** **Resolution 9**

   "THAT subject to the passing of Ordinary Resolution 7, 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 9)** **Resolution 10**

   "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-SEVENTH ANNUAL GENERAL MEETING (CONT'D)

9. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Note 10)** **Resolution 11**

"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 30 July 2018 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.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 37th 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 2018. Only a depositor whose name appears on the Record of Depositors as at 23 August 2018 shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.

NOTICE OF THE THIRTY-SEVENTH 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 2018 ("Dividend") under Resolution 1 at the 37th AGM of the Company on 30 August 2018, the Dividend will be paid to the shareholders on 28 September 2018. The entitlement date for the Dividend shall be 7 September 2018.

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 5 September 2018 (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 7 September 2018 (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: 30 July 2018

NOTICE OF THE THIRTY-SEVENTH ANNUAL GENERAL MEETING (CONT'D)

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. Directors' Report, Audited Financial Statements and Auditors' Report

   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.

6. Directors' Fees

   The Board of Directors proposed the increase in Directors' Fees for the financial year ended 31 March 2018, subject to approval from the shareholders at the 37th AGM, as follows:

   a) Chairman of the Board – from RM67,500 to RM74,000
   b) Chairman of the Audit Committee - from RM67,500 to RM74,000
   c) Board Member – from RM45,000 to RM50,000

7. Directors' Benefits

   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	- RM 800
	(iv) Board Committee member.	- RM 800
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 RM100,000 to the Directors by the Company for the financial year ended 31 March 2018 until 30 August 2018. The estimated amount of RM100,000 is calculated based on the number of the meetings for the Board and Board Committees held in the financial year ended 31 March 2018 and until 30 August 2018.

   The Ordinary Resolution 4, 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 2018 up to the next AGM of the Company to be held in 2019. 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 2018 up to the next AGM of the Company, tentatively scheduled to be held in August 2019.

NOTICE OF THE THIRTY-SEVENTH ANNUAL GENERAL MEETING (CONT'D)

8. Retention of Independent Director

The Ordinary Resolution 9, 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.

9. Authority to issue Shares pursuant to Sections 75 and 76 of the Companies Act, 2016.

The proposed Ordinary Resolution 10, 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 next AGM.

The approval is a renewed general mandate and is sought to provide flexibility and to avoid delay and cost in convening a General Meeting for such issuance 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 held on 23 August 2017 and which lapse at the conclusion of the 37th AGM.

10. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.

The proposed Ordinary Resolution 11, 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 30 July 2018, which is despatched together with the Company's Annual Report 2018, for more information.

11. 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 37th Annual General Meeting:-

   (i) Dr. Low Kok Thye, pursuant to Articles 95 and 96 of the Company's Constitution.

   (ii) Tan Sri Dato' Low Boon Eng, pursuant to Articles 95 and 96 of the Company's Constitution.

   (iii) Madam Leong So Seh, pursuant to Articles 95 and 96 of the Company's Constitution.

2. The details of the three (3) Directors seeking re-election are set out in the Directors' Profile from pages 28 to 31 and the Directors' Shareholdings in the Company on page 58 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 (in capital letters)	NRIC No./Passport No.	No. of shares	(%)
Address			

and/or failing him/her

Second Proxy

Full Name (in capital letters)	NRIC No./Passport No.	No. of shares	(%)
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-Seventh Annual General Meeting ("AGM") of Southern Acids (M) Berhad ("the Company") to be held on 30 August 2018 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	To approve the payment of Single Tier Final Dividend of 5 sen per ordinary share in respect of the financial year ended 31 March 2018.		
2	To approve the payment of Directors' fees amounting to RM467,863 for the financial year ended 31 March 2018.		
3	To approve the payment of Directors' benefits of an amount up to RM100,000 for the financial year ended 31 March 2018 and until 30 August 2018.		
4	To approve the payment of Directors' benefits of an amount up to RM125,000 for the period from 31 August 2018 until the next AGM of the Company to be held in 2019.		
5	To re-elect Dr. Low Kok Thye as Director of the Company in accordance with Articles 95 and 96 of the Company's Constitution.		
6	To re-elect Tan Sri Dato' Low Boon Eng as Director of the Company in accordance with Articles 95 and 96 of the Company's Constitution.		
7	To re-elect Madam Leong So Seh as Director of the Company in accordance with Articles 95 and 96 of the Company's Constitution.		
8	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.		
9	To retain Madam Leong So Seh as an Independent Non-Executive Director		
10	To approve the Authority to issue Shares pursuant to Sections 75 and 76 of the Companies Act, 2016.		
11	To approve the Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.		

(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...2018

....
Signature/Common Seal of Shareholder(s)

Number of Shares held

CDS Account No.

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 2018. Only a depositor whose name appears on the General Record of Depositors as at 23 August 2018 shall be entitled to attend the said meeting or appoint a proxy to attend and vote on such depositor's behalf.

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.

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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.
Tel : 03-3258 3333
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